



## **Report and Financial Statements**

**1<sup>st</sup> August 2016 to 31<sup>st</sup> July 2017**

*To inspire, challenge and transform lives.*

## **KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS**

### **Key Management Personnel**

Key management personnel are defined as members of the Principalship Team and are represented by the following in 2016/17:-

- 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

### **Board of Governors**

A full list of Governors is given on page 16 of these financial statements.

Mrs AM Nixon acted as Director of Governance throughout the period.

### **Professional Advisers during the period**

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  THE ROYAL BANK OF SCOTLAND 1 Dale Street Liverpool L2 2PP
Solicitors	EVERSHEDS 70 Great Bridgewater Street Manchester M1 5ES

<b>CONTENTS</b>	<b>PAGE</b>
Report of the Governing Body	4
Statement of Corporate Governance and Internal Control	15
Statement of Regularity, Propriety and Compliance	26
Statement of the Responsibilities of the Members of the Corporation	27
Independent Auditor's Report to the Corporation of Hugh Baird College	29
Reporting Accountant's Assurance Report on Regularity	31
Statement of Comprehensive Income	33
Statement of Changes in Reserves	34
Balance Sheet	35
Statement of Cashflows	36
Notes to the Accounts	37

## **REPORT OF THE GOVERNING BODY**

### **Nature, Objectives and Strategy:**

**The members present their report and the audited financial statements for the year ended 31 July 2017.**

#### **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 2016 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 16.

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 2015-17 Strategic Plan was reviewed and approved by the Corporation on 24 April 2015, 24 June 2015 and 14 October 2015. The Strategic Plan 2016-18 was reviewed by the Board on 26 October 2016 when approval was granted to a strategic focus on collaboration, quality and skills, which included working collaboratively to implement the proposals of the Area Based Review and 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 26 October 2016 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

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 20 KPIs that relate to curriculum and quality, two measures cannot be ascertained at this stage as data collection is still ongoing. Of the remaining 18 KPIs, 7 (38%) were successfully achieved relating to: whole College attendance, overall and timely apprenticeship success rates, parental and employer satisfaction, the NVQ value added measure and the proportion of learning reviews not containing significant areas of improvement. In addition, however, 12 of the 18 (67%) KPIs improved in 2016/17 when compared with equivalent performance in 2015/16 and 1 (6%) KPI was equal to the figure obtained in 2015/16.

11 (61%) KPIs were not achieved including: punctuality; in-year retention; employability value added; BTEC value added; FE, HE and 14 to 16 satisfaction rates; the proportion of learning reviews containing more significant strengths than strengths; and all three KPIs relating to maths and English performance. Of these 11 KPIs, six (55%) did increase during 2016/17 but, clearly, not to the target level.

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.

Of the 9 KPIs established to monitor the financial performance and efficiency of the College the College successfully met 4, including the key success measure of expecting to report “Outstanding” financial health . Of the remaining 5 KPIs, the College was close to achieving stretching targets in relation to profitability as well as efficiency targets in terms of pay costs to income ratios and average class sizes. All financial and efficiency KPIs reported improvements compared to 2015/16

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 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. College is assessed by the Education and Skills Funding Agency as having a “Satisfactory” financial health rating for the 2015/16 financial year, with an underlying rating of “Good”. The underlying rating of “Good” 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 assess the College as having “Outstanding” financial health.

## **FINANCIAL POSITION**

### **Financial results**

The College is pleased to report a surplus in 2016/17 following two years of deficits with an operating surplus of £105k (2016 - £(2,225k). Cash at bank has also increased from £1,593k to £3,186k 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 fell from £26,737k to £25,725k due to annual depreciation with no significant in year investments taking place.

### **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 2017.

### **Cash flows and liquidity**

The College's cash at bank at the year end was £3,193k (2016 £1,593k) Net cash inflow is reported at £2,332k in the year (2016 £2,181k) with fixed asset additions of £400k (2016 £3,143k).

The College maintains a loan which was taken out to fund capital investments in the L20 building and which stands at £3,148k 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 2016-17 financial statements, in accordance with the loan agreement. During 2015-16 the year the College identified breaches of certain covenants in relation to this loan. Management engaged with the bank to ensure their continued support and the bank has continued to indicate its intention to continue to support the College however a formal waiver of the breach has not been issued.

### **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 & Resources Committee to address this.

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

### **Student numbers**

In 2016/17 the College has delivered activity that has produced £13,683k in funding body main allocation funding (2015/16 – £13,222k). The College had approximately 5,528 funded students.

### **Student achievements**

Achievement rates are a key performance indicator for the College. The final overall achievement rate for post-16 learners in 2016/17 was 83.3%, up from 79.6% in 2015/16. The final overall achievement rate for post-16 learners (exclusive of maths and English) in 2016/17 was 89.3%, an increase of 3.4 percentage points upon the equivalent rate in 2015/16. The final achievement rate for the College's full time provision for 14 to 16 year olds in 2016/17 was 51.0%, a 3.1 percentage point reduction upon the equivalent rate in 2015/16.

### **Curriculum developments**

The development of the College's curriculum offer continues to be informed by opportunities that match the Liverpool City Region's Local Enterprise Partnership (LCR LEP) priorities and whilst all areas of the College's academic provision focus upon this facet of our work, other strategic considerations informing curriculum planning include:

- The introduction of the Employer Levy to support apprenticeship delivery and, at present, a curriculum offer has been identified that both builds on existing employer links whilst also looking to develop opportunities for new employer links, particularly with those employers who employ less than 50 employees (and for whom all apprenticeship training would be funded by the Government).
- The revision of the curriculum offer in line with inclusion of qualifications on performance tables is resulting in the entire existing curriculum offer at level 3 and level 2 being replaced by new qualifications. This process has been ongoing for several years and, although still in a period of transition, more and more of the College's curriculum offer has now been replaced with qualifications that demonstrate the following attributes:
  - Size: a minimum of 150 guided learning hours (for level 3 Applied General and level 2 Technical Certificates) or 300 guided learning hours (for level 3 Tech Level).
  - Declared purpose: a statement about the purpose of the qualification to help students make informed decisions about which qualifications to take.
  - Recognition: the value of the qualification to end users must be proved with letters of support from Higher Education institutions or employers as appropriate.
  - Appropriate content: content must match the purpose. Applied General qualifications must have a minimum of 60% mandatory content, while Tech Level and Technical Certificates must have a minimum of 40% mandatory content. The rest of the qualification can be chosen from a range of optional content.
  - External assessment: a minimum of 25% of the content externally assessed for Technical Certificates qualifications, 30% for Tech Level and 40% for Applied General.
  - Synoptic assessment: to help a student develop appreciation of the connections across a subject.



- Employer involvement: For Tech Level and Technical Certificates only. Employers must be involved in the delivery and / or assessment of these qualifications.
- In addition to the point above, the College is required to be cognisant of the upcoming changes that will result following the introduction of the Skills Plan, expected to be in place for delivery from September 2019. This will result in another significant change to the College's skills offer including an increase to the amount of training for 16 to 19-year-olds by 50%, to 900 hours a year.

### **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, and the College works to ensure this is met or exceeded. The College incurred no interest charges in respect of late payment for this period.

## **Events after the end of the reporting period**

On 1<sup>st</sup> December 2017 Hugh Baird College will enter into an agreement with Sefton Council to take on the operation of South Sefton College, an unincorporated 6<sup>th</sup> Form College which until its closure operated as a Foundation School.

## **Future prospects**

The College has established a budget for 2017/18 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 continuing to grow its provision of Higher Education and 14-16 delivery. Opportunities for growth through the expansion of Advanced Learner Loans and the introduction of the Apprenticeship Levy will be maximised.

The College has been successful in being allocated £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 September 2018.

The College has already implemented the first stage of the Liverpool City Region Area Based Review by taking on the operation of South Sefton College from 1<sup>st</sup> December 2017. The further impact of the recommendations of the Liverpool City Region Area Based Review are likely to directly affect the College as merger opportunities are considered by the Board throughout 2017/18 and beyond, with the College sharing a vision of a single Sefton College as the most effective approach to delivering education within the Sefton area.

## **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 419 full time equivalent staff.

There were no significant investments in fixed assets during 2016/17, though the College invested £334k 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 termly 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 2016/17, 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.

### **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 2016/17. 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 to the College and other Colleges in the area will 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.

#### **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 29<sup>th</sup> November 2017 and signed on its behalf by:-

*D. Crosby*

D. Crosby  
Chair of Governors

## 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 2016 to 31st July 2017 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 2016/17. 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 three third terms of office. These appointments were for the Chair of the Corporation from November 2016 – September 2017; the Vice Chair and Chair Designate for 12 months from September 2017 and the Chair of Finance and Resources for 12 months from July 2017. These decisions were made in recognition of the need to maintain a balance of experience as the Corporation implemented the recommendations arising from the Liverpool City Region Area Based Review. 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 will be closely monitored during 2017/18. 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

	<b>Date of Appointment</b>	<b>Term of office</b>	<b>Date of resignation / end of term of office</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Attendance*</b>
Mr J Billington	05 September 2013	4 years	End of term of office 5 September 2017	Business Support Staff member	Audit	8 out of 12 - 67%
Mr J Brown	25 November 2008; reappointed 25 November 2012; reappointed 25 November 2016	20 months to 31 July 2018	10 September 2017	Chair of Corporation	Search & Governance Committee, Finance & Resources Committee, Remuneration Committee; Appeals Committee	17 out of 22 77%
Ms. P. Brown	23 June 2016  Reappointed 23 June 2017 for a further 12 months	2 years			Quality and Standards Committee	12 out of 14 86%
Ms K Cantlie	26 April 2016	1 year	9 November 2016	HE Student member	Quality and Standards Committee	0 out of 4 0%
Mr D Crosby	23 September 2009; reappointed 23 September 2013; reappointed until 22 September 2018	1 year		Vice Chair	Chair of Quality and Standards Committee, Appeals Committee, Search and Governance Committee, Finance and Resources Committee, Remuneration Committee	23 out of 27 85%
Mr N Draper	07 July 2009; reappointed 01 July 2013;  Reappointed 1 July 2017 for 12 months	1 year		Independent member	Chair of Finance and Resources Committee,  Search & Governance Committee	18 out of 19 95%
Mr M Harwood	22 June 2016 extended for 12 months to 22 June 2018	2 years		Independent member	Quality & Standards Committee; Chair of Search and Governance Committee	15 out of 17 88%



	<b>Date of Appointment</b>	<b>Term of office</b>	<b>Date of resignation / end of term of office</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Attendance*</b>
Mr. A Maher	10 February 2017	1 year (probationary period)		Independent member	Quality and Standards Committee	4 out of 7 57%
Ms J McCormick	14 October 2015	4 years		Academic Staff member	Quality and Standards Committee	9 out of 10 90%
Mr M McManus	23 September 2015	4 years		Independent member	Audit Committee	6 out of 12 50%
Mr J Moran	08 June 2016	1 Year	End of term of office	Student member	Quality and Standards Committee	7 out of 12 58%
Mr A Moss	19 October 2011 18 October 2015	4 years 1 year and extended until 1 December 2016	Term of office ended on 1 December 2016	Independent member	Chair Audit Committee, Remuneration Committee, Appeals Committee,	5 out of 7 71%
Ms B Rice	22 June 2016 extended by 12 months	2 years		Independent member	Chair of Audit Committee	9 out of 13 69%
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 and Appeals Committee	17 out of 19 89%
Ms B Rouse	27 November 2014	4 years	1 September 2017	Independent member	Quality and Standards Committee, Appeals Committee	13 out of 14 93%
Ms J Simmons	28 July 2017	1 year and provisional on the transfer of South Sefton College being completed		Independent member	Quality and Standards Committee	N/A

	<b>Date of Appointment</b>	<b>Term of office</b>	<b>Date of resignation / end of term of office</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Attendance*</b>
Mr. P Walton	3 February 2017	1 year		HE Student Governor	Quality and Standards Committee	8 out of 8 100%
Mr M Whelan	10 February 2017	1 year (probationary period)		Independent member	Audit Committee	5 out of 6 83%
Ms Y Williams	03 January 2012			Principal and Chief Executive	Finance and Resources Committee, Search and Governance Committee, Tender Clarification Panel and Quality and Standards Committee.	

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 have been limited to 12 months.

### Corporation Meetings

During 2016/17 there were 30 official meetings of the Corporation and its Committees. Attendance for the past three years by meeting is shown below:

<b>Year</b>	<b>No. of Meetings</b>	<b>Actual Attendance</b>	<b>Possible Attendance</b>	<b>Percentage</b>
2016/17	30	196	244	80%
2015/16	33	237	274	86%
2014/15	29	188	257	73.1%

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

	<b>2016/17</b>	<b>2015/16</b>	<b>2014/15</b>
Governors	83%	84%	75.5%
Students	75%	90%	40%
Staff	77%	96%	70.8%
Principal	92%	96%	90%

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

	2016/17	2015/16	2014/15
<b>Corporation</b>			
Governors	77%	79%	70%
Students	78%	83%	45%
Staff	73%	100%	69%
Principal	100%	100%	100%
<b>Committees</b>			
Governors	87%	90%	78%
Students	73%	100%	57%
Staff	82%	91%	78%
Principal	89%	93%	86%

### **Appointments since 31 July 2017**

On 13 July 2017 and 2 August 2017 the Search and Governance Committee recommended appointments and the following appointments were made by written resolution on 28 July 2017:

Ms. Geraldine Sloan for a period of 12 months commencing 1 September 2017 to 31 August 2018

Ms. Judith Simmons (provisional and dependent on the completion of the transfer of South Sefton College to Hugh Baird Corporation for a period of 12 months commencing 28 July 2017 to 27 July 2018

On 2 August 2017 the Search and Governance Committee recommended appointments and the following appointments were made by written resolution on 30 August 2017

Ms Christina Donovan for a period of 12 months commencing 11 September 2017 to 10 September 2018

Mr. Ross Dawson (provisional and dependent on the completion of the transfer of South Sefton College to Hugh Baird Corporation for a period of 12 months commencing from the date of transfer).

Mr. Andrew Gibbons (provisional and dependent on the completion of the transfer of South Sefton College to Hugh Baird Corporation for a period of 12 months commencing from the date of transfer).

Dr. Michael Homfray (Co-opted member of Quality and Standards Committee only) (provisional and dependent on the completion of the transfer of South Sefton College to Hugh Baird Corporation for a period of 12 months commencing from the date of transfer).

### **Resignations and retirements since 31 July 2017**

Ms Barbara Rouse resigned from the Corporation with effect from 1 September 2017.

Mr. James Brown resigned from the Corporation with effect from 10 September 2017.

Ms. Anne-Marie Nixon was the Director of Governance during the period 1 August 2016 to 31 July 2017.

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 7 times during 2016/17

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 & Governance Committee, Remuneration Committee, Audit Committee, Finance and Resources Committee; Quality & Standards Committee; Appeals Committee and the Appointment Panel for Senior Postholders. 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](http://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](http://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. 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 September Corporation meeting.

Members of the Corporation are appointed for a term of office not exceeding four years. Each member can serve two terms of office with a third term by exception.

### **Corporation performance**

The Corporation conducts an annual appraisal of its performance which for 2016/17 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 2016 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:

The College benefits from a governing body made up of individuals from diverse backgrounds with skills and experience to support the strategic direction and development of the College as an outstanding regional provider of education, training and access to employment. An audit of skills is reviewed 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. Detailed self-assessment of governance is conducted annually and governors play an active part in the College-wide SAR validation process.

Governors know the College well and receive regular, detailed reports on the College's performance. They have a clear understanding of their role and minutes of meetings provide strong evidence of the part Governors play in monitoring the quality of the College's performance, particularly in relation to teaching, learning and assessment and of the nature of governor 'challenge'. Governors are involved in the setting and monitoring of detailed performance targets for senior post holders and ensure that these targets are closely aligned to the realisation of the College's strategic priorities.

Governors embrace and apply the College's culture of high expectations and actively pursue their own continuing professional development, both in terms of participation in a wide variety of training and development sessions and regular contribution to national research into governance best practice. Governors are actively involved in the College. They engage with staff and students through the link governor scheme and participate in a range of student-led training sessions and student awards ceremonies and events. In addition, representatives of the Student Council are invited to participate in all meetings of the Quality and Standards Committee by presenting student issues and the Council's progress against targets and priorities.

### **Remuneration Committee**

Throughout the year ending 31 July 2017 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 2017 are set out in note 6 to the financial statements.

### **Audit Committee**

The Audit Committee comprises a Chair, and three 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 2016/17 Search and Governance Committee met four 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 2016/17 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 2016/17 Finance and Resources Committee met 7 times and scrutinised and challenged management reports on the College's financial position at each meeting. Each of the 7 meetings focussed on the efficient and effective use of resources, the solvency of the institution and the progress of the 2016/17 budget. Consideration was also given to the draft estimates of income and expenditure for 2017/18 before being formally approved by the Corporation on 21 June 2017. 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 2017/18 budget which would enable the College to meet its bank loan covenants and make progress towards its aim of outstanding financial health. An audit of financial governance was conducted in September 2016 by the College's internal auditors to provide assurance to the Board that the agreed changes to management reporting systems had been implemented and were operating effectively.

## **Quality and Standards Committee**

The Quality and Standards Committee met six times during 2016/17 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) every September 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.

## **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 2016 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 2017 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 2016 meeting, the Corporation carried out the annual assessment for the year



ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

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.

**Approved by order of the members of the Corporation on 29<sup>th</sup> November 2017 and signed on its behalf by:**

*D. Crosby*

*Y. Williams*

D Crosby  
Chair of Governors  
Date: 29.11.17

Y Williams  
Principal and Chief Executive  
Date: 29.11.17

## **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 financial memorandum in place. As part of our consideration we have had due regard to the requirements of the financial memorandum.

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 financial memorandum.

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 Governors  
Date: 29.11.17

Y Williams  
Principal and Chief Executive  
Date: 29.11.17

## **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 Financial Memorandum agreed between the Education Skills Funding Agency, 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 and with the Accounts Direction for 2016 to 2017 issued by the ESFA, 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 an Operating and Financial Review which describes what it is trying to do and how it is going about it, including 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 of incorporation and other 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 maintenance and integrity of Hugh Baird College website is the responsibility of the governing body of the College; 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 the ESFA are only in accordance with the Financial Memorandum with the ESFA 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 29<sup>th</sup> November 2017 and signed on its behalf by:

Signed on behalf of the Corporation

*D. Crosby*

D Crosby  
Chair of Governors  
Date: 29.11.17

**HUGH BAIRD COLLEGE**  
**INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HUGH BAIRD COLLEGE FOR**  
**THE YEAR ENDED 31 JULY 2017**

**Opinion**

We have audited the financial statements of Hugh Baird College ("the College") for the year ended 31 July 2017 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 2017 and of the College's 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 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 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 unidentified 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 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 in the other information. If, based on the work we have performed, we conclude that there is a material misstatement in 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 the Responsibilities of Members of the Corporation, set out on page 27, 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 on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) (ISAs (UK and 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 caused by 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 be reasonably 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](http://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 Education and 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 opinion we have formed.

*Wylie Bissett LLP*

**Wylie & Bissett LLP**  
**Chartered Accountants**  
**Statutory Auditor**

**Date: 29.11.17**

## **REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY**

### **The Corporation of Hugh Baird College and Secretary of State for Education acting through Department of Education**

In accordance with the terms of our engagement letter dated 21 March 2016 and further to the requirements of the financial memorandum with Education and Skills 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 2016 to 31 July 2017 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 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 (ILR) 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 2016 to 31 July 2017 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 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**Signed:**

*Wylie Bissett LLP*

**Wylie & Bissett LLP,  
Chartered Accountants,**

**Statutory Auditor**

**Date: 29.11.17**



**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD FROM 1 AUGUST 2016 TO 31 JULY 2017**

<b><u>Income</u></b>	<b>Notes</b>	<b>2017 £000</b>	<b>2016 £000</b>
Funding Body Grants	2	13,683	13,222
Tuition fees and education contracts	3	5,080	4,256
Other income	4	554	623
Investment income	5	3	10
<b>Total Income</b>		<b>19,320</b>	<b>18,111</b>
<b><u>Expenditure</u></b>			
Staff costs	6	12,932	13,412
Fundamental restructuring costs	6	-	284
Other operating expenses	7	4,522	4,827
Interest payable	8	331	319
Depreciation	10	1,430	1,494
<b>Total expenditure</b>		<b>19,215</b>	<b>20,336</b>
<b>Surplus / (Deficit) before gains and losses</b>		<b>105</b>	<b>(2,225)</b>
<b>Surplus / (Deficit) before tax</b>		<b>105</b>	<b>(2,225)</b>
Taxation	9	-	-
<b>Surplus / (Deficit) for the year</b>		<b>105</b>	<b>(2,225)</b>
Actuarial gain/(loss) in respect of pension schemes	16	522	(2,761)
<b>Total Comprehensive Income for the year</b>		<b>627</b>	<b>(4,986)</b>

## STATEMENT OF CHANGES IN RESERVES

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> August 2015</b>	<b>9,254</b>	<b>1,467</b>	<b>10,719</b>
Deficit from the income and expenditure account	(2,225)	-	(2,225)
Other comprehensive income	(2,761)	-	(2,761)
Transfers between revaluation and income and expenditure reserves	59	(59)	-
Total comprehensive income for the year	(4,927)	(59)	(4,984)
<b>Balance at 31<sup>st</sup> July 2016</b>	<b>4,327</b>	<b>1,408</b>	<b>5,735</b>
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
<b>Balance at 31 July 2017</b>	<b>5,013</b>	<b>1,349</b>	<b>6,362</b>

## BALANCE SHEET AS AT 31 JULY 2017

	Notes	2017 £000	2016 £000
<b>Fixed assets</b>			
Tangible assets	10	25,725	26,737
<b>Current assets</b>			
Debtors (net of bad debts provision)	11	495	488
Cash at bank and in hand	15	3,186	1,593
Total current assets		3,681	2,081
Creditors: amounts falling due within one year	12	3,202	2,845
Total net current (liabilities) / assets		479	(764)
<b>Total assets less current liabilities</b>		<b>26,204</b>	<b>25,973</b>
<b>Creditors:</b> amounts falling due after more than one year	13	11,650	12,144
<b>Net assets excluding pension liability</b>		14,554	13,829
Net pension liability	16	(8,192)	(8,094)
<b>Net assets including pension liability</b>		<u>6,362</u>	<u>5,735</u>
<b>Reserves</b>			
Revaluation reserve		1,349	1,408
Income & expenditure account		13,205	12,421
Restricted reserve		-	-
Pension reserve		<u>(8,192)</u>	<u>(8,094)</u>
<b>Total</b>		<u><b>6,362</b></u>	<u><b>5,735</b></u>

The financial statements on pages 33 to 54 were approved by the Corporation on 29 November 2017 and were signed on its behalf by:

*D. Crosby*

*Y. Williams*

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D. Crosby  
Chair of Governors

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Y. Williams  
Principal and Chief Executive

## STATEMENT OF CASHFLOWS

FOR THE PERIOD FROM 1 AUGUST 2016 TO 31 JULY 2017

	Notes	2017 £000	2016 £000
<b>Cash flows from operating activities:</b>			
Deficit for the year		105	(2,225)
<b>Adjustment for non-cash items</b>			
Depreciation	10	1,430	1,494
(Increase)/decrease in debtors	11	(7)	1,050
Increase/(decrease) in creditors due within one year	12	348	(492)
(Decrease)/increase in creditors due after one year	13	(279)	1,787
Pensions costs less contributions payable	16	408	258
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(3)	(10)
Interest payable	8	331	319
<b>Net cash flow from operating activities</b>		<b>2,333</b>	<b>2,181</b>
<b>Cash flows from investing activities</b>			
Investment income	5	3	10
Payments to acquire fixed assets	10	(400)	(3,143)
		<b>(397)</b>	<b>(3,133)</b>
<b>Cash flows from financing activities</b>			
Interest paid	8	(138)	(146)
Repayments of amounts borrowed	12	(204)	(205)
		<b>(342)</b>	<b>(351)</b>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<b>1,594</b>	<b>(1,303)</b>
Cash and cash equivalents at the beginning of the year		1,593	2,896
Cash and cash equivalents at the end of the year		3,187	1,593

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM**  
**1<sup>ST</sup> AUGUST 2016 TO 31<sup>ST</sup> JULY 2017**

**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 SORP)*, the *Accounts Direction for 2016-2017* 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 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 Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £3,148,000 of loans outstanding with bankers on terms negotiated in 2013. The terms of the existing agreement are for up to another 13 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants going forwards. However covenant breaches were identified during the year. Management have been engaged with the bank to ensure their continued support. The bank has indicated its intention to continue to support the College however a waiver of the breach has not been issued.

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 income and expenditure account.

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.

The professional fees relating to the Sixth Form Academy are being depreciated over 10 years.

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 are 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

	2017 £000	2016 £000
ESFA Recurrent Grant (16-18)	8,634	8,043
ESFA Recurrent Grant (Adults)	1,903	1,982
ESFA Apprentices	1,323	1,155
ESFA 14 – 16 Funding	824	731
ESFA Free Meals in FE & Set up	-	230
ESFA Pupil Premium	80	61
Release of deferred capital grants	454	417
ESFA PCDL	113	113
ESFA Thornton LLDD	352	390
ESFA Adult Workplace NVQ's	-	100
	<b>13,683</b>	<b>13,222</b>

## 3. TUITION FEES AND EDUCATION CONTRACTS

	2017 £000	2016 £000
UK Further Education students	217	255
UK Higher Education students	3,387	2,834
	<b>3,604</b>	<b>3,089</b>
LEA	54	68
Youth Training	196	187
24 + Loans	757	431
ESF Income	-	(1)
Thornton – SMBC	442	419
Migrant Women	-	(19)
Maths Pipeline	-	54
Sport England Lottery Grant	27	28
	<b>5,080</b>	<b>4,256</b>

#### 4. OTHER INCOME

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Examination fees	5	11
Sales and other income	549	443
Release of deferred income	-	169
	<b>554</b>	<b>623</b>

#### 5. INVESTMENT INCOME

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Interest receivable	3	10

#### 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:

	<b>2017</b>	<b>2016</b>
	<b>Numbers</b>	<b>Numbers</b>
Teaching Staff	185	190
Non-Teaching Staff	234	245
	<b>419</b>	<b>435</b>

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Staff costs for the above persons:-</b>		
Wages and Salaries	10,177	11,187
Social Security Costs	880	802
Other Pension Costs	1,875	1,707
<b>Total Staff Costs</b>	<b>12,932</b>	<b>13,696</b>
Fundamental restructure costs – contractual	-	248

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:

		<b>2017</b>	<b>2016</b>
£60,001	- £70,000	5(2)	6(2)
£70,001	- £80,000	0	0
£120,001	- £130,000	1(1)	1(1)
		<u><b>6</b></u>	<u><b>7</b></u>

## 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.

	<b>2017</b> Number	<b>2016</b> Number
The number of senior post-holders including the Principal and Chief Executive	3	4
<b>Senior post-holders' emoluments are made up as follows:</b>	<b>£</b>	<b>£</b>
Salaries	247,000	311,087
Benefits in kind	-	-
Pension contributions	37,123	41,970
	<u><b>284,123</b></u>	<u><b>353,057</b></u>

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

	<b>2017</b> £	<b>2016</b> £
Salary	125,000	125,000
Benefits in kind	-	-
Pension contributions	20,600	20,352
Total emoluments	<u><b>145,600</b></u>	<u><b>145,352</b></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

	<b>2017 £000</b>	<b>2016 £000</b>
Teaching Costs	1,817	1,680
Non-Teaching Costs	1,766	2,259
Premises Costs	939	888
	<b><u>4,522</u></b>	<b><u>4,827</u></b>

Other operating expenses include:

Auditor's remuneration

- external audit	22	26
- external audit (non-audit services)	19	-
- internal audit	20	20
Hire of plant and machinery:		
- operating leases	21	16

## 8. INTEREST PAYABLE

	<b>2017 £000</b>	<b>2016 £000</b>
On bank loans, overdrafts and other loans:		
Repayable within five years, not by instalments	550	597
Bank Loan – Interest Payable		
Repayable wholly or partly in more than 5 years	301	391
	<b>851</b>	<b>988</b>
Pension finance costs (note 16)	193	173
Interest Cost on Bank Loan	138	146
<b>Total</b>	<b><u>331</u></b>	<b><u>319</u></b>

During the period, loan interest of £137,527 (2016-17 £146,450) 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

	<b>Freehold Land and buildings £000</b>	<b>Equipment £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>			
At 1 August 2016	35,061	13,328	48,389
Additions	84	334	418
At 31 July 2017	<b>35,145</b>	<b>13,662</b>	<b>48,807</b>
<b>Depreciation</b>			
At 1 August 2016	10,456	11,196	21,652
Depreciation Charge	841	589	1,430
At 31 July 2017	<b>11,297</b>	<b>11,785</b>	<b>23,082</b>
<b>Net book value at 31 July 2017</b>	<b>23,848</b>	<b>1,877</b>	<b>25,725</b>
Net book value at 31 July 2016	24,605	2,132	26,737

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

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Amounts falling due within one year</b>		
Trade receivables (net of bad debts provision)	76	(19)
Prepayments and accrued income	419	507
	<u>495</u>	<u>488</u>

## 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Bank Loans	214	205
Payments on account	534	599
Trade creditors	113	689
Taxation and social security	111	(68)
Accruals	1,379	687
Deferred income – government capital grants	386	410
Deferred income – government revenue grants	465	323
	<u>3,202</u>	<u>2,845</u>

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

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Bank Loans	2,934	3,149
Deferred income – government capital grants	8,716	8,995
	<u>11,650</u>	<u>12,144</u>

#### 14. MATURITY OF DEBT

Bank loans are repayable as follows:	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
In one year or less	214	205
Between one and two years	223	214
Between two and five years	727	698
In five or more years	1,984	2,237
	<b>3,148</b>	<b>3,354</b>

#### 15. CASH AND CASH EQUIVALENTS

	<b>At 1 August 2016 £000</b>	<b>Cashflows £000</b>	<b>At 31 July 2017 £000</b>
Cash and cash equivalents	1,593	1,594	3,187
<b>Total</b>	<b>1,593</b>	<b>1,594</b>	<b>3,187</b>

#### 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	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Teachers' Pension Scheme: Contributions paid	803	811
Merseyside Pension Scheme: Contributions paid	529	638
FRS 102 (28) charge	408	258
<b>Total Pension Cost for the year within staff costs</b>	<b>1,740</b>	<b>1,707</b>

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 £805,565 (2015/2016: £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 2017 was £750,000, of which employer's contributions totalled £513,000 and employees' contributions totalled £236,000. The agreed contribution rate for 2016/17 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 2017 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.7%	3.2%
Rate of increase in pensions	2.2%	1.8%
Discount rate for scheme liabilities	2.6%	3.8%
Inflation Assumption (CPI)	2.2%	1.7%

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 2017 Years	At 31 July 2016 Years
<i>Retiring Today</i>		
Males	21.6	22.5
Females	24.7	25.4
<i>Retiring in 20 years</i>		
Males	24.2	24.9
Females	27.7	28.2

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

	2017		2016	
	Long Term rate of Return expected at 31.7.17	Fair Value at 31.7.17 £000	Long Term rate of Return expected at 31.7.16	Fair Value at 31.7.16 £000
Equities	52.4%	9,590	6.5%	8,707
Government Bonds	3.4%	622	2.5%	763
Other Bonds	12.1%	2,214	3.6%	1,957
Property	8.0%	1,464	6.1%	1,360
Cash/Liquidity	4.8%	878	0.5%	614
Other	19.3%	3,532	6.5%	3,185
<b>Total Market Value of assets</b>		<b>18,300</b>		<b>16,586</b>
Present value of scheme liabilities		(26,492)		(24,680)
Related deferred tax liability		-		-
<b>Deficit in the scheme</b>		<b>(8,192)</b>		<b>(8,094)</b>

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

	<b>2017 £000</b>	<b>2016 £000</b>
Fair value of plan assets	18,300	16,586
Present value of plan liabilities	(26,492)	(24,680)
<b>Net pensions liability</b>	<b>(8,192)</b>	<b>(8,094)</b>

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

**Amounts included in staff costs:**

	<b>2017 £000</b>	<b>2016 £000</b>
Current Service Cost	1,104	896

**Amounts included in Interest Payable:**

	<b>2017 £000</b>	<b>2016 £000</b>
Net interest income	193	173

**Amounts recognised in Other Comprehensive Income**

	<b>2017 £000</b>	<b>2016 £000</b>
Return on pension plan assets	1,039	1,262
Changes in assumptions underlying the present value of plan liabilities	(517)	(4,023)
<b>Amount recognised in Other Comprehensive Income</b>	<b>522</b>	<b>(2,761)</b>

## Movement in net defined benefit liability during the year

	2017 £000	2016 £000
Deficit in scheme at 1 August	(8,094)	(4,882)
<b>Movement in year:</b>		
Current service cost	(1,104)	(896)
Employer contributions	697	638
Net interest/return on assets	(193)	(173)
Administration Cost	(19)	(20)
Curtailment settlement	(1)	-
Actuarial loss	522	(2,761)
Deficit in scheme at 31 July	<b>(8,192)</b>	<b>(8,094)</b>

## Asset and Liability Reconciliation

### Changes in the present value of defined benefit obligations

	2017 £000	2016 £000
<b>Defined benefit obligations at start of period</b>	<b>24,680</b>	<b>19,599</b>
Current service cost	1,104	896
Interest cost	611	734
Member contributions	237	244
Experience gains and losses on defined benefit obligations	517	4,023
Changes in financial assumptions		
Estimated benefits paid	(658)	(816)
Curtailments and settlements	1	-
<b>Net benefit obligation at end of period</b>	<b>26,492</b>	<b>24,680</b>

### Change in fair value of plan assets

	2017 £000	2016 £000
<b>Fair value of plan assets at start of period</b>	<b>16,586</b>	<b>14,717</b>
Interest on plan assets	418	561
Remeasurements (assets)	1,039	1,262
Employer contributions	697	638
Member contributions	237	244
Benefits paid	(658)	(816)
Administration Expenses	(19)	(20)
<b>Fair value of plan assets at end of period</b>	<b>18,300</b>	<b>16,586</b>

## 17. CAPITAL COMMITMENTS

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Additional SFA Grant	-	1
Condition Fund	-	1
LEP Capital Grants	-	15
	<u>-</u>	<u>17</u>

## 18. FINANCIAL COMMITMENTS

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

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Expiring within one year	54	54
Expiring between two and five years inclusive	163	217
Expiring in five years or more	-	-
	<u>217</u>	<u>271</u>

## 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 £477.08 relating to 3 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 £603.83.

### **Liverpool City Region Academy Trust**

Hugh Baird College is the sponsor of Liverpool City Region Education Trust. 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.

During the year Hugh Baird College has invoiced Emslie Morgan Academy for £7,631 in respect of accounting and administration services provided to the Trust during the year in accordance with the Service Level agreement with Liverpool City Region Academy Trust.

## **20. LEARNER SUPPORT FUND**

	<b>2017 £000</b>	<b>2016 £000</b>
Education Skills Funding Agency	958	937
Prior Year Release	34	
Disbursed to Students	(830)	(752)
Administration Costs	(44)	(44)
<b>Balance unspent at 31 July, included in creditors</b>	<b>118</b>	<b>141</b>

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 Income and Expenditure account.