



Report and Financial Statements

1st August 2018 to 31st July 2019

To inspire, challenge and transform lives.

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Reference and Administrative Details

Board of Governors

Ms P Brown
Mr D Crosby
Prof R Dawson
Ms C Donovan
Mr A Gibbons
Ms R Ingham
Mr K Lockhart
Ms K Mahon
Ms J McCormick
Mr M McManus
Ms L Redican
Ms B Rice
Mr K Rice
Mr M Robinson
Ms J Simmons
Ms G Sloan
Mr A Spencer
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
Cath Sullivan - Vice Principal People, Organisational Development and Culture
Pat Farrell - Corporate and Capital Development

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Solicitors

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Strategic Report

Nature, Objectives and Strategy:

The members present their report and the audited financial statements for the year ended 31 July 2019.

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 and strategic plan on 8 February 2019, 27 March 2019 and 19 June 2019. On 19 June 2019 the Corporation finalised the 2019-21 strategic plan and confirmed the appropriateness of the College's Mission:

"To inspire, challenge and transform lives".

3. STRATEGY

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 2019-21 Strategic Plan was reviewed and approved by the Corporation on 19 June 2019. 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 quality 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 attached to the 2017-19 strategic plan as:

- Deliver outstanding quality across all aspects of the curriculum and College services
- 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
- Work collaboratively to implement the proposals of the Area Based Review
- Achieve progress towards outstanding financial status through efficiency and growth of current and new income streams
- Build and maintain strong relationships with key stakeholders to maximise reputational opportunities
- Deliver outstanding teaching, learning and assessment
- Invest in the creation of an education estate that supports raised aspirations for learners of all ages
- Build a national reputation for high quality maths and English delivery

The progress against the achievement of these aims was closely monitored through key performance indicators attached to each of the 8 key strategic aims and reported regularly to both senior managers and governors throughout 2018-19. On 19 June 2019 the Corporation approved seven new strategic aims as part of the 2019-21 Strategic Plan as follows:

- Maximise the opportunities of working with the Liverpool City Region Combined Authority to meet local and regional skills needs
- Provide a challenging, well-thought-out and evidence-based curriculum offer that reflects local need and is implemented with integrity and in the best interest of all learners
- Maintain a robust and sustainable financial position to support a highly effective operation which meets and exceeds the demands of external stakeholders
- Embed outstanding employer engagement across the College to enrich learning and develop the employability skills of all

- Deliver fun and unmissable lessons that learners enjoy, attend and which support them to make progress and achieve their potential
- Create an estate that fulfils the local community's aspirations
- Empower staff to act with integrity within a solution-focussed culture

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 46 KPIs relating to curriculum and quality that can be ascertained at this stage, 20 (45%) were achieved successfully, relating to: learner retention across nearly all metrics in which it was used, the ALPS value added scores on A level and level 3 BTEC programmes, apprenticeship timely achievement rates, progress in English and maths, value added for level 3 Tech levels and the percentage of high needs learners who accessed work experience. In addition, 13 (30%) of the KPIs improved in 2018/19 compared to equivalent performance in 2017/18.

Of the remaining KPIs, 11 (25%) were not achieved having declined in 2018/19 compared to the previous year, namely: attendance across the College (excluding maths and English) and in full time 14 to 16 provision; punctuality; the proportion of learners making positive value added progress in the College's numbered system; the proportion of learners moving to a positive destination; the Applied General value added score; the proportion of HE students and 14 to 16 learners making positive value added progress in the College's internal systems, the overall apprenticeship achievement rate, the proportion of learners accessing work experience and the student satisfaction in relation to teaching.

FUTURE PROSPECTS

Financial results

The College reports a deficit in 2018/19 of £(280)k (2018 - £1,262k) after accounting for a £370k charge to recognise the potential impact of the McCloud judgement. Cash at bank has increased from £3,267k to £3,352k with operational performance generating cash for investments in fixed assets in the year.

Fixed assets grew from £29,326k to £30,093k mainly due to the investment, supported by grant income, of the St Winefride's Church site into an innovative HEAT Hub which was brought into use in March 2019.

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 2019.

Cash flows and liquidity

The College's cash at bank at the year end was £3,352k (2018 £3,267k) Net cash inflow is reported at £2,614k in the year (2018 £3,484k) with fixed asset additions of £2,200k (2018 £3,066k).

The College maintains a loan which was taken out to fund capital investments in the L20 building and which stands at £2,711k 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 2018-19 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.

Going Concern

After making appropriate enquiries, 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.

Student achievements

The key headlines are as follows:

- The headline achievement rate for 16 to 18 year olds increased in 2018/19 as a consequence of improved retention and pass rates on “core” (not including maths and English) learning aims.
- A level performance is very good. High grade pass rates have improved when compared to the previous year, although the overall pass rate has decreased slightly. Although the College’s rates are below national average figures for high grades, the College is closing the gap in all three measures (A*, A*- B and A*- C). In addition, the College’s improving rates in all three measures bucks the national trend which saw all three measures reduce in 2018/19.
- A level ALPS performance is excellent, with an overall score of ‘2’ indicating that comparative value added performance is within the top 10% nationally. In 2018/19, 58.2% of entries obtained a ‘red’ value added grade (i.e. a grade 1, 2 or 3), an improvement of 10.5 percentage points upon 2017/18. In addition, in 2018/19 only 3.4% of entries obtained a ‘blue’ value added grade (i.e. a grade 7, 8 or 9), an improvement of 10.9 percentage points.
- There is some excellent performance in post-16 GCSE maths, particularly:
 - 52.5% of 16 to 18 year olds already in possession of a grade D or ‘3’ obtained at least a grade 4, representing a 19.7 percentage point improvement upon the equivalent rate in 2017/18.
 - 70.1% of all adults obtained at least a grade 4, representing a 16.7 percentage point improvement upon the equivalent rate in 2017/18.
- The overall performance of GCSE English for 16 to 18 year olds, although broadly static when compared to 2017/18, is disappointing and this remains a key area of improvement for the College. Only 22.2% of 16 to 18 year olds already in possession of a grade D or ‘3’ obtained at least a grade 4, representing a 2.0 percentage point improvement upon the equivalent rate in 2017/18. The performance of adults on GCSE English was good with 57.4% obtaining at least a grade ‘4’, representing a 7.4 percentage point improvement upon the equivalent rate in 2017/18.
- The GCSE performance within the full time 14 to 16 provision continues to incrementally improve, although the College recognises that more improvement is required. The strong performance in GCSE Maths noted for

16+ learners is also evident here, with 40% of entries obtaining at least a grade '4', representing an increase of 18 percentage points when compared to the equivalent rate in 2017/18. Performance in GCSE English was equivalent to 2017/18 whilst the change to the Double Award in Science, from triple entry in 2017/18, led to improved results, with 17% of entrants obtaining at least a grade '4'. Computer Science results were, once again, poor and this course has now been removed from the curriculum offer with the Y11 cohort being the last to study the subject and Y10 learners studying a two year Cambridge iMedia level 2 vocational qualification instead.

16 to 18 year olds

- The headline achievement rate for 16 to 18 year olds increased in 2018/19 as a consequence of improved retention and pass rates on "core" (not including maths and English) learning aims.
- The College continues to support 16 to 18 year olds to gain their "core" learning aims at ever increasing rates and the achievement rate of 89.7% obtained in 2018/19 is the highest rate ever achieved by the College for this age group.
- The headline data is impacted significantly by achievement rates on maths and English qualifications which in 2018/19 accounts for 41% of starts within the 16 to 18 year old cohort compared to 36% of all starts in 2017/18.
- There is some very good performance within Maths and English for 16 to 18 year olds, particularly for GCSE Maths. However, overall retention rates and pass rates have declined in both GCSE and Functional Skills. For GCSE, the overall achievement rate fell by 2.3 percentage points, primarily due to a reduction in retention, primarily due to a higher proportion of learners not attending their GCSE examinations in the summer. Achievement rates for Functional Skills are very poor, with an overall achievement rate of 40.0% - a reduction of 23.6 percentage points – primarily due to very low achievement rates for the Connect learners.

Adults

- The headline achievement rate increased by 5.8 percentage points in 2018/19 as a consequence of both improved retention and pass rates. Improvement was noted across the majority of qualification types, with the exception of 'Access to HE' and 'Awards' which saw a reduction of 3.2 and 0.4 percentage points, respectively.
- A more direct comparison at qualification type level between the College rates and the equivalent 2017/18 national averages show that the College's achievement rate for four qualification types – Diplomas, ESOL, GCSE and Other Non Regulated – are above national average rates whilst achievement rate for four qualification types – Access to HE, Awards, Basic Skills Maths and English and Certificates – are below national average rates. Again, the area that compares most poorly to the national picture is functional skills with an achievement rate of 61.5% that, although an improvement of 3.3 percentage points when compared to the College's rate in 2017/18, is still 17.8 percentage points below the national average.

The timely apprenticeship achievement rate increased in 2018/19, with a final figure of 77.0% being 8.3 percentage points above the equivalent rate from 2017/18. The overall apprenticeship achievement rate of 74.7%, however, was 2.0 percentage points below the equivalent rate from the previous year.

Curriculum developments

The College is in an extremely good position as it enters 2019/20. Regional strategic collaborations with, for example, the Combined Regional Authority (CRA) and the NHS are developing opportunities that will enable the College to further develop as a strategic enabler and active participant in delivering key priorities across the City Region. The College's AEB budget has been 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 and health and care programmes have seen over a 300% increase during the last 3 years.

During 2018/19, the College's curriculum offer was significantly reviewed as part of a revised Curriculum Review process, partly to ensure that the College started to actively prepare for the introduction of T-levels, including supporting the work required for the Capacity Development Fund, and the College was selected as a 2021 pilot provider for the delivery of T levels.

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 2019/20, 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.

Embedding South Sefton Campus into Hugh Baird College has been highly successful over the last 12 months, both in relation to learner outcomes and increased enrolments in 2019/20. Overall value added performance was excellent.

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 responded positively to embed new systems and processes. Recruiting Calderdale College as our improvement partner, with funding provided by the Strategic College Improvement Fund, worked well and enabled a number of specific improvement initiatives to be delivered during the last 12 months.

As a College we have adapted our Maths and English Strategy on an annual basis and a key focus for 2019/20 is to support learner engagement and, 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 2018 to 31 July 2019, the College paid 87% 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 2019/20 which continues to focus 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.

The completion of the development on the St Winefride's Church site, supported by £4.0m grant funding from the Liverpool City Region Combined Authority, commenced operation from November 2018 and provides an outstanding and innovative facility, working with MerseyCare NHS Trust, to support learners and residents in the locality.

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 452 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 Combined Authority. 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. 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

Risk Management

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 higher education funding via government loan provision. In 2018/19, 89% 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 from September 2019 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 co-funding fee assumption is 50% in 2019/20 subject to the detailed funding rules. 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 the fall in demand 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 Liverpool City Region. Structural changes already implemented to the College and other Colleges in the area will continue to affect the landscape within which the College operates.