



Report and Financial Statements

1st August 2017 to 31st July 2018

To inspire, challenge and transform lives.

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Reference and Administrative Details

Board of Governors

Mr J Billington
Mr J Brown
Ms P Brown
Mr D Crosby
Prof R Dawson
Mc C Donovan
Mr N Draper
Mr A Gibbons
Mr M Harwood
Mr A Maher
Ms J McCormick
Mr M McManus
Ms B Rice
Mr K Rice
Mr M Robinson
Ms B Rowse
Ms J Simmons
Ms G Sloan
Ms R Tusa
Mr P Walton
Mr M Whelan
Ms Y Williams

Director of Governance - Anne-Marie Nixon

Principalship Team

Yana Williams - Principal and CEO: Accounting Officer
Matt Larkin - Vice Principal Finance & Corporate Services
David Rigby - Vice Principal Curriculum & Quality
Cathy Fairclough - Vice Principal Young People & Community
Cath Sullivan - Vice Principal People, Organisational Development and Culture
Pat Farrell - Corporate and Capital Development

Registered Office

Balliol Road
Bootle
Merseyside
L20 7EW

Professional Advisors

Internal Auditors	RSM UK The Steam Mill Steam Mill Street Chester CH3 5AN
External Auditors	WYLIE BISSET LLP 168 Bath Street Glasgow G2 4TP
Bankers	LLOYDS TSB Liverpool Law Courts 2-12 Lord Street Liverpool L2 1TS
Solicitors	EVERSHEDS 70 Great Bridgewater Street Manchester M1 5ES

Strategic Report

Nature, Objectives and Strategy:

The members present their report and the audited financial statements for the year ended 31 July 2018.

1. LEGAL STATUS

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Hugh Baird College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Instrument and Articles of Government under which the College is governed are the Further Education Corporation (Former Further Education Colleges) (Replacement of Instruments and Articles of Government) order 2007 as modified on 31 March 2012. The Corporation approved amendments to the Instrument and Articles of Government on 29 September 2016 and a copy is available on the College's website.

2. MISSION

The Corporation reviewed the College's mission on 26 October 2017 and confirmed the appropriateness of the College's Mission

"To inspire, challenge and transform lives".

3. PUBLIC BENEFIT

Hugh Baird College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 19.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

4. STRATEGIC PLAN AND CORPORATE OBJECTIVES

The 2017-19 Strategic Plan was reviewed and approved by the Corporation on 13 December 2017. The Corporation confirmed the relevance and appropriateness of the College's Mission and Statement of Aims as follows:

"To inspire, challenge and transform lives".

The strategic plan includes property and financial plans and the Corporation monitors the performance of the College against these plans. On 13 December 2017 the Corporation reviewed and approved the eight key strategic aims as:

1. Deliver outstanding quality across all aspects of the curriculum and College services
2. Provide a dynamic curriculum which meets local and national priorities, as well as the community as a whole by developing key transferable skills and employability
3. Work collaboratively to implement the proposals of the Area Based Review
4. Achieve progress towards outstanding financial status through efficiency and growth of current and new income streams
5. Build and maintain strong relationships with key stakeholders to maximise reputational opportunities
6. Deliver outstanding teaching, learning and assessment
7. Invest in the creation of an education estate that supports raised aspirations for learners of all ages
8. Build a national reputation for high quality maths and English delivery

The progress against the achievement of these aims is closely monitored through key performance indicators attached to each of the 8 key strategic aims and reported regularly to both senior managers and governors.

Quality indicators relate to attendance, punctuality, value added, retention, achievement, progression, destination, stakeholder satisfaction, the quality of teaching, learning and assessment and performance on GCSE maths and English programmes.

Of the 18 KPIs relating to curriculum and quality that can be ascertained at this stage, 5 (28%) were achieved successfully, relating to: punctuality, in-year retention, the proportion of learners making positive value added progress in the College's graded system, the proportion of high ALPS grades achieved and the proportion of employers recommending the College to others. In addition, 13 of the

18 KPIs (72%) improved in 2017/18 compared to equivalent performance in 2016/17.

13 KPIs (72%) were not achieved with the performance of 4 of these KPIs declining in 2017/18 compared to the previous year, namely: attendance, the proportion of learners making positive value added progress in the College's numbered system, the proportion of learners progressing from level 1 to level 2 provision and the satisfaction of HE students.

It is of note to also state that the College's figure for one of its KPIs, 99.2% of employers recommending the College to others, was the highest out of all 184 colleges across the country in 2017/18.

Financial sustainability indicators are driven largely by the indicators used by the Education and Skills Funding Agency, guidance from Department of Education and requirements of bank loan covenants.

The College has successfully met the criteria established by the Education and Skills Funding Agency to continue to report "Outstanding" financial health, and other stretching KPIs relating to finance contribute to this overall achievement.

Human Resources indicators also form an important part of the College's ongoing KPI monitoring. A range of aspects are covered, particularly staff turnover, staff costs to income ratio, agency spend, absence rates and completion of appraisals and mandatory training. The College employs 434 people (expressed as full time equivalents), of whom 196 are teaching staff.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates and is monitoring these through the completion of the annual Finance Record for the Education and Skills Funding Agency. The College is assessed by the Education and Skills Funding Agency as having an "outstanding" financial health rating for the 2016/17 financial year. The underlying rating of "outstanding" is considered an acceptable outcome. The College expects that, following the current year's financial performance as reported in these accounts, the Education & Skills Funding Agency will continue to assess the College as having "Outstanding" financial health.

FINANCIAL POSITION

Financial results

The College is pleased to report a surplus in 2017/18 following two years of deficits with an operating surplus of £1,262k (2016 - £105k) which is supported by the recognition of the investment gain attributable to incorporating the operation of South Sefton Sixth Form College from 1st December 2017. Cash at bank has also increased from £3,186k to £3,268k reflecting the cautious investment programmes and the strong link between profitability and cash performance. Lagged growth funding in relation to 16-18 learners combined with growth in HE, 14-16 and Apprenticeship delivery was supported by a strong focus on bringing staff costs in

line with national benchmarks of between 60-65%, benefitting from the restructuring programme commenced in 2015/16.

Fixed assets grew from £25,726k to £29,325k mainly due to the investment, supported by grant income, of the St Winefride's Church site into an innovative HEAT Hub which will be brought into use towards the end of 2018.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place incorporated with its Financial Regulations which were last approved by the Corporation in June 2018.

Cash flows and liquidity

The College's cash at bank at the year end was £3,268k (2017 £3,187k) Net cash inflow is reported at £3,484k in the year (2017 £2,333k) with fixed asset additions of £3,066k (2017 £400k).

The College maintains a loan which was taken out to fund capital investments in the L20 building and which stands at £2,934k at the year end. No new loans were taken out during the year and the College met all repayment and interest obligations.

The College expects to be judged as meeting in full its bank covenant obligations when measured against these 2017-18 financial statements, in accordance with the loan agreement.

Reserves Policy

The College has adopted a formal reserves policy which was approved by the Corporation in September 2016. The College holds and maintains reserves in order to achieve all elements of its Strategic Plan. The College believes that the most appropriate measure of the level of reserves to be maintained is the level of unrestricted cash held by the College, as measured at the year-end date of 31st July each year.

The minimum level of reserves that the College intends to hold shall be measured by the level of cash operating costs required to operate for a 3 month period. As the current level of reserves does not meet this policy objective, an action plan has been developed and approved by Finance and Resources Committee to address this.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2017/18 the College has delivered activity that has produced £14,106k in funding body main allocation funding (2016/17 – £13,683k). The College had approximately 5,450 funded students.

Student achievements

Learner achievement rates are a key performance indicator for the College. During 2017/18 the final overall achievement rate for 16 to 18 year old learners (excluding South Sefton provision, to allow for a valid comparison) was 83.1%, an increase of 0.6 percentage points upon the equivalent rate in 2016/17. The final overall achievement rate for 16 to 18 year olds learners (exclusive of maths and English provision and South Sefton) in 2017/18 was 90.1%, an increase of 1.2 percentage points upon the equivalent rate in 2016/17. The performance of adult learners, however, has declined in 2017/18 with the final overall achievement rate, 78.8%, being 5.9 percentage points below the equivalent rate in 2016/17. The adult achievement rate, exclusive of maths and English provision, shows a similar reduction with the 2017/18 figure of 84.5% being 5.4 percentage points below the equivalent rate in 2016/17.

Apprenticeship overall and timely achievement rates increased in 2017/18. The overall rate of 76.3% represents a 9.6 percentage point improvement upon the equivalent figure in 2016/17 whilst the timely achievement rate of 68.7% represents a 2.7 percentage point improvement upon the previous year.

Curriculum developments

The College is in a good position as it enters 2018/19. Regional strategic collaborations with, for example, the Combined Regional Authority (CRA) and the NHS are starting to develop opportunities that will enable the College to further develop as a strategic enabler and active participant in delivering key priorities across the City Region. To support the future viability of the College it is essential that we continue to develop our work in line with the CRA's 2018/23 Skills Strategy and accompanying sector-specific action plans. The 2018/23 Skills Strategy, in particular, offers a clear signpost as to future regional imperatives and the College's business planning continues to be guided by its content.

The College's AEB budget will be formally devolved by the CRA from September 2019 onwards and we will position ourselves as positively as possible over the coming months to maximise the strategic and financial benefits that will arise. Whilst the College will continue to offer significant amounts of maths, English and ESOL provision to meet regional priorities, there will also be opportunities to continue to expand provision such as health and care to further develop the College's strong links with local NHS trusts and support the successful opening of the St Winefride's Campus. The College's revised Health and Care Strategy

encapsulates this activity and will ensure our work is coordinated to maximise the opportunities that are being presented. The Strategy also brings together the work we are doing in a wider sense to support staff and learners' mental health.

During 2018/19, the College's curriculum offer will be significantly reviewed, partly to ensure that the College starts to actively prepare for the introduction of T-levels, including supporting the work required for the Capacity Development Fund, and also to ensure a college-wide approach to external assessment.

The College's HE provision continues to undertake a key strategic function for both the College and the region. We are proud to widen participation to the level that we do, recruiting almost four times as many harder-to-reach students than is the case nationally. In 2018/19 the College will continue to forge stronger links between the College's HE and FE curriculum, together with embedding quality mechanisms relating to the Office for Students.

Work is ongoing to fully embed South Sefton Campus into Hugh Baird College and in all respects the work undertaken during the last 12 months has been successful. Overall value added performance was very good and management of change processes have resulted in the right people now being in place.

Apprenticeship provision is improving well. The Ofsted inspection provided a clear view to managers and the College as to where our improvement priorities were and staff have responded positively in starting to embed new systems and processes. Recruiting Calderdale College as our improvement partner, with funding provided by the SCIF, will enable the College to devote significant time to further improving this provision in 2018/19. The post-Levy landscape has yet to stabilise fully and this is impacting upon our being able to accurately target specific sectors and employers but the relationships managers have been able to make are very positive as demonstrated by the College having the highest employer satisfaction rate out of all 184 GFE Colleges across the country in the 2017/18 FE Choices survey.

Rightly, the CRA's 2018/23 Skills Strategy makes improving the maths and English skills of the region's young people its top priority whilst it is expected that we will continue to spend significant amounts of devolved AEB on adult maths and English programmes; both factors that reinforce the importance of this provision to the College's strategic standing. As a College we have adapted our Maths and English Strategy on an annual basis and a key focus for 2018/19 is to fully embed this as, broadly, in its current version it represents both a synthesis of best external practice and also aspects learnt from our own experiences and therefore should form the basis of our work in the area for several years to come.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2017 to 31 July 2018, the College paid 86% of its invoices within 30 days of receipt. The College incurred no interest charges in respect of late payment for this period.

Future prospects

The College has established a budget for 2018/19 which is focused on ensuring that the College maintains the financial efficiency of its operation whilst maintaining its ability to deliver high quality provision to learners in the locality. It will do this by ensuring that staff costs as a proportion of income remain in line with sector benchmarks, whilst budgeting for stability in learner numbers in most areas. Whilst opportunities for growth through the expansion of Higher Education, 14-16 delivery, Advanced Learner Loans and Apprenticeships will be maximised where possible, the College budgets prudently to ensure that its core business delivers key objectives of financial stability and operational effectiveness.

In 2017 the College was successful in securing £4.0m to support the development of the St Winefride's Church site into a Health Education and Training Hub which is intended to commence operation from November 2018 and will provide an outstanding and innovative facility, working with MerseyCare NHS Trust, to support learners and residents in the locality.

The College has implemented the first stage of the Liverpool City Region Area Based Review by taking on the operation of South Sefton College from 1st December 2017. In June 2018 the College, jointly with Southport College, resolved to withdraw from proposals in the Liverpool City Region Area Based Review to seek to merge with Southport College.

RESOURCES

The College invests in the learner experience through both the use of qualified and experienced staff and also through the provision of excellent facilities.

Our staff team are our most important resource. The College continues to invest in staff training and development through internal and external courses and provide opportunities for continued professional development to all staff. The College currently employs 434 full time equivalent staff.

The most significant investment in the year has been the development of the HEAT Hub which is funded primarily through a grant funding agreement with the Liverpool City Region. With a total construction value of £4.0m the site represents a significant opportunity to continue to deliver in LEP priority areas, and will also provide a central focus of joint working with the NHS through MerseyCare NHS

Trust in the Life Rooms facility. There were no other significant investments in fixed assets during 2017/18, though the College continues to invest in equipment and facilities to continue to support the learning and progress of our students. Investments made in recent years in the Port Academy Liverpool building and the L20 University Centre demonstrate the College's vision of the level of facilities required to meet the needs of stakeholders. The Balliol Centre building and Sixth Form Academy buildings are currently fit for purpose though continue to require ongoing investment to ensure that they meet changing demands.

5. PRINCIPAL RISKS AND UNCERTAINTIES

The College's Risk Management Policy focuses on identifying strategic risks aligned to the strategic objectives of the College, and operational risk and their management in the context of the approved risk appetite of the College. The College has continued to work during the year to develop and embed the robust systems of internal control, including financial, operational and risk management, which are designed to protect the College's assets and reputation.

Based on the strategic plan, the Principalship, as advised by the Risk Review Group, undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions, which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent term's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the termly review, the Risk Review Group also considers any risks, which may arise as a result of a new area of work being undertaken by the College.

A Strategic Risk Register is maintained at the College level, which is reviewed regularly by the Audit Committee and annually by the Corporation. The Strategic Risk Register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by the development of the operational register and risk management training to raise awareness of risk throughout the College.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also present risk to the College.

Government funding

The College has considerable reliance on continued government funding through the EFSA and HEFCE. In 2017/18, 90% of the College's revenue was ultimately public funded and reliance at this level is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same level or on the same terms. Devolution of the Adult Education Budget funding to the Liverpool City Region will present opportunities and challenges as this funding stream is configured to local demands.

Loan covenant compliance

The College breached the terms of its loan covenant with weak financial performance through 2014/15 and 2015/16. By significantly improving the financial performance of the College the covenants in the loan agreement are now met in full. By working closely with the bank and developing robust plans to address weaknesses in financial performance, the College does not expect any changes to be made to the existing loan arrangements, including the term and interest rates associated with the loan.

Tuition fee policy

Ministers have confirmed the fee assumption is 50% in 2017/18. In line with the majority of other colleges, Hugh Baird College will seek to maintain tuition fees in accordance with the fee assumptions.

The risk for the College is that the demand falls off as fees increase and students are increasingly asked to fund their courses through student loans. This could impact on the growth strategy of the College. This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demands for courses as prices change.

Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102. Levels of contributions made by the College to fund the historic deficit and ongoing costs of operation will continue to reflect macro economic factors outside of the control of the College, and are expected to rise in the short to medium term.

Area Based Review

The Liverpool City Region Area Based Review concluded in October 2016 and made recommendations on the future direction of Further Education in the LEP area. Structural changes already implemented to the College and other Colleges in the area will continue to affect the landscape within which the College operates.

6. STAKEHOLDER RELATIONSHIPS

In line with other colleges and universities, Hugh Baird College has many stakeholders. These include:

- Students;
- Educational Sector Funding Bodies;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices / Regional Development Agencies / LEP;

- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies;
- Franchised Partner Universities.

The College recognises the importance of these relationships and engages in regular communication with them through the College internet site and by meetings.

Equal Opportunities

Hugh Baird College's driving mission is to promote equality, social inclusion and regeneration in all that we do. The College will achieve this through four key objectives which are:

- Develop and improve our responses and learning provision to under represented groups. We will aim to increase participation and improve community cohesion.
- Develop responses to address social and economic disadvantage. We will develop and deliver projects that seek to engage hard to reach learners.
- Narrow the gaps to achievement between different groups of learners. We will provide timely support to enable curriculum teams to respond positively to under-achievement.
- Ensure our learners are well equipped with the skills and knowledge to live and work in a diverse and multi-cultural society.

The College will increase opportunities for delivering teaching and learning that improves group cohesion and values diverse contributions and ensure teaching and learning positively represents different groups within society.

Hugh Baird College celebrates equality and diversity and offers equal opportunities to all. The College welcomes applications from the lesbian, gay, bisexual and transgender communities.

The College publishes an annual Equality and Diversity Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010.

The annual Equality and Diversity Report reviews our progress over the last year in relation to equality and diversity and is one of the ways we make visible how we are meeting our obligations to recognise diversity and promote equality. The report reflects the work of the College within our diverse communities as well as reporting key equality data/information.

We have firm expectations from our staff and students and work with various internal and external groups to consult and develop how we can improve and maintain our interwoven approach to equality and diversity, reflecting our organisations values of;

- Integrity and honesty – we act honestly, ethically and legally in all we do
- Openness – we are open to new ideas and share knowledge

- Trust and mutual respect – we treat everyone with fairness and integrity
- Courage – we have the courage to act on our convictions
- Social Responsibility – we are responsible to our colleagues, students and the environment where we live and work
- Accountability – we are accountable for our actions and seek to improve lives
- Excellence – we strive for excellence in all we do

Employment of Disabled Persons

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees.

Disability Statement

100% of the College accommodation used for curriculum delivery in 2016/17 was accessible by wheelchair users.

The Additional Learner Support Team makes detailed assessment of learners' support needs in order to provide appropriate support.

The College has made a significant investment in the appointment of staff to support learners with learning difficulties and/or disabilities. There is a team of Academic Support Workers and Care Assistants who provide support for learning. In addition, there is a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities.

Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format.

Counselling and welfare services are described in the College Charter.

Trade Union Facility Time at Hugh Baird College – July 2018

As part of the Trade Union (Facility Time Publication Requirements) Regulations 2017, which took effect from 1st April 2017, we are required to publish information on trade union facility time.

Hugh Baird College recognises the following trade unions for the purpose of collective bargaining:

- NASUWT and NEU for teaching staff
- UCU for lecturing and management spine staff
- UCU and NEU for management spine staff
- UNISON and UNITE for support staff

For the period 1st April 2017 to 31st March 2018 the following applies:

Number of employees who were relevant trade union officials	Full –time equivalent employee number
7	6.813

Percentage of time spent on facility time	Number of employees
0%	0
1-50%	7
51-99%	0
100%	0

Total cost of facility time	£4,293
Total Pay Bill (1st April 2017 to 31st March 2018)	£14,230,880
Percentage of total pay bill spent on facility time	0.03%

Time spent on paid trade union activities as a percentage of total paid facility time hours	16.43%
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Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 12 December 2018 and signed on its behalf by:

D Crosby

D. Crosby
Chair of the Corporation

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2017 to 31st July 2018 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the Code”), formal adoption of the Code was confirmed on 24 June 2015 and
- iii. having regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 24 June 2015. The Corporation has not adopted and therefore does not apply the UK Corporate Governance Code. However, it has reported on its Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code it considers to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code and has monitored its compliance with each aspect of the 10 principal responsibilities during 2017/18. In considering the Code’s statement that governors should not normally serve for more than two terms (or a maximum of eight years) except where subsequently undertaking a new and more senior role, for example as Chair, the Corporation approved one exception during 2017/18. This appointment related to the individual who was Chair Designate and became Chair of the Corporation with effect from 10 September 2017. The two other members granted exceptional status in 2016/17 resigned during the course of 2017/18 (the Chair of the Corporation on 10 September 2017 and the Chair of Finance and Resources Committee at the end of his 9th successive year on 1 July 2018). The decision to grant exceptional approval to enable the Chair to serve for more than 8 successive years was made in recognition of the need to maintain a level of experience on a Board where the significant majority of members were still serving their first term of office. In 2016/17 the Corporation’s review of compliance with the Code identified some weaknesses in the quality and timeliness of management information provided to governors relating to: subcontracting monitoring and some improvements to the operation of Remuneration Committee including the adoption of a revised remuneration policy. The associated improvement measures were implemented during the course of 2017/18 and the Corporation is awaiting production of the AoC’s annexe to the Code covering

remuneration of senior managers before making any further changes. A detailed RAG rated schedule of compliance with the Code has been submitted to the external auditors to support the governance statement.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

The Corporation

	Date of Appointment	Current Term of office	Date of resignation / end of term of office	Status of appointment	Committees served	Attendance*
Mr J Billington	05 September 2013	4 years	End of term of office 5 September 2017	Business Support Staff member	Audit	N/A - No meetings before end of term of office
Mr J Brown	25 November 2008; reappointed 25 November 2012; reappointed 25 November 2016	20 months to 31 July 2018	Resigned with effect from 10 September 2017	Chair of Corporation	Search & Governance Committee, Finance & Resources Committee, Remuneration Committee; Appeals Committee	N/A - No meetings before end of term of office
Ms. P. Brown	23 June 2016 Reappointed 23 June 2017 for a further 12 months Reappointed for a further 2 years until 22 June 2020	4 years		Independent member	Moved from Quality and Standards Committee to Audit Committee	12/13 92%

	Date of Appointment	Current Term of office	Date of resignation / end of term of office	Status of appointment	Committees served	Attendance*
Mr D Crosby	23 September 2009 (4 year term); reappointed 23 September 2013 (4 Year term); reappointed until 22 September 2018 (1 year term); reappointed until 21 September 2020 (2 year term)	2 years		Chair	Chair of the Corporation from 10 September 2017; Member of Quality and Standards Committee, Appeals Committee, Search and Governance Committee, Finance and Resources Committee, Remuneration Committee	25/27 93%
Prof R Dawson	1 December 2017	1 year		Independent member	Quality and Standards Committee	6/10 60%
Ms C Donovan	11 September 2017 (1-year term); extended to 30 August 2020	2 years	Resigned with effect from 26 October 2018	Independent member	Quality and Standards Committee	11/14 79%
Mr N Draper	07 July 2009 (4-year term); reappointed 01 July 2013 (4-year term); Reappointed 1 July 2017 for 12 months	1 year	Term of office ended 30 June 2018	Independent member	Chair of Finance and Resources Committee, Search & Governance Committee Remuneration Committee	16/20 80%
Mr A Gibbons	1 December 2017	1 year		Independent member	Audit Committee	9/10 90%

	Date of Appointment	Current Term of office	Date of resignation / end of term of office	Status of appointment	Committees served	Attendance*
Mr M Harwood	22 June 2016 reappointed for 12 months to 22 June 2017; extended to 21 June 2018	2 years	Resigned 22 March 2018	Independent member	Chair of Quality & Standards Committee; Search and Governance Committee; Remuneration Committee	11/15 73%
Mr. A Maher	10 February 2017 (1 year term)	1 year	Term of office ended 9 February 2018	Independent member	Quality and Standards Committee	3/8 38%
Ms J McCormick	14 October 2015	4 years		Academic Staff member	Quality and Standards Committee	14/14 100%
Mr M McManus	23 September 2015	4 years		Independent member	Audit Committee	7/13 54%
Ms B Rice	22 June 2016 extended by 12 months until 22 June 2017; reappointed to 21 June 2020	4 years		Independent member	Chair of Audit Committee; Remuneration Committee; Tender Evaluation Panel	13/16 81%
Mr K Rice	21 November 2017	4 years		Business Support Staff member	Quality and Standards Committee	11/11 100%

	Date of Appointment	Current Term of office	Date of resignation / end of term of office	Status of appointment	Committees served	Attendance*
Mr M Robinson	23 September 2015	4 years		Independent member	Vice Chair of the Corporation, Finance and Resources Committee, Remuneration Committee Search and Governance Committee; Appeals Committee and Tender Evaluation Panel	21/21 100%
Ms B Rouse	27 November 2014	4 years	1 September 2017	Independent member	Quality and Standards Committee, Appeals Committee	N/A as no meetings before resignation
Ms J Simmons	28 July 2017; reappointed for a further 2 until 26 July 2020	2 years		Independent member	Quality and Standards Committee; Search and Governance Committee; Pay Review Committee	9/15 60%
Ms G Sloan	1 September 2017 (1 year); reappointed for a further 2 years until 31 August 2020	2 years		Independent member	Finance and Resources Committee	9/15 60%
Ms R Tusa	30 October 2017 (1 year term)	1 year	Resigned at end of study 21 June 2018	FE Student Governor	Quality and Standards Committee	10/12 83%
Mr. P Walton	3 February 2017 (1 year term); reappointed 1 March 2018 to 31 July 2019	17 months	Resigned on 27 June 2018	HE Student Governor	Quality and Standards Committee	6/12 50%

	Date of Appointment	Current Term of office	Date of resignation / end of term of office	Status of appointment	Committees served	Attendance*
Mr M Whelan	10 February 2017 (1 year term); reappointed 10 February 2018 until 9 February 2019 (1 year term)	1 year		Independent member	Audit Committee	8/13 62%
Ms Y Williams	03 January 2012	Until appointment ceases		Principal and Chief Executive	Finance and Resources Committee, Search and Governance Committee, Tender Evaluation Panel and Quality and Standards Committee.	23/24 96%

Members' terms of office vary between one and four years. All initial appointments are for one year which may be extended to a full four-year term upon successful completion of a probationary review with the Chair of the Corporation. As the Corporation has been working towards the implementation of the recommendations arising from the Area Based Review reappointments and new appointments from January 2017 were limited to 12 months. This limit was lifted by the Corporation on 20 June 2018 when it approved recommendations from Search and Governance Committee to offer reappointments of 2 years. In 2018/19 the Corporation will be considering four year terms of office.

Corporation Meetings

During 2017/18 there were 32 official meetings of the Corporation and its Committees. Attendance of governors for the past three years by meeting is shown below:

Year	No. of Meetings	Actual Attendance	Possible Attendance	Percentage
2017/18	32	227	288	79%
2016/17	30	196	244	80%
2015/16	33	237	274	86%

Attendance of governors for the past three years by membership is shown below:

	2017/18	2016/17	2015/16
Governors	76%	83%	84%
Students	67%	75%	90%
Staff	100%	77%	96%
Principal	96%	92%	96%

Attendance of governors for the past three years by Category of meeting by is shown below

	2017/18	2016/17	2015/16
Corporation <i>(including Strategic Planning Conference)</i>			
Governors	71%	77%	79%
Students	79%	78%	83%
Staff	100%	73%	100%
Principal	100%	100%	100%
Committees			
Governors	82%	87%	90%
Students	50%	73%	100%
Staff	100%	82%	91%
Principal	93%	89%	93%

In addition to governor attendance Dr. Michael Homfray was appointed as a Co-opted member of Quality and Standards Committee from 1 December 2017 for an initial period of 12 months and during the period up to 31 July 2018 he attended 2 out of a possible 4 meetings of Quality and Standards Committee, with an attendance rate of 50% for the year.

Joint Steering Group / Transitional Board Meetings During 2017/18

During 2017/18 representatives from Hugh Baird College Corporation met with representatives from Southport College Corporation as a Joint Steering Group / Transitional Board to update progress on the implementation of the Liverpool City Region Area Based Review on 3 occasions. The attendance for Hugh Baird Governors is shown below:

	2017/18	
Governors	7/7	100%
Principal	3/3	100%

As these attendance rates have not been included within the Corporation and Committee statistics detailed above, the impact of these attendances if taken into account as part of the Corporation and Strategic Planning Conference attendance rates and the overall rate for independent members and the Principal is as follows:

	Date of Appointment	Current Term of office	Date of resignation / end of term of office	Status of appointment	Committees served	Attendance*
Mr D Crosby	As detailed above	2 years		Chair	As detailed above plus Joint Steering Group / Transitional Board	28/30 93%
Mr M Robinson	As detailed above	4 years		Independent member	As detailed above plus Joint Steering Group / Transitional Board	24/24 100%
Ms J Simmons	As detailed above	2 years		Independent member	As detailed above plus Joint Steering Group / Transitional Board	10/16 63%
Ms Y Williams	As detailed above	Until appointment ceases		Principal and Chief Executive	As detailed above plus Joint Steering Group / Transitional Board	26/27 96%

Impact on overall attendance

Year	No. of Meetings	Actual Attendance	Possible Attendance	Percentage
2017/18	35	233	292	80%
2016/17	30	196	244	80%
2015/16	33	237	274	86%

Impact on attendance of governors for the past three years by membership is shown below:

	2017/18	2016/17	2015/16
Governors	77%	83%	84%
Students	67%	75%	90%
Staff	100%	77%	96%
Principal	96%	92%	96%

Impact on attendance of governors for the past three years by category of meeting by is shown below

	2017/18	2016/17	2015/16
Corporation (including Strategic Planning Conference)			
Governors	73%	77%	79%
Students	79%	78%	83%
Staff	100%	73%	100%
Principal	100%	100%	100%

Appointments since 31 July 2018

On 20 June 2018 the Corporation, in recognition of the need to fill vacancies created by the resignation of the Chair of Quality and Standards Committee and the retirement of the Chair of Finance and Resources Committee and increase skills as identified in the May 2018 skills audit review, approved delegated authority to the Chair in association with Search and Governance Committee to appoint up to 3 suitably skilled and experienced individuals before the Corporation's first meeting of the 2018/19 academic year on 17 October 2018. On 22 August Search and Governance Committee met and in accordance with the delegated authority detailed above, resolved to appoint Ms. Karen Mahon for an initial period of 12 months with effect from 23 August 2018.

On 19 September 2018 the Search and Governance Committee met and recommended the appointment of Ms. Lydia Redican and Mr. Keith Lockhart for an initial period of 12 months commencing following receipt of DBS clearance from 17 October 2018. This recommendation was approved by the Corporation on 17 October 2018.

Resignations and retirements since 31 July 2018

Dr Michael Homfray resigned as Co-opted Member of Quality and Standards Committee with effect from 09 October 2018.

Ms Christina Donovan resigned as an independent governor and member of Quality and Standards Committee with effect from 26 October 2018.

Ms. Anne-Marie Nixon was the Director of Governance during the period 1 August 2017 to 31 July 2018.

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation met 8 times during 2017/18 and held 1 Strategic Planning Conference.

The Corporation conducts its business through a number of committees. Each Committee has terms of reference, which have been approved by the Corporation. These Committees are: Search and Governance Committee; Remuneration Committee; Audit Committee; Finance and Resources Committee; Quality and Standards Committee; Appeals Committee; Appointment Panel for Senior Postholders and Pay Review Committee. Where the Committee does not have delegated powers for the determination of a matter it will make a recommendation for the Corporation Board to consider and confirm or otherwise. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College website (www.hughbaird.ac.uk) or from the Director of Governance at:

Hugh Baird College
Balliol Road
Bootle
L20 7EW

The statutory accounts are made available on the College website (www.hughbaird.ac.uk) by the 31 January following the year end date.

The Director of Governance maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Director of Governance, who is responsible to the Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Director of Governance are matters for the Corporation as a whole.

Formal agenda, papers and reports are supplied to governors seven days in advance of Corporation and Committee meetings. Briefings are also provided on an ad hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal and Chief Executive of the College are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole, with the exception of the delegated authority granted by the Corporation on 20 June 2018. The Search and Governance Committee is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required and an annual schedule of training is approved at the first meeting of the Corporation each academic year.

Members of the Corporation are appointed for a term of office not exceeding four years. Each member can serve the equivalent of two four-year terms of office with a third four-year term (maximum 12 years) by exception.

Corporation performance

The Corporation conducts an annual appraisal of its performance which for 2017/18 will include the detailed commentary on compliance with and application of the Code of Good Governance for English Colleges. The Chair and Vice Chair of the Corporation review the individual governors' appraisal records and the outcomes are used to inform the governance section of the College-wide Leadership and Management Self-Assessment Report which is approved by the Corporation every December. In December 2017 the Corporation reviewed the SAR following a detailed validation process which included governors serving on the interview panel and accompanying managers from their respective link governor areas and approved the following statement on governance performance:

Governance arrangements are highly effective. Governors have a wide range of strategic business, education and finance skills, experience and links to the College's communities and use these to help develop the College's strategic direction and monitor its performance. Governors have worked with senior managers to develop a Strategic Plan which is closely aligned to the Liverpool City Region priorities. The Corporation's skills audit is reviewed and refreshed regularly and all recruitment and selection processes are conducted through the Search and Governance Committee in accordance with the Corporation's commitment to outstanding open governance. Governors ensure that they receive regular assurance in relation to risk management, financial control and governance, through detailed audits of key areas, including strategic planning and financial governance. Detailed self-assessment of governance is conducted annually and governors play an active part in the College-wide SAR validation process. The Corporation has recently refreshed its membership of Quality and Standards Committee to ensure that high levels of scrutiny and challenge are maintained.

Governors know the College well and have regular contact with staff, students and employers including through innovative student-led training sessions, a link governor scheme and College visits and Learning Reviews. Governors spend time sharing their expertise with students and staff. Examples include volunteering as interviewers for preparation for employment interviews for the Prince's Trust Programmes and providing training and development in software packages. In addition, representatives of the Student Council are invited to participate in all meetings of the Quality and Standards Committee and present student issues and the Council's progress against targets and priorities. Governors participate in a wide range of events celebrating students' and staff achievements.

Governors embrace the College's culture of high expectations and are pro-active in driving the College's mission and in following through their own continuous professional development. Governors receive regular and detailed training in all aspects of their role and minutes of meetings provide strong evidence of the part Governors play in monitoring the quality of the College's provision and challenging managers about the quality and quantity of information they receive in relation to the impact of performance

improvement actions. Leaders and governors stringent monitoring of the College's financial recovery plan has resulted in the College returning to outstanding financial health following two years of decline. Governors track in-year progress of students through scheduled reports to Corporation and its Committees and through random sampling of students undertaking English and maths GCSEs.

Governors are well informed about the strengths and weaknesses of the College's provision and use data to hold managers to account. A Task and Finish Group has been established to enable very detailed scrutiny and analysis of curriculum areas making insufficient progress against previously identified performance improvement actions.

Remuneration Committee

Throughout the year ending 31 July 2018 the College's Remuneration Committee comprised five members of the Corporation. The Committee's responsibilities are to monitor the progress of senior postholders' targets and make recommendations to the Board on the remuneration and benefits of the accounting Officer and other senior postholders.

Details of the remuneration for the year ended 31 July 2018 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises a Chair, and up to four other members of the Corporation (excluding the Principal and Chief Executive and the Chair of the Corporation). The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets at least termly and provides a forum for reporting by the College's internal and external auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the Education and Skills Funding Agency as they affect the College's business.

Management is responsible for the implementation of agreed audit recommendations, and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal and external auditors and their remuneration for both audit and non-audit work.

Search and Governance Committee

During 2017/18 Search and Governance Committee met three times and fulfilled its terms of reference in relation to advising the Corporation on all matters relating to its composition and the development of governance best practice. Minutes of all meetings

are available on the College website. During 2017/18 the Committee advised the Corporation on succession planning, recommended appointments, reviewed the role descriptions, person specifications and skills audit of governors and induction training package in addition to consideration of compliance with the Code of Good Governance.

Finance and Resources Committee

During 2017/18 Finance and Resources Committee met six times and scrutinised and challenged management reports on the College's financial position at each meeting. Each of the six meetings focussed on the efficient and effective use of resources, the solvency of the institution and the progress of the 2017/18 budget. Consideration was also given to the draft estimates of income and expenditure for 2018/19 before being formally approved by the Corporation on 20 June 2018. The Committee has detailed terms of reference approved by the Corporation. The Committee (including the Principal and Chief Executive as a member) provided clear direction on the development of the 2018/19 budget which would enable the College to meet its bank loan covenants and retain outstanding financial health.

Quality and Standards Committee

The Quality and Standards Committee met five times during 2017/18 and has detailed terms of reference approved by the Corporation. The Committee agrees an annual schedule of business (including opportunities for continuous professional development for Committee members) at its first meeting each academic year and on 27 September 2017 presented an annual report of its work to the Corporation. The annual report identified key areas of strength and weakness and the Principalship has implemented performance improvement action plans to address weaknesses. In addition to the Committee's scrutiny and challenge of success rates, governors participate in the validation panel scrutiny of the College-wide self-assessment report before the final report is submitted for Board approval in December. During 2017/18 Governors enlisted the support of a National Leader of Governance to provide advice on best practice in management reporting of curriculum and quality issues and to address the point relating to information to governors raised during the February 2018 Ofsted inspection. The outcome of this support is a College-wide quality report which will be submitted to every meeting of Quality and Standards Committee during 2018/19, with an executive summary of performance against corporate key performance indicators to all meetings of the Corporation.

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal and Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in

accordance with the responsibilities assigned to her in the Financial Memorandum between Hugh Baird College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Hugh Baird College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Hugh Baird College has retained an internal audit service, which operates in accordance with the requirements of the ESFA's *Joint Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. The Internal Audit Partner provides the governing body with an annual report on internal audit activity in the College, following review and detailed discussion with the Audit Committee. The report includes the internal auditors' independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal and Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes recommendations and detailed minutes of all meetings of Audit Committee throughout the year. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2018 meeting, the Corporation will be carrying out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"*.

Going concern

After making appropriate enquiries as set out in note 1 to the accounts, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding and agreement and contracts with ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with ESFA.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify and material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's grant funding agreements and contract with ESFA.

We confirm that no instances of material irregularity, impropriety or non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the ESFA.

D Crosby

Y Williams

D Crosby
Chair of the Corporation
Date: 12 December 2018

Y Williams
Principal and Chief Executive
Date: 12 December 2018

Statement of the Responsibilities of the Members of the Corporation

The members of the Corporation of the College are required to present audited financial statements for each financial year.

Within the terms and conditions of the College's grant funding agreements with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting and standards have been followed, subject to a material departure disclosed and explained in the financial statements;
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and High Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard assets of the College and to prevent and detect fraud and other irregularities.

The Corporation is responsible for the maintenance and integrity of the college's website; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from ESFA are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and

expenditure so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 12 December 2018 and signed on its behalf by:

Signed on behalf of the Corporation

D Crosby

D Crosby
Chair of the Corporation
Date: 12 December 2018

**HUGH BAIRD COLLEGE
INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HUGH BAIRD
COLLEGE FOR THE YEAR ENDED 31 JULY 2018**

Opinion

We have audited the financial statements of Hugh Baird College (the 'college') for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies and other explanatory information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the college's affairs as at 31 July 2018, and of its income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the college or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion the financial statements in accordance with applicable law and with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by Skills Funding Agency.

Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or for or to any other person, for our audit work, for this report, or for the opinions we have formed.

Wylie & Bisset LLP

Chartered Accountants

Statutory Auditor

168 Bath Street

Glasgow

G2 4TP

Date: 18/12/2018

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY

To: The Corporation of Hugh Baird College and Secretary of State for Education, acting through the Department for Education ('the Department')

In accordance with the terms of our engagement letter dated 23 September 2016 and further to the requirements of the financial memorandum with Education and Skill Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Hugh Baird College during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice ("the Code") issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the Department has other assurance arrangements in place.

This report is made solely to the corporation of Hugh Baird College and the Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Hugh Baird College and the Department those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Hugh Baird College and the Department for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Hugh Baird College and the reporting accountant

The Corporation of Hugh Baird College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the Department. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Wylie & Bisset LLP

Chartered Accountants

Statutory Auditor

168 Bath Street

Glasgow

G2 4TP

Date: 18/12/2018

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 AUGUST 2017 TO 31 JULY 2018

<u>Income</u>	Notes	2018 £'000	2017 £'000
Funding body grants	2	14,106	13,683
Tuition fees and education contracts	3	5,451	5,080
Donation of fixed assets	10	1,951	-
Other income	4	1,228	554
Investment income	5	6	3
Total Income		22,742	19,320
 <u>Expenditure</u>			
Staff costs	6	14,638	12,932
Fundamental restructuring costs	6	143	-
Other operating expenses	7	4,951	4,522
Interest payable	8	332	331
Depreciation	10	1,416	1,430
Total expenditure		21,480	19,215
Surplus before gains and losses		1,262	105
Surplus before tax		1,262	105
Taxation	9	-	-
Surplus for the year		1,262	105
Actuarial gain in respect of pension schemes	16	2,613	522
Total Comprehensive Income for the year		3,875	627

STATEMENT OF CHANGES IN RESERVES

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1st August 2016	4,327	1,408	5,735
Surplus from the income and expenditure account	105	-	105
Other comprehensive income	522	-	522
Transfers between revaluation and income and expenditure reserves	59	(59)	-
Total comprehensive income for the year	686	(59)	627
Balance at 31st July 2017	5,013	1,349	6,362
Surplus from the income and expenditure account	1,262	-	1,262
Other comprehensive income	2,613	-	2,613
Transfers between revaluation and income and expenditure reserves	59	(59)	-
Total comprehensive income for the year	3,934	(59)	3,875
Balance at 31st July 2018	8,942	1,290	10,232

BALANCE SHEET AS AT 31 JULY 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	10	29,326	25,725
Current assets			
Debtors (net of bad debts provision)	11	820	495
Cash at bank and in hand	15	<u>3,267</u>	<u>3,187</u>
Total current assets		4,087	3,682
Creditors: amounts falling due within one year	12	3,520	3,203
Total net current assets		567	479
Total assets less current liabilities		29,893	26,204
Creditors: amounts falling due after more than one year	13	13,335	11,650
Net assets excluding pension liability		16,558	14,554
Net pension liability	16	(6,326)	(8,192)
Net assets including pension liability		<u>10,232</u>	<u>6,362</u>
Reserves			
Revaluation reserve		1,290	1,349
Income & expenditure account		15,268	13,205
Restricted reserve		-	-
Pension reserve		<u>(6,326)</u>	<u>(8,192)</u>
Total		<u>10,232</u>	<u>6,362</u>

The financial statements on pages 42 to 64 were approved by the Corporation on 12 December 2018 and were signed on its behalf by:

D Crosby

Y Williams

D. Crosby
Chair of the Corporation

Y. Williams
Principal and Chief Executive

STATEMENT OF CASHFLOWS

FOR THE PERIOD FROM 1 AUGUST 2017 TO 31 JULY 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities:			
Surplus for the year		1,262	105
Adjustment for non-cash items			
Depreciation	10	1,416	1,430
Increase in debtors	11	(325)	(7)
Increase in creditors due within one year	12	251	348
Increase/(Decrease) in creditors due after one year	13	1,961	(279)
Donation of fixed assets	10	(1,951)	-
Pensions costs less contributions payable	16	544	408
Adjustment for investing or financing activities			
Investment income	5	(6)	(3)
Interest payable	8	332	331
Net cash flow from operating activities		3,484	2,333
Cash flows from investing activities			
Investment income	5	6	3
Payments to acquire fixed assets	10	(3,066)	(400)
		(3,060)	(379)
Cash flows from financing activities			
Interest paid	8	(129)	(138)
Repayments of amounts borrowed	12	(214)	(204)
		(343)	(342)
Increase/(decrease) in cash and cash equivalents in the year		81	1,594
Cash and cash equivalents at the beginning of the year		3,187	1,593
Cash and cash equivalents at the end of the year		3,268	3,187

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM
1ST AUGUST 2017 TO 31ST JULY 2018

1. STATEMENT OF ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of Preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice - Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP)*, the *Accounts Direction for 2017-2018* and in accordance with Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the management to exercise judgement in applying the College’s accounting policies.

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £2,934,000 of loans outstanding with bankers on terms negotiated in 2013. The terms of the existing agreement are for up to another 11 years. The College’s forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants going forwards. Covenant breaches were identified during the year 2016/17, and Management have been engaged with the bank to ensure their continued support.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of Income

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Funding body recurrent grants are recognised in line with best estimates for the period for what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding bodies or other bodies received in respect of acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Post Employment Benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Merseyside Pension Fund (MPF). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

Teachers Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Merseyside Pension Fund (MPF)

The MPF is a funded scheme. The assets of the MPF are measured using closing fair values. MPF liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in other actuarial gains and losses.

Short Term Employment Benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Tangible Fixed Assets

a) Land and Buildings

The College's policy is to carry all assets at historical cost, except for inherited assets which are included in the balance sheet at their valuation at the time of incorporation.

Freehold land is not depreciated. Freehold buildings are depreciated over the expected useful economic life to the College or 40 years, whichever is the shorter.

Where land and buildings are acquired or modified with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

b) Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Inherited equipment has been fully depreciated. All other equipment is depreciated over its useful economic life on a straight line basis as follows:

Motor vehicles and general equipment	10 years
Computer equipment	5 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the useful economic life of the related equipment.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Maintenance of Premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period in which it is incurred.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions would be recognised when:

- The College has a present legal or constructive obligation as the result of a past event

- It is probable that a transfer of economic benefit will be required to settle the obligation, and
- A reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Cash and cash equivalents

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 20 except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

2. FUNDING BODY GRANTS

	2018	2017
	£'000	£'000
ESFA Recurrent Grant (16-18)	8,761	8,634
ESFA Recurrent Grant (Adults)	1,967	1,903
ESFA Apprentices	1,428	1,323
ESFA 14 – 16 Funding	960	824
ESFA Pupil Premium	70	80
Release of deferred capital grants	396	454
ESFA PCDL	113	113
ESFA Thornton LLDD	411	352
	14,106	13,683

3. TUITION FEES AND EDUCATION CONTRACTS

	2018 £'000	2017 £'000
UK Further Education students	176	217
UK Higher Education students	3,992	3,387
	4,168	3,604
LEA	44	54
Youth Training	196	196
Advanced Learner Loans	525	757
Thornton – SMBC	503	442
Sport England Lottery Grant	15	27
	5,451	5,080

4. OTHER INCOME

	2018 £'000	2017 £'000
Examination fees	3	6
Sales and other income	1,225	549
	1,228	554

5. INVESTMENT INCOME

	2018 £'000	2017 £'000
Interest receivable	<u>6</u>	<u>3</u>

6. STAFF NUMBERS AND COST

The average number of persons (including senior post holders) employed by the College during the year, expressed as full time equivalents was:

	2018 Numbers	2017 Numbers
Teaching Staff	196	185
Non-Teaching Staff	238	234
	434	419

	2018 £'000	2017 £'000
Staff costs for the above persons:-		
Wages and Salaries	11,481	10,177
Social Security Costs	1,041	880
Other Pension Costs	2,259	1,875
Total Staff Costs	14,781	12,932

Fundamental restructuring costs	143	-
---------------------------------	-----	---

Exceptional restructuring costs amounted to £143,000 in the year. These costs relate to redundancy payments made to staff following College staffing restructure.

The number of staff, including senior post-holders (shown in brackets) and the Principal and Chief Executive, who received emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	2018	2017
£60,001 - £70,000	3(1)	5(2)
£70,001 - £80,000	4(1)	0
£120,001 - £130,000	-	1(1)
£130,001 - £140,000	1(1)	-
	8	6

KEY MANAGEMENT PERSONNEL

Senior post-holders are defined as the Principal and Chief Executive and holders of the other senior posts whom the Corporation have selected for the purposes of the Articles of Government of the College relating to the appointment and promotion of staff who are appointed by the Corporation.

	2018 Number	2017 Number
The number of senior post-holders including the Principal and Chief Executive	4	3
Senior post-holders' emoluments are made up as follows:	£	£
Salaries	325,721	247,000
Benefits in kind	-	-
Pension contributions	45,341	37,123
	<u>371,062</u>	<u>284,123</u>

The above emoluments include amounts payable to the Principal and Chief Executive (who is the highest paid senior post holder) of:

	2018	2017
	£	£
Salary	132,654	125,000
Benefits in kind	-	-
Pension contributions	21,861	20,600
Total emoluments	<u>154,515</u>	<u>145,600</u>

The pension contributions in respect of the Principal and Chief Executive and senior post holders are in respect of employer's contributions to the Teachers' Pension and Merseyside Pension Fund and are paid at the same rate as for other employees.

7. OTHER OPERATING EXPENSES

	2018 £'000	2017 £'000
Teaching Costs	1,893	1,817
Non-Teaching Costs	1,858	1,766
Premises Costs	1,200	939
	4,951	4,522

Other operating expenses include:

Auditor's remuneration

- external audit	22	22
- external audit (non-audit services)	7	19
- internal audit	20	20
Hire of plant and machinery:		
- operating leases	54	21

8. INTEREST PAYABLE

	2018 £'000	2017 £'000
Pension finance costs (note 16)	203	193
Interest Cost on Bank Loan	129	138
Total	332	331

During the period, loan interest of £128,517 (2016-17 £137,527) was paid to Lloyds Bank. The loan is being paid on a fixed rate of 4.2% over a term of 15 years.

9. TAXATION

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

10. TANGIBLE FIXED ASSETS

	Freehold Land and buildings £'000	Assets under Construction £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2017	35,145		13,662	48,807
Additions	2,017	2,464	536	5,017
At 31 July 2018	<u>37,162</u>	<u>2,464</u>	<u>14,198</u>	<u>53,824</u>
Depreciation				
At 1 August 2017	11,297		11,785	23,082
Depreciation Charge	873		543	1,416
At 31 July 2018	<u>12,170</u>	<u>-</u>	<u>12,328</u>	<u>24,498</u>
Net book value at 31 July 2018	<u>24,992</u>	<u>2,464</u>	<u>1,870</u>	<u>29,326</u>
Net book value at 31 July 2017	<u>23,848</u>	<u>-</u>	<u>1,877</u>	<u>25,725</u>

During the year, the College entered into an agreement with Sefton Council to take on the operation of South Sefton Sixth Form College including its property. The valuation of the property of £1,951k is included in additions.

Land & Buildings were valued at incorporation at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the local authority at incorporation have been valued by the College on a depreciated replacement cost basis. The College does not have a policy for revaluation.

11. TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Amounts falling due within one year		
Trade receivables (net of bad debts provision)	203	76
Prepayments and accrued income	617	419
	820	495

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Bank Loans	223	214
Payments on account	724	534
Trade creditors	409	113
Taxation and social security	179	111
Accruals	1,173	1,379
Deferred income – government capital grants	454	387
Deferred income – government revenue grants	358	465
	3,520	3,203

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £'000	2017 £'000
Bank Loans	2,711	2,934
Deferred income – government capital grants	10,624	8,716
	13,335	11,650

14. MATURITY OF DEBT

Bank loans are repayable as follows:	2018 £'000	2017 £'000
In one year or less	223	214
Between one and two years	232	223
Between two and five years	1,034	727
In five or more years	1,445	1,984
	<u>2,934</u>	<u>3,148</u>

15. CASH AND CASH EQUIVALENTS

	At 1 August 2017 £'000	Cashflows £'000	At 31 July 2018 £'000
Cash and cash equivalents	3,187	81	3,268
Total	<u>3,187</u>	<u>81</u>	<u>3,268</u>

16. DEFINED BENEFIT OBLIGATIONS

The College's employees belong to two pension schemes, the Teachers' Pension Scheme (TPS) and the Merseyside Pension Fund (MPF). Both are defined benefit schemes.

Total Pension Cost for the year	2018	2017
	£'000	£'000
Teachers' Pension Scheme: Contributions paid	932	803
Merseyside Pension Scheme: Contributions paid	615	529
FRS 102 (28) charge	523	408
Total Pension Cost for the year within staff costs	<u>2,070</u>	<u>1,740</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the Teachers' Pension Scheme was 31 March 2012 and the Merseyside Pension Scheme was 31 March 2016.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

TEACHERS' PENSION SCHEME

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;

- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from April 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The total pension costs paid to TPS in the year amounted to £1,486,000 (2016/2017: £1,251,000).

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

MERSEYSIDE PENSION FUND

The MPF is a funded defined benefit plan, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2018 was £855,000, of which employer's contributions totalled £598,000 and employees' contributions totalled £257,000. The agreed contribution rate for 2017/18 was 14.3% for employers and between 5.5% and 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	3.6%	3.7%
Rate of increase in pensions	2.2%	2.2%
Discount rate for scheme liabilities	2.9%	2.6%
Inflation Assumption (CPI)	2.1%	2.2%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2018	At 31 July 2017
<i>Retiring Today</i>	<i>Years</i>	<i>Years</i>
Males	22.0	21.6
Females	24.8	24.7
<i>Retiring in 20 years</i>	<i>Years</i>	<i>Years</i>
Males	25.0	24.2
Females	27.8	27.7

The College's share of the assets in the plan at the balance sheet date and the expected rates of return were:

	2018		2017	
	Long Term rate of Return expected at 31.7.18	Fair Value at 31.7.18 £'000	Long Term rate of Return expected at 31.7.17	Fair Value at 31.7.17 £'000
Equities	41.4%	8,352	52.4%	9,590
Government Bonds	6.5%	1,311	3.4%	622
Other Bonds	22.6%	4,559	12.1%	2,214
Property	7.2%	1,452	8.0%	1,464
Cash/Liquidity	5.9%	1,190	4.8%	878
Other	16.4%	3,308	19.3%	3,532
Total Market Value of assets		20,172		18,300
Present value of scheme liabilities		(26,498)		(26,492)
Related deferred tax liability		-		-
Deficit in the scheme		(6,326)		(8,192)

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2018 £'000	2017 £'000
Fair value of plan assets	20,172	18,300
Present value of plan liabilities	(26,498)	(26,492)
Net pensions liability	(6,326)	(8,192)

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

Amounts included in staff costs:

	2018 £'000	2017 £'000
Current Service Cost	1,327	1,104

Amounts included in Interest Payable:

	2018 £'000	2017 £'000
Net interest income	203	193

Amounts recognised in Other Comprehensive Income

	2018 £'000	2017 £'000
Return on pension plan assets	768	1,039
Changes in assumptions underlying the present value of plan liabilities	1,845	(517)
Amount recognised in Other Comprehensive Income	(2,613)	(522)

Movement in net defined benefit liability during the year

	2018 £'000	2017 £'000
Deficit in scheme at 1 August	(8,192)	(8,094)
Movement in year:		
Current service cost	(1,327)	(1,104)
Employer contributions	804	697
Net interest/return on assets	(203)	(193)
Administration Cost	(21)	(19)
Curtailment settlement	-	(1)
Actuarial loss	2,613	522
Deficit in scheme at 31 July	(6,326)	(8,192)

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2018 £'000	2017 £'000
Defined benefit obligations at start of period	26,492	24,680
Current service cost	1,327	1,104
Interest cost	687	611
Member contributions	256	237
Experience gains and losses on defined benefit obligations	(1,845)	517
Changes in financial assumptions		
Estimated benefits paid	(419)	(658)
Curtailments and settlements	-	1
Net benefit obligation at end of period	26,498	26,492

Change in fair value of plan assets

	2018 £'000	2017 £'000
Fair value of plan assets at start of period	18,300	16,586
Interest on plan assets	484	418
Remeasurements (assets)	768	1,039
Employer contributions	804	697
Member contributions	256	237
Benefits paid	(419)	(658)
Administration Expenses	(21)	(19)
Fair value of plan assets at end of period	20,172	18,300

17. CAPITAL COMMITMENTS

	2018 £'000	2017 £'000
LEP Capital Grants	1,562	-
	1,562	-

18. FINANCIAL COMMITMENTS

At 31 July, the College had annual commitments under non-cancellable operating leases as follows:

	2018 £'000	2017 £'000
Expiring within one year	54	54
Expiring between two and five years inclusive	109	163
Expiring in five years or more	-	-
	163	217

19. RELATED PARTY TRANSACTIONS

Owing to the nature of the College's operations and the composition of the Corporation being drawn from local public and private sector organisations, it is inevitable that some transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £927.25 relating to 8 governors. This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and events in their official capacity.

No Governor has received any remuneration, however waived payments of expenses during the year amount to £982.44.

Liverpool City Region Academy Trust

Hugh Baird College is the sponsor of Liverpool City Region Education Trust (LCRAT). Emslie Morgan Academy is the sole member school of the trust. Mr J Brown, Former Chair of Hugh Baird College, is a trustee of Liverpool City Region Academy Trust. Mr M Larkin, Vice Principal Finance and Corporate Services and Senior Postholder of Hugh Baird College, was appointed as Trustee of LCRAT on 12 September 2018.

During the year Hugh Baird College has invoiced Emslie Morgan Academy for £11,798 in respect of accounting and administration services provided to the Trust during the year in accordance with the Service Level agreement with LCRAT.

20. LEARNER SUPPORT FUND

	2018 £'000	2017 £'000
Education Skills Funding Agency	935	958
Prior Year Release	23	34
Disbursed to Students	(815)	(830)
Administration Costs	(53)	(44)
Balance unspent at 31 July, included in creditors	90	118

Funding body grants are available solely for students. The College acts only as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.