

**Richmond and Hillcroft  
Adult and Community  
College**

**Annual Report and Financial  
Statements**

31 July 2019

Company Limited by Guarantee  
Registration Number  
0201528 (England and Wales)

Charity Registration Number  
312825

## **Contents**

### **Reports**

Legal and administrative information	1
Key management personnel, and professional advisors	2
Strategic Report	3
Statement of corporate governance and internal control	15
Statement of regularity, propriety and compliance	23
Statement of the responsibilities of the members of the Board	24
Independent auditor's report to the members of the Board of Richmond and Hillcroft Adult and Community College	26
Reporting accountant's assurance report on regularity	29

### **Financial Statements**

Statement of comprehensive income and expenditure	31
Statement of changes in reserves	32
Balance sheet	33
Statement of cash flows	34
Principal accounting policies	35
Notes to the financial statements	41

## **Legal and administrative information**

### **Members of the Board (as at date of approval of the financial statements)**

Louise Fluker (Chair)  
Linda Jones (Vice Chair)  
Jane O'Shea (Vice Chair)  
Mark Albrow  
Richard Brewster  
Helen Darracott  
Gabrielle Flint (Principal)  
Andrew George  
Farah Ispahani  
Lisa Sharp  
Nigel Ware  
Graham Tharp (Staff Governor)

### **Principal and Accounting Officer of the College**

Gabrielle Flint

### **Company secretary**

Neil Wallbank

### **Registered office**

South Bank  
Surbiton  
Surrey  
KT6 6DF

### **Principal office**

Parkshot  
Richmond  
Surrey  
TW9 2RE

### **Company registration number**

0201528 (England and Wales)

### **Charity registration number**

312825

## **Key management personnel, and professional advisors**

### **Key management personnel**

Key management personnel are defined as members of the Executive Team and were represented by the following in 2018/19:

Gabrielle Flint, Principal

Gaynor Bray, Vice Principal

Neil Wallbank, Director of Finance and Resources and Clerk to the Governing Body

### **The College's solicitors**

Bates Wells Braithwaite  
10 Queen Street Place  
London  
EC4R 1BE

### **Financial statements auditor and reporting accountants**

Buzzacott LLP  
130 Wood Street  
London  
EC2V 6DL

### **Internal auditors**

RSM Risk Assurance Services LLP  
25 Farringdon Street  
London  
EC4A 4AB

### **Bankers**

Barclays Bank plc  
Level 27  
1 Churchill Place  
London  
E14 5HP

National Westminster Bank plc  
10 Victoria Road  
Surbiton  
Surrey

HSBC Plc  
South West London Commercial Centre  
Hampton Wick,  
Kingston upon Thames, Surrey

## **STRATEGIC REPORT**

### **1 Objectives and Strategy**

The members of the Board (governors) present their report and the audited financial statements for Richmond and Hillcroft Adult and Community College ('the College') for the year ended 31 July 2019.

The charitable objects of the College are as follows:

*"The objects for which the College is established are to provide education for the public benefit to include, without limitation:*

- *to maintain one or more residential colleges for the education of men and/or women with the aim of enlarging and enriching the vision of its students, developing their capacities for leadership and contribution to society and stimulating their personal growth.*
- *to enable adult men and/or women disadvantaged by educational or social factors to progress into Higher Education, vocational training and employment.*
- *to contribute to the national development of women's education."*

#### **1.1 Legal status**

Richmond and Hillcroft Adult and Community College is a company limited by guarantee (registration number 0201528) incorporated in 1924 and a registered charity (registration number 312825). It is designated for funding by the Education and Skills Funding Agency (ESFA).

#### **1.2 Mission**

The College's mission statement, as approved by the members of the Board in March 2018 is:

*Empowering adults and communities through education, skills and enterprise.*

#### **1.3 Public benefit**

RHACC is a company limited by guarantee and a registered charity. The members of the Board, who are directors of the charity for the purposes of company law, are disclosed on page 1.

In setting and reviewing the College's strategic objectives, the Board 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;
- Education to enable progression to further or higher education, employment, self-employment or volunteering;
- Strong student support systems;

**STRATEGIC REPORT (continued)**

**1.3 Public benefit (continued)**

- Links with employers, industry and commerce.

**1.4 Implementation of the strategic plan**

Following the merger, in March 2018 the College adopted a strategic plan for the period up to July 2021. The following strategic priorities are being implemented across the College.

**1. Ethos**

- i) To develop a whole college culture of performance, efficiency and excellence.

**2. Curriculum**

- i) To extend the curriculum with increased opportunities for learners of all ages, backgrounds and abilities to gain vocational and wellbeing skills and enrichment.
- ii) To develop our communication with learners to ensure that target learner groups are aware of opportunities open to them.

**3. Quality**

- i) To achieve Ofsted 'Outstanding' status and the highest levels of teaching and learning and customer satisfaction in all college services.

**4. Resources**

- i) To develop a first class college estate that provides community hubs in Richmond and Surbiton, cutting edge teaching and learning spaces and accessible and high quality residential facilities.
- ii) To develop our digital skills and infrastructure to make learning more accessible and relevant.

**5. Financial Sustainability**

- i) To achieve long term financial sustainability through improved efficiency and additional income generation that provides a positive contribution to operating costs.

**6. Partnerships**

- i) To continue to develop partnerships with local stakeholders regarding the planning and delivery of learning and progression opportunities and the engagement and support of specific learner groups. This will involve agreements with partner organisations in local government, the voluntary sector, with local employers and businesses and other adult learning providers.

A series of performance indicators have been agreed to monitor the successful implementation of the strategic plan.

**STRATEGIC REPORT (continued)**

**1.5 Outcomes**

The main outcomes in 2018/19 were as follows:

- The College achieved an ESFA funding value of £4,951,000 (2017/18: £4,728,000).
- The College's ESFA financial health category has been assessed as Good.
- Student retention on all courses was 92.9% (2017/18: 93.4%).
- Achievement rates for results received by the date of this report were 88.8% overall (2017/18: 88.7%).

**1.6 Financial objectives**

The College's financial objectives that support the strategic objective of ensuring financial sustainability are to:

- Implement a robust financial strategy over the period 2018 to 2021.
- Review and continuously monitor the cost effectiveness of provision and back office support services.
- Establish and monitor targets for contribution to central overheads from teaching departments.
- Increase the income base to £11m through contracts, commercial activity and bids for additional funding.
- Improve the efficiency of the College in order to generate funds available for investment in the curriculum and the estate.

**1.7 Performance indicators**

The College is committed to observing the importance of sector measures and indicators. The College uses key performance indicators internally as well as external measures to assess its performance. These measures include learner retention, pass and achievement (success) rates, minimum standards, financial health, delivery against funding targets and Ofsted judgements.

At the most recent inspection by Ofsted of both former Colleges in January 2014 and May 2015 educational provision was judged good in all three key areas of learner outcomes, teaching and learning, and leadership and management. As a newly merged College the historical grading is no longer applied and a grade will be allocated after the first full inspection which will take place within the three years following merger.

The College is required to complete the annual Finance Record for the ESFA. The Finance Record produces a financial health grading. The College's grading for 2016/17 was Inadequate, however, following merger the grade improved to Outstanding for 2017/18. The grade for 2018/19 has been confirmed as Good by the ESFA.

**STRATEGIC REPORT (continued)**

**2. FINANCIAL POSITION**

**2.1 Financial results**

The College realised a deficit (deficit before other gains and losses) in the year of £562,000 (2017/18: surplus £8,000). This deficit is after charging depreciation of £809,000 and pension adjustments of £353,000. Total Comprehensive Income for the year is a deficit of £1,344,000 after allowing for an actuarial loss on the pension scheme of £782,000.

The College has total net assets of £44,028,000 including cash balances of £4,352,000. This includes the accumulated deficit on the pension fund of £5,405,000 (2017/18: £4,270,000 deficit).

At 31 July 2019, the College had accumulated reserves of £44,028,000 (2017/18: 45,372,000). The Income and Expenditure Reserve has a surplus of £37,767,000 (2017/18: £39,022,000).

Tangible fixed asset additions during the year amounted to £560,000. This included equipment purchased of £90,000, capital works to buildings of £426,000 and £44,000 assets in the course of construction for the Hillcroft campus.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the ESFA provided 53.8% (2017/18: 54.3%) of the College's total income.

**2.2 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.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Board and shall comply with the requirements of the Financial Memorandum. No borrowings, either short or long term were required in the year.

**2.3 Cash flows and liquidity**

The overall decrease in cash of £307,000 resulted from operating cash inflows of £234,000 and cash outflows from investment activities of £541,000.

**2.4 Taxation**

As an exempt charity for the purposes of the Charities Act 2011, the College's activities do not fall to be charged to corporation tax.



**STRATEGIC REPORT (continued)**

**2. FINANCIAL POSITION (continued)**

**2.5 Reserves policy**

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. As at the balance sheet date, the Income and Expenditure Reserve was in surplus by £37,767,000 (2017/18: £39,022,000). It is the intention of the College to increase reserves by the generation of annual operating surpluses. The Board members consider it of prime importance that the College is able to meet its on-going commitments through its cash reserves and by the generation of annual operating surpluses to increase its ability to invest in the infrastructure.

**3. CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE**

**3.1 Student numbers**

In 2018/19 learner numbers totalled 7,199 (2017/18: 7,970) and enrolment numbers totalled 13,680 (2017/18: 14,568).

**3.2 Student achievements**

Students continue to prosper at the College. Student retention on all courses was 92.9% (2017/18: 93.4%).

Success rates for results received by the date of this report were 88.8% overall (2017/18: 88.7%).

**3.3 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%. During the year to 31 July 2019, the College paid 90% per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

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

There were no significant events that occurred after the reporting period.

**3.5 Future prospects and going concern**

The College had net current assets of £1,413,000 at the year end.

The College is forecasting a small surplus for 2019/20 and is forecasting cash balances of around £2m throughout the year. After careful consideration of its financial plan, budget and cashflow forecasts, the Board are satisfied that it remains a going concern for the foreseeable future. This is based on the confidence that the actions outlined in its financial plan will be achieved and that the previous staff restructuring exercise will generate significant efficiency savings.

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.

•

**STRATEGIC REPORT (continued)**

**4 RESOURCES**

The College has various resources that it can deploy in pursuit of its strategic objectives.

**4.1 Tangible**

Tangible resources include the Parkshot site in Richmond and the Hillcroft site in Surbiton.

**4.2 Financial**

At 31 July 2019 the College had £44,028,000 (2017/18: 45,372,000) of net assets, including a £5,405,000 pension liability (2017/18: £4,270,000) and no external debt.

**4.3 People**

During the year ended 31 July 2019 the College employed 484 people (expressed as average head count), of whom 267 were teaching staff.

**4.4 Reputation**

The College has a good reputation both locally and nationally. Maintaining a quality brand and good reputation continues to be essential for the College's success in attracting students and developing external relationships.

**5 PRINCIPAL RISKS AND UNCERTAINTIES**

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Senior Management Team undertakes a comprehensive review of the risks to which the College is exposed. It identifies systems and procedures, including specific actions which should mitigate any potential impact on the College. Additional internal controls are then implemented as necessary and subsequent appraisal will review their effectiveness and progress against risk mitigation actions.

In addition to the ongoing review, the Executive Team also considers any risks which may arise as a result of a new area of work being undertaken by the College. A risk register is maintained at the College level which is reviewed each term by the Audit Committee.

The risk register identifies the key risks, controls, 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 ranked using a consistent scoring system. This is supported by a risk management communication programme 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 adversely affect the College.

**STRATEGIC REPORT (continued)**

**5 PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

**5.1 Government funding**

The College has had considerable reliance on continued government funding through the ESFA. In 2018/19 the College received 53.8% (2017/18 54.3%) of its funding from the ESFA. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of the following issues which may impact on future funding:

- There remains uncertainty around the future economic outlook for the UK as a result of no Brexit deal having been agreed. In turn this could impact on the future funding of adult education.
- Funding for adult education in London is devolved to the GLA from 2019/20. Although the College has been granted an additional two years transition in recognition of its status as a specialist residential college, work will need to be undertaken in working with the GLA to ensure that the impact on funding is minimised.
- The ESFA have informed the College that a review of residential funding will be conducted in 2019/20.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training.
- Funding is derived through a number of direct and indirect contractual arrangements.
- Considerable focus and investment are placed on maintaining and managing key relationships with the various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Developing the range of quality level 3 programmes.
- Further developing links and relationships with the local authority.
- Less reliance on government funding following the merger.

**5.2 Income diversification**

The College will seek to increase income from a number of non-ESFA sources. This will involve making a number of competitive bids for funding and improving the utilisation of both sites by making them available for lettings and other income generating activities. The risk for the College is that the budget targets are not met.

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 users.
- Close management of expenditure in relation to all income generating activities to ensure that they are self-financing.

Ensuring that the facilities available for income generating activities are of a standard expected by paying customers.

**STRATEGIC REPORT (continued)**

**5 PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

**5.3 Learner engagement**

The College has developed a curriculum strategy to ensure that the course offer continues to meet both learner and community needs and enables learners from all backgrounds to progress towards their individual goals.

The risk of not achieving this objective will be mitigated in a number of ways:

- By on-going review of the marketing strategy of the College and how we recruit our learners.
- By embedding an on-going communications programme for staff, learner voice and other stakeholders.
- By continuously improving learner achievement rates and teaching quality.
- By engaging with learners, employers and stakeholders to facilitate learner progression and course development.

**5.4 Long term financial sustainability**

Hillcroft College recognised that as one of the smallest in the country its long term financial sustainability was at risk and this was one of the major drivers of the merger with RACC. However, even after the merger the combined College is still relatively small. Moving forward the potential for improved financial sustainability that the new college provides needs to be fully realised. Achieving and maintaining at least 'Good' financial health and long term financial sustainability is a priority for the College.

This risk of not achieving financial sustainability is mitigated in a number of ways:

- A realistic financial plan has been developed to deliver short to medium term financial sustainability.
- Efficiencies in staffing will be achieved to generate staff cost savings.
- New sources of income generation are being explored.

**6 STAKEHOLDER RELATIONSHIPS**

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

- Learners;
- Education sector funding bodies;
- FE commissioner;
- Staff;
- Partner referral organisations;
- Local employers;
- Local authorities and the GLA;
- Local charities;

**6 STAKEHOLDER RELATIONSHIPS (continued)**

- Government offices;
- The local community;
- Trade Unions;
- Other FE institutions; and
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through face to face meetings, by email and letter contact, by staff newsletters, by press releases and through the College web site.

**6.1 Equal opportunities and diversity**

The College is committed to providing a positive and supportive learning and working environment for all students and staff, consistent with an ethos of respect and tolerance. The College aims to promote best practice in the advancement of equality and diversity and to fulfil its mission in such a way that promotes equality of opportunity, embraces diversity, eliminates unlawful discrimination and addresses disadvantage.

The College is committed to eliminating discrimination and advancing equality and diversity. The College seeks to ensure that students, staff, prospective students, visitors, governors, contractors and suppliers are treated with respect, dignity and equity regardless of their individual protected characteristics – age, disability, gender, gender reassignment, pregnancy or maternity, marriage or civil partnership status, race, religion or belief, or sexual orientation (as defined in the Equality Act 2010).

The College's Equality and Diversity policy is published on the College's web site and on the shared drive.

The College complies with its public duty under the Equality Act 2010 by having due regard when carrying out its functions, specifically the College has:

- Considered access to the College's resources by giving assistance to applicants, staff and learners with learning disabilities or difficulties, making the appropriate reasonable adjustments where necessary.
- Maintained its disability symbol employer status year on year through demonstrating its commitment to the principles and objectives of the Disability Confident Employer standards.
- Implemented an updated Equality and Diversity training programme. Information and refresher training is carried out on an ongoing basis.
- Allocated specific resource to providing information, guidance and a range of support where necessary to learners with learning difficulties and/or disabilities. There are also a number of learning support assistants who provide a range of support for learning.
- Provided 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.
- Provided a list of specialist equipment which the College makes available for learner use and a range of assistive technology is also available in the learning centres.

**6 STAKEHOLDER RELATIONSHIPS (continued)**

- Highlighted its commitment to Equality and Diversity through staff and learner policies and information such as the Equality and Diversity policy and action plan. Specific reference to our commitment is made explicit in the staff and learner handbooks.
- Offered specialist programmes in College prospectuses.
- All staff of the College and its partners are expected to demonstrate a positive attitude towards diversity.

**6.2 Disability statement**

The College is a 'Disability Confident' employer and has committed to the principles and objectives of the Positive about Disabled People standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the minimum criteria for the post. 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, as far as possible, provide identical opportunities to those of non-disabled employees.

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005 as incorporated into the Equality Act 2010 and taking appropriate account of the Special Education Needs and Disability (SEND) Code of Practice 2014 (updated in 2015) for young people up to the age of 25 years in the following ways:

- Assessing the needs of individual students declaring a disability and providing tailored support for these students.
- Providing Additional Learning Support (ALS) for students – particularly in relation to dyslexia, dyspraxia and dyscalculia.
- Developing links with specialist support agencies and organisations and signposting students to these where appropriate.
- Training staff in Mental Health First Aid and Awareness.

**6.3 Environmental Sustainability**

The College acknowledges the importance of being responsible, sustainable and ethical in order to meet the needs of the present, and leave a better environment for future generations. The College recognises the need to reduce pollution and conserve energy, water and other natural resources and the urgent need to conserve the limited stock of fossil fuels.

It is therefore the intention of the College to minimise the usage, the disposal and consumption of resources commensurate with the need to provide the necessary utilities and well-being for all students, staff, visitors and other stakeholders and to ensure their health and safety.

Through this strategy Richmond and Hillcroft Adult and Community College aims to:

- Comply with all applicable legal requirements and other requirements to which the College subscribes;

**6 STAKEHOLDER RELATIONSHIPS (continued)**

**6.3 Environmental Sustainability (continued)**

- Put in place appropriate controls to prevent pollution;
- Reduce the College's carbon dioxide emissions through the delivery of a Carbon Management Plan;
- Encourage the adoption of sustainable travel practices by staff, students and visitors travelling to and from College;
- Reduce the environmental impact of the College through conservation of its material resources;
- Put in place measures to promote reduction, re-use and recycling of waste;
- Ensure new building developments take into account sustainable construction principles;
- Take positive action to promote biodiversity on any site that the College owns or manages;
- Engage with the wider community to promote environmental best practice and seek collaborative opportunities in order to facilitate developments in this area;
- Ensure that the Environmental Sustainability Policy is communicated to all students and individuals working for or on behalf of the College and to provide training and awareness for staff and students where appropriate;
- Consider sustainability in the procurement of goods and services;
- Provide information regarding the College's environmental performance to staff, students, visitors and all other interested parties.

**6.4 Trade Union Facility Time**

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college. However, the College has no recognition agreements in place with any union and therefore no disclosure is necessary.

## Report of the Members of the Board 31 July 2019

### 7 DISCLOSURE OF INFORMATION TO AUDITOR

The members of the Board (who are also directors of the company for the purpose of company law) who held office at the date of approval of this report confirm that:

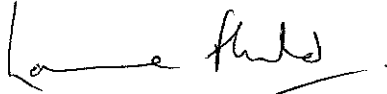
- so far as they are each aware, there is no relevant audit information of which the College's auditor is unaware; and
- each member has taken all the steps that he or she ought to have taken as a member in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The report of the members of the Board, including the strategic report, has been approved by the members of the Board and signed on their behalf by:

Louise Fluker

Chair



Approved on:

12/12/19



## **Statement of corporate governance and internal control 31 July 2019**

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the year from 1 August 2018 to 31 July 2019.

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); and
- ii) in full accordance with the guidance to colleges from the Association of Colleges in the Code of Good Governance for English Colleges ('the Code').

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the Board has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon the best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the members of the Board, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2019. The Board 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.

The members of the Board, who are also 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.

## Statement of corporate governance and internal control 31 July 2019

### **Members of the Board**

The members of the Board who served during the year were as follows:

	<b>Expiry of term of office</b>	<b>Term of office</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Working Groups/Committees served (2018/19)</b>	<b>Attendance record for period concerned</b>
Mr Mark Albrow	01 10 2021	4 years	n/a	Independent	Quality & Standards Committee	9 of a possible 9
Mr Richard Brewster	01 10 2021	4 years	n/a	Independent	Audit Committee	9 of a possible 9
Ms Helen Darracott	01 10 2021	4 years	n/a	Independent	Audit Committee	8 of a possible 9
Ms Gabrielle Flint	n/a	n/a	n/a	Principal & Chief Executive (ex officio)	Search & Governance Committee, Quality & Standards Committee as member. All other Committees (not Audit) as ex-officio	12 of a possible 12
Ms Louise Fluker (Chair of the Board)	01 10 2020	Agreed by Board	n/a	Independent	Search & Governance (Chair)	8 of a possible 9
Professor Andrew George	01 10 2021	4 years	n/a	Independent	Quality & Standards Committee (Chair)	8 of a possible 9
Professor Linda Jones	01 10 2021	4 years	n/a	Independent	Search & Governance Committee	8 of a possible 9
Ms Jane O'Shea	01 10 2021	4 years	n/a	Independent	Search & Governance Committee	8 of a possible 9
Ms Farah Rachlin	01 10 2021	4 years	n/a	Independent	Audit Committee & Quality & Standards Committee	12 of a possible 12
Ms Lisa Sharp	01 10 2021	4 years	n/a	Independent	Finance & Resources Committee	7 of a possible 11

## Statement of corporate governance and internal control 31 July 2019

	<b>Expiry of term of office</b>	<b>Term of office</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Working Groups/Committees served (2018/19)</b>	<b>Attendance record for period concerned</b>
Mr Graham Tharp	01 10 2021**	4 years	n/a	Staff	Finance & Resources Committee	10 of a possible 11
Mr Nigel Ware	01 10 2021	4 years	n/a	Independent	Finance & Resources Committee	11 of a possible 11

\*\* Unless employment with the College ceases before that date.

Neil Wallbank acted as Clerk to the Board during the period 1 August 2018 – 31 July 2019.

## **Statement of corporate governance and internal control 31 July 2019**

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

The Board 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 Board**

The Board conducted its business through a number of committees during the year ended 31 July 2019. Each committee has terms of reference, which have been approved by the Board. These committees are Quality and Standards, Audit, Finance and Resources, Search and Governance.

Full minutes of all meetings (except those deemed to be confidential by the Board) are available from the Clerk to the Board at the registered address. The Clerk to the Board maintains a register of financial and personal interests of the members. The register is available for inspection at the registered address.

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

Formal agendas, papers and reports are supplied to members in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

The Board has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board 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 and Accounting Officer are separate.

### **Appointments to the Board**

Any new appointments to the Board are a matter for the consideration of the Board as a whole.

Members of the Board are appointed for a term of office not exceeding four years.

### **Board performance**

During the course of the year Board members have considered the performance of the Board as a whole and this has been reported to a Board meeting. Governance is assessed in addition as part of the overall College Self-Assessment Report which is completed annually.

### **Search and Governance Committee**

The Board has a Search and Governance Committee, consisting of four members of the Board, which reviews governance matters and is responsible for the selection and nomination of any new member for the Board's consideration. The Committee's responsibilities include making recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders.

Details of remuneration for the year ended 31 July 2019 are set out in note 6 to the financial statements.

## **Statement of corporate governance and internal control 31 July 2019**

### **Finance and Resources Committee**

This Committee comprises three members of the Board and has terms of reference approved by the Board. The Committee meets at least five times a year and reviews financial performance and items of expenditure requiring committee approval. The Committee also has responsibility for HR and Health and Safety matters. The Committee comprises four members of the Board at the time of signing this report.

### **Audit Committee**

The Audit Committee comprises three members of the Board (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Board. A vacancy for an independent member exists at the time of signing this report.

The Audit Committee meets at least three times a year and provides a forum for reporting by the College's internal and financial statements 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 main FE funding bodies as they affect the College's business.

The College's internal auditors or other assurance providers review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

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

The Audit Committee also advises the Board on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Board.

### **Quality and Standards Committee**

The Quality and Standards Committee comprises three members of the Board (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Board. The Committee meets at least three times a year and provides a forum for reporting on teaching and learning matters including quality improvement, learner outcomes and self-assessment.

### **Internal control**

#### ***Scope of responsibility***

The Board 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 Board has delegated the day-to-day responsibility to the Principal 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 the College and the funding bodies. She is also responsible for reporting to the Board any material weaknesses or break-downs in internal control.

## Statement of corporate governance and internal control 31 July 2019

### ***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 the College for the year ended 31 July 2019 and up to the date of approval of the annual report and financial statements.

### ***Capacity to handle risk***

The Board 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 Board 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 year ended 31 July 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board at least once every term.

### ***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 Board;
- Regular reviews by the Board 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; and
- The adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 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 Board on the recommendation of the Audit Committee.

The College analysed the risks to which it was exposed and a programme of assurance was agreed with the Audit Committee. The Committee was provided with reports on this assurance activity in the College which included:

- Financial Systems Review
- Learner Numbers Review
- Health & Safety Review

## Statement of corporate governance and internal control 31 July 2019

- Curriculum Quality Review

### ***Review of effectiveness***

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's 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; and
- Comments made by the College's financial statements and reporting accountants for regularity assurance in their management letters and other reports.

The Accounting Officer has been advised on the implications of the results 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 Executive 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 Executive 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 Board's agenda includes a regular item for consideration of risk and control and it receives reports thereon from the Executive Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2019 meeting, the Board carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the Executive Team and internal audit, and taking account of events since 31 July 2019.

Based on the advice of the Audit Committee and the Accounting Officer, the Board 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***

The going concern position of the College is set out in section 3.5 of the Report of the Members of the Board to which reference should be made. After making appropriate enquiries, the Board considers that the College has adequate resources to continue in operational existence for the foreseeable future. The financial plan of the College for the period to July 2020 and the cash flow forecast indicate that the financial health of the College will be 'Good'. This is on the basis of prudent income growth and flat line funding from the ESFA in relation to the Adult Education Budget. The College will hold cash balances of around £2m. For these reasons, it continues to adopt the going concern basis in preparing the financial statements as explained in the Principal Accounting Policies.


**Statement of corporate governance and internal control 31 July 2019**

Approved by order of the members of the Board and signed on its behalf by:

Signed: 

Louise Fluker  
Chair

Date: 12.12.19

Signed: 

Gabrielle Flint  
Principal and Accounting Officer

Date: 12.12.19




## Members of the Board's statement of regularity, propriety and compliance 31 July 2019

The Board has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the financial memorandum in place between the College and the ESFA. As part of our consideration we have had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Board, that after due enquiry and to the best of our knowledge, we are able to identify any 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 funding 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.

Signed: 

Louise Fluker  
Chair

Date: 12.12.19

Signed: 

Gabrielle Flint  
Principal and Accounting Officer

Date: 12.12.19

## **Statement of the responsibilities of the members of the Board 31 July 2019**

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

Within the terms and conditions of the College's financial memorandum with the ESFA, the Board, 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 College Accounts Direction 2018 to 2019 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 Board is required to:

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

The Board is also required to prepare a Report of the Members of the Board 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 Board is responsible for keeping adequate 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 Companies Act 2006, the relevant legislation of incorporation, including the Further and Higher Education Act 1992, the Companies Act 2011 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 the College website is the responsibility of the Board of the College; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts 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 Board 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 used 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 Board 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 Board 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 by the ESFA are not put at risk.

**Statement of the responsibilities of the members of the Board 31 July 2019**

Signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'Louise Fluker', with a long horizontal stroke extending from the start of the name.

Louise Fluker  
Chair

Date: 12.12.19.

## **Independent auditor's report to the members of the Board of Richmond and Hillcroft Adult and Community College 31 July 2019**

### **Opinion**

We have audited the financial statements of Richmond and Hillcroft Adult and Community College (the 'College') for the year ended 31 July 2019 which comprise the statement of comprehensive income and expenditure, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. 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 2019 and of its deficit of income over expenditure 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 requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

- the members of the Board use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members of the Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The members of the Board are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If

## **Independent auditor's report to the members of the Board of Richmond and Hillcroft Adult and Community College 31 July 2019**

we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the report of the members of the Board, which is also the directors' report for the purpose of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the report of the members of the Board, which is also the directors' report for the purpose of company law, has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the College and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the members of the Board.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Post 16 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 returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of members of the Board remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of members of the Board**

As explained more fully in the statement of responsibility of the members of the Board, the members, who are also the directors of this company for the purpose of company law, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members 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 members are 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 members 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

**Independent auditor's report to the members of the Board of Richmond and Hillcroft Adult and Community College 31 July 2019**

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](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 members of the Board, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the members of the Board 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 to anyone other than the College and the members of the Board as a body, for our audit work, for this report, or for the opinions we have formed.



28/01/2020

**Catherine Biscoe (Senior Statutory Auditor)**  
**For and on behalf of Buzzacott LLP, Statutory Auditor**  
**130 Wood Street**  
**London**  
**EC2V 6DL**

## **Reporting accountant's assurance report on regularity 31 July 2019**

### **Reporting accountant's assurance report on regularity to the Members of the Board of Richmond and Hillcroft Adult and Community College ("the Board") and the Secretary of State for Education, acting through the Department for Education ("the Department")**

In accordance with the terms of our engagement letter dated 9 July 2018 and further to the requirements of the financial memorandum with the 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 Richmond and Hillcroft Adult and Community College during the year ended 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued jointly 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 Members of the Board of Richmond and Hillcroft Adult and Community 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 Board 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 Board and the Department for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of the Members of the Board of Richmond and Hillcroft Adult Community College and the reporting accountant**

The Board 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 year ended 31 July 2019 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.

## Reporting accountant's assurance report on regularity 31 July 2019

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:

- ◆ An assessment of the risk of material irregularity and impropriety across all of the College's activities;
- ◆ Further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- ◆ Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

### 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 year ended 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



28/01/2020

Buzzacott LLP  
Chartered Accountants  
130 Wood Street  
London  
EC2V 6DL



# Statement of comprehensive income and expenditure Year to 31 July 2019

	Notes	2019 £'000	2018 £'000
<b>Income</b>			
Funding body grants	1	5,108	4,883
Tuition fees and education contracts	2	2,515	2,538
Other grants and contracts	3	246	204
Other income	4	738	765
Investment income	5	397	314
<b>Total income</b>		<b>9,004</b>	<b>8,704</b>
<b>Expenditure</b>			
Staff costs	6	5,686	5,163
Other operating expenses	7	2,579	2,424
Depreciation	9	809	697
Interest payable	16	492	412
<b>Total expenditure</b>		<b>9,566</b>	<b>8,696</b>
<b>(Deficit) / surplus before other gains and losses</b>		<b>(562)</b>	<b>8</b>
<b>(Deficit) / surplus before tax</b>		<b>(562)</b>	<b>8</b>
Taxation	8	—	—
<b>(Deficit) / surplus for the year</b>		<b>(562)</b>	<b>8</b>
Actuarial (loss) / gain in respect of pension schemes	16	(782)	1,268
Gain on fair value of assets and liabilities transferred in on merger	19	—	38,602
<b>Total Comprehensive (Expenditure) / Income for the year</b>		<b>(1,344)</b>	<b>39,878</b>
<b>Represented by:</b>			
Restricted comprehensive income		—	1,066
Unrestricted comprehensive (expenditure) / income		(1,344)	38,812
		<b>(1,344)</b>	<b>39,878</b>

The Statement of Comprehensive Income is in respect of continuing activities. The results for 2018 relate to the merged College from 1 October 2017 and to Hillcroft College only between 1 August 2017 and 30 September 2017. The results for 2019 represent those for Richmond and Hillcroft Adult and Community College.


# Statement of changes in reserves Year to 31 July 2019

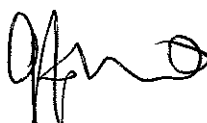
	Income and expend- -iture account £'000	Revalua- -tion reserve £'000	Restricted Benefac- -tion fund £'000	Restricted other funds £'000	Restricted Endow- ment fund £'000	Total £'000
<b>Balance at 1 August 2017</b>	121	5,351	17	2	3	<b>5,494</b>
Deficit from the income and expenditure account	8	-	-	-	-	<b>8</b>
Other comprehensive income – Actuarial gain in respect of pension schemes	1,268	-	-	-	-	<b>1,268</b>
Gain on fair value of assets and liabilities transferred in on merger (note 19)	37,536	-	-	1,066	-	<b>38,602</b>
Transfers between revaluation and income and expenditure reserves	89	(89)	-	-	-	-
	<u>38,901</u>	<u>(89)</u>	<u>-</u>	<u>1,066</u>	<u>-</u>	<u>39,878</u>
<b>Balance at 31 July 2018</b>	<b>39,022</b>	<b>5,262</b>	<b>17</b>	<b>1,068</b>	<b>3</b>	<b>45,372</b>
Deficit from the income and expenditure account	(562)	-	-	-	-	<b>(562)</b>
Other comprehensive income – Actuarial loss in respect of pension schemes	(782)	-	-	-	-	<b>(782)</b>
Transfers between revaluation and income and expenditure reserves	89	(89)	-	-	-	-
<b>Total comprehensive expenditure for the year</b>	<u>(1,255)</u>	<u>(89)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,344)</u>
<b>Balance at 31 July 2019</b>	<b>37,767</b>	<b>5,173</b>	<b>17</b>	<b>1,068</b>	<b>3</b>	<b>44,028</b>

## Balance sheet 31 July 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
<b>Non current assets</b>					
Tangible fixed assets	9		53,566		53,815
<b>Current assets</b>					
Trade and other receivables	10	827		706	
Cash and cash equivalents	15	4,352		4,659	
		5,179		5,365	
<b>Creditors - amounts falling due within one year</b>	11	(3,766)		(4,046)	
<b>Net current assets</b>			1,413		1,319
<b>Total assets less current liabilities</b>			54,979		55,134
<b>Creditors - amounts falling due after more than one year</b>	12		(5,546)		(5,492)
<b>Provisions</b>					
Net pension liability	16		(5,405)		(4,270)
<b>Total net assets</b>			44,028		45,372
<b>Restricted reserves</b>					
Benefaction fund			17		17
Endowment fund			3		3
Other restricted funds			1,068		1,068
			1,088		1,088
<b>Unrestricted reserves</b>					
Income and expenditure reserve			37,767		39,022
Revaluation reserve			5,173		5,262
<b>TOTAL RESERVES</b>			44,028		45,372

The financial statements on pages 31 to 53 were approved by the Directors and signed on their behalf by:

Signed:   
 Louise Fluker  
 Chair

Signed:   
 Gabrielle Flint  
 Principal & Accounting Officer

Date: 12.12.19

Date: 12.12.19

Company Limited by Guarantee  
 Registration Number: 0201528 (England and Wales)

## Statement of cash flows 31 July 2019

	2019 £'000	2018 £'000
<b>Cash flow from operating activities</b>		
(Deficit) / surplus for the year	(562)	8
<b>Adjustment for non-cash items</b>		
Depreciation	809	697
(Increase) / decrease in trade and other receivables	(121)	280
(Decrease) / increase in creditors due within one year	(280)	767
Increase / (decrease) in creditors due after one year	54	(7)
Pensions costs less contributions payable	353	286
<b>Adjustment for investing or financing activities</b>		
Investment income	(19)	(8)
<b>Net cash flow from operating activities</b>	<b>234</b>	<b>2,023</b>
<b>Cash flows from investing activities</b>		
Cash balance brought in from RACC	—	2,689
Investment income (excluding pension)	19	8
Payments made to acquire fixed assets	(560)	(207)
	<b>(541)</b>	<b>2,490</b>
<b>Cash flows from financing activities</b>		
Repayments of amounts borrowed	—	—
	<b>—</b>	<b>—</b>
<b>(Decrease) / increase in cash and cash equivalents in the year</b>	<b>(307)</b>	<b>4,513</b>

	Notes	2019 £'000	2018 £'000
Cash and cash equivalents at 1 August 2018	15	<b>4,659</b>	146
Cash and cash equivalents at 31 July 2019	15	<b>4,352</b>	4,659

## **Principal accounting policies 31 July 2019**

### **Statement of accounting policies**

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

### **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2018 to 2019 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires 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 as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Business combinations are accounted for by applying the acquisition method of accounting and the assets and liabilities acquired are adjusted to fair values, using external professional advisers where appropriate.

### **Going concern**

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cashflow, liquidity and borrowings are described in the financial statements and accompanying notes.

The net current asset position was £1,413,000 at the year end.

The College is forecasting a small surplus for 2019/20, and is forecasting cash balances of around £2m throughout the year. After careful consideration of its financial plan, budget and cashflow forecasts, the Board are satisfied that it remains a going concern for the foreseeable future. This is based on the confidence that the actions outlined in its financial plan will be achieved and that the previous staff restructuring exercise will generate significant efficiency savings.

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.

## **Principal accounting policies 31 July 2019**

### **Recognition of income**

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depends on the particular income stream involved. Any under or over achievement for the adult learner responsive funding element 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 at the end of October following the year end. Adult Skills grant income is recognised based on a year end reconciliation of income claimed and actual delivery. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102.

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

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. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

### **Accounting for post-employment benefits**

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Second Pension.

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 quinquennial valuations using a prospective benefit method. As stated in Note 16, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS 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

## **Principal accounting policies 31 July 2019**

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 the Statement of comprehensive income.

### **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.

### **Non-current Assets - Tangible fixed assets**

Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

#### **Land and buildings**

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future.

Land and buildings acquired through merger but dealt with using acquisition accounting, are revalued to fair value, based on independent professional advice.

Assets under construction are accounted for at cost, based on direct costs in relation to planning permission and other professional fees, incurred to 31 July. They are not depreciated until they are brought into use.

## **Principal accounting policies 31 July 2019**

### **Subsequent expenditure on existing fixed assets**

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

### **Equipment**

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- computer equipment                      3 years
- furniture, fixtures and fittings      10 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 expected 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 to the Statement of Comprehensive Income

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.



## **Principal accounting policies 31 July 2019**

### **Borrowing costs**

Borrowing costs are recognised as expenditure in the period in which they are incurred.

### **Cash and cash equivalents**

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

### **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 receives no exemption in respect of Value Added Tax.

### **Provisions and contingent liabilities**

Provisions are recognised when the College has a present legal or constructive obligation as a 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.

## **Principal accounting policies 31 July 2019**

### **Agency arrangements**

The College acts as an agent in the collection and payment of the Advanced Learner Loans Bursary. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 18 except for: the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant; and the income for Childcare support provided by the College's Crèche.

### **Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, management have made the following judgements:

- Determined whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determined whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

### **Other key sources of estimation uncertainty**

- Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 16, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## Notes to the financial statements 31 July 2019

### 1 Funding body grants

	2019 £'000	2018 £'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency - adult	4,686	4,581
Education and Skills Funding Agency 16-18	163	135
Education and Skills Funding Agency - apprenticeships	2	12
<b>Specific grants</b>		
Release of deferred capital grants	152	140
Education and Skills Funding Agency - Residential Access	100	—
HE Grant	5	15
	<b>5,108</b>	<b>4,883</b>

### 2 Tuition fees

	2019 £'000	2018 £'000
Adult education fees	2,143	2,280
Fees for HE loan supported courses	175	207
Total Tuition fees	<b>2,318</b>	<b>2,487</b>
Education contracts	197	51
<b>Total</b>	<b>2,515</b>	<b>2,538</b>

### 3 Other grants and contracts

	2019 £'000	2018 £'000
Big Lottery Grant	240	198
Other grants and contracts	6	6
	<b>246</b>	<b>204</b>

### 4 Other income

	2019 £'000	2018 £'000
Other income generating activities	270	246
Creche income	86	86
Rent income	264	201
Other income	118	232
	<b>738</b>	<b>765</b>

## Notes to the financial statements 31 July 2019

### 5 Investment income

	2019 £'000	2018 £'000
Bank interest receivable	19	8
Net return on pension scheme (note 16)	378	306
	<b>397</b>	<b>314</b>

### 6 Staff costs

The average head count (including key management personnel) employed by the College during the year was:

	2019 No	2018 No
Teaching staff	267	270
Non-teaching staff	217	194
	<b>484</b>	<b>464</b>

Staff costs for the above persons:

	2019 £'000	2018 £'000
Wages and salaries	4,099	3,681
Social security costs	306	271
Other pension costs	982	814
<b>Payroll sub total</b>	<b>5,387</b>	<b>4,766</b>
Contracted out staffing services	299	176
Restructuring costs - contractual	—	221
<b>Total staff costs</b>	<b>5,686</b>	<b>5,163</b>

#### **Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Team which comprises the Principal; the Vice Principal – Teaching and Learning; and the Director of Finance and Resources. Prior to merger the Senior Management Team included the Head of College; the Director of Curriculum and Quality and the Director of Student Services and Facilities.

	2019 No	2018 No
The number of key management personnel including the Accounting Officer was:	<b>3</b>	<b>7</b>

## Notes to the financial statements 31 July 2019

### 6 Staff costs (continued)

#### Key management personnel (continued)

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions and employer's national insurance but including benefits in kind, in the following ranges was:

	Key management personnel		Other staff	
	2019	2018	2019	2018
£nil to £5,000 p.a.	—	1	N/A	N/A
£5,001 - £10,000 p. a.	—	2	N/A	N/A
£40,001 - £45,000 p.a.	—	1	N/A	N/A
£55,001 - £60,000 p.a.	—	1	N/A	N/A
£60,001 - £65,000 p.a.	—	1	—	—
£75,001 - £80,000 p.a.	2	1	—	—
£95,001 - £100,000 p.a.	1	—	—	—
	<b>3</b>	<b>7</b>	<b>—</b>	<b>—</b>

Key management personnel emoluments are made up as follows:

	2019 £'000	2018 £'000
Salaries	257	276
Pension contributions	43	47
National Insurance - Employer's contributions	32	34
Total contributions	<b>332</b>	<b>357</b>

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2019 £'000	Period from 1 August 2017 to 30 September 2017 £'000	Period from 1 October 2017 to 31 July 2018 £'000	2018 £'000
Salaries	97	12	80	92
Pension contributions	16	2	13	15
Total contributions	<b>113</b>	<b>14</b>	<b>93</b>	<b>107</b>

For 2017/18 there was a change in the Accounting Officer's position on merger. Therefore, the pay above is split for the 2-month period from 1 August 2017 to 30 September 2017 prior to merger and the 10-month period from 1 October 2017 to 31 July 2018 post merger.

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

## Notes to the financial statements 31 July 2019

### 6 Staff costs (continued)

#### Key management personnel (continued)

Compensation for loss of office paid to former key management personnel.

	2019 £'000	2018 £'000
Compensation paid to the former post-holder - contractual	—	50
Estimated value of other benefits, including provisions for pension benefits	—	6
	—	56

The compensation payment was approved by the College's Finance and Resources Committee.

### 7 Other operating expenses

	2019 £'000	2018 £'000
Teaching costs	939	911
Non-teaching costs	793	700
Premises costs	847	813
<b>Total</b>	<b>2,579</b>	<b>2,424</b>

Other operating expenses include:

	2019 £'000	2018 £'000
Auditors' remuneration		
. Financial statements audit	32	28
. Other services provided by the financial statements auditor (Regularity and Teachers' Pensions Audit)	3	3
. Internal audit	20	12
. Hire of assets under operating leases	58	48

### 8 Taxation

Richmond and Hillcroft Adult and Community College is a charity with no additional trading activities. The Members of the Board of the College do not believe any corporation tax liability was incurred in 2018/19.

## Notes to the financial statements 31 July 2019

### 9 Non-current assets

	Freehold land and buildings £'000	Equipment, fixtures and fittings £'000	Assets in the course of construction £'000	Total £'000
<b>Cost or valuation</b>				
At 1 August 2018	54,484	299	—	<b>54,783</b>
Additions	426	90	44	<b>560</b>
Disposals	—	(72)	—	<b>(72)</b>
<b>At 31 July 2019</b>	<b>54,910</b>	<b>317</b>	<b>44</b>	<b>55,271</b>
<b>Depreciation</b>				
At 1 August 2018	967	1	—	<b>968</b>
Charge for the year	695	114	—	<b>809</b>
Elimination in respect of disposals	—	(72)	—	<b>(72)</b>
<b>At 31 July 2019</b>	<b>1,662</b>	<b>43</b>	<b>—</b>	<b>1,705</b>
<b>Net book value at 31 July 2019</b>	<b>53,248</b>	<b>274</b>	<b>44</b>	<b>53,566</b>
Net book value at 31 July 2018	53,517	298	—	<b>53,815</b>

The land and buildings owned by Hillcroft College prior the merger were revalued by the District Valuer based at Wimbledon at 31 July 2012. The Valuer conforms to Practice Statement 5 of the RICS Appraisal and Valuation Manual. The land was valued at £4,018,800 and the buildings at a depreciated replacement cost of £2,294,554. This value excludes VAT. The historical cost was £1,000 for the land and £126,240 for the buildings.

Land and buildings transferred on merger at 1 October 2017 from Richmond Adult and Community College were adjusted to fair value based on independent professional advice. The gain on the adjustment to fair value of these assets was £30,151,000 which was included in the Consolidated Statement of Comprehensive Income in 2017/18.

RHACC continues to develop the College's buildings and invested £426,000 during the year.

If fixed assets had not been revalued before being deemed as cost on transition they would have been included at the following historical cost amounts:

	£
Cost	127,240
Aggregate depreciation based on cost	(114,516)
<b>Net book value based on cost</b>	<b>12,724</b>

## Notes to the financial statements 31 July 2019

### 10 Trade and other receivables

	2019 £'000	2018 £'000
<i>Amounts falling due within one year</i>		
Trade receivables	606	476
Other debtors	4	3
Prepayments and accrued income	215	225
Benefaction account	2	2
	<b>827</b>	<b>706</b>

### 11 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade payables	133	194
Other payables	32	—
Other taxation and social security	85	95
Accruals and deferred income	1,299	1,788
Deferred income – government capital grants	153	145
Amounts owed to the Education and Skills Funding Agency	2,064	1,824
	<b>3,766</b>	<b>4,046</b>

	2019 £'000	2018 £'000
Deferred income at 1 August 2018	763	279
Released from previous years	(763)	(279)
Tuition fees received in advance	821	763
Deferred income at 31 July 2019	<b>821</b>	<b>763</b>

At the balance sheet date, the College was holding tuition fees (£821k) received in advance for courses starting or continuing in 2019/20.

### 12 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Deferred income – government capital grants	<b>5,546</b>	<b>5,492</b>



## Notes to the financial statements 31 July 2019

### 13 Lease obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	2019 £'000	2018 £'000
<b>Equipment</b>		
Not later than one year	72	58
Later than one year and not later than five years	178	73
	<b>250</b>	<b>131</b>

### 14 Provisions

	Defined benefit obligations £'000	Total £'000
At 1 August 2018	4,270	<b>4,270</b>
Movement in the year (note 16)	1,135	<b>1,135</b>
<b>At 31 July 2019</b>	<b>5,405</b>	<b>5,405</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in note 16.

### 15 Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	At 31 July 2019 £'000
Cash and cash equivalents	4,659	(307)	<b>4,352</b>
	<b>4,659</b>	<b>(307)</b>	<b>4,352</b>

### 16 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Wandsworth Council Pension Fund (LGPS) for non-teaching staff, which is managed by London Borough of Kingston upon Thames. Both are multi-employer defined-benefit plans.

	2019 Total £'000	2018 Total £'000
<b>Teachers' Pension Scheme contributions paid</b>	<b>328</b>	312
Local Government Pension Scheme:		
. Contributions paid	415	322
. FRS 102 (28) charge	239	180
Charge to the Statement of Comprehensive Income	<b>654</b>	502
<b>Total pension cost for year within staff costs (note 6)</b>	<b>982</b>	814

**16 Defined benefit obligations** (continued)

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 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' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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.

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 plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 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.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £330,000 (2018: £312,000).

**16 Defined benefit obligations (continued)**

**Local Government Pension Scheme**

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the Wandsworth Council Pension Fund Local Authority. The total contributions made for the year ended 31 July 2019 were £509,000, of which employer's contributions totalled £415,000 and employees' contributions totalled £94,000. The agreed contribution rates for future years are 17.7% for employers and range from 5.5% to 8.5% 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 2019 by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	2.75%	2.75%
Future pensions increases	2.35%	2.35%
Discount rate for scheme liabilities	2.10%	2.65%
Inflation assumption (CPI)	2.35%	2.35%
Commutation of pensions to lump sums (pre-April 2008 service)	50%	50%
Commutation of pensions to lump sums (post-April 2008 service)	75%	75%

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 2019 Years	At 31 July 2018 Years
<b>Retiring today</b>		
Males	23.4	24.5
Females	24.8	26.1
<b>Retiring in 20 years</b>		
Males	25.1	26.8
Females	26.6	28.4

Sensitivity analysis is provided below:

	2019 Approx monetary amount (£'000's)
Discount rate + 0.1%	19,963
Discount rate - 0.1%	20,808
Mortality assumption – 1 year increase	21,175
Mortality assumption – 1 year decrease	19,617
CPI rate +0.1%	20,788
CPI rate -0.1%	19,982

The sensitivity analysis represents the present value of plan liabilities as a result of the change in each underlying assumption.

## Notes to the financial statements 31 July 2019

### 16 Defined benefit obligations (continued)

#### *Local Government Pension Scheme*

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

	Value at 31 July 2019 £'000	Value at 31 July 2018 £'000
Equity instruments	10,117	9,533
Gilts	435	557
Bonds	1,701	1,440
Property	657	487
Cash	141	79
Multi-asset fund	1,925	2,152
<b>Total fair value of plan assets</b>	<b>14,976</b>	<b>14,248</b>
<b>Actual return on plan assets</b>	<b>667</b>	<b>985</b>

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

	2019 Total £'000	2018 Total £'000
Fair value of plan assets	14,976	14,248
Present value of plan liabilities	(20,381)	(18,518)
<b>Net pensions liability</b>	<b>(5,405)</b>	<b>(4,270)</b>

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

	2019 Total £'000	2018 Total £'000
<b>Amounts included in staff cost</b>		
Current service cost	(617)	(469)
Past service cost	(37)	(33)
<b>Total</b>	<b>(654)</b>	<b>(502)</b>
Amounts included in investment income	378	306
Amounts included in interest costs	(486)	(411)
Administration expenses	(6)	(1)
<b>Net interest cost</b>	<b>(114)</b>	<b>(106)</b>
Return on pension plan assets	289	679
Changes in assumptions underlying the present value of plan liabilities	(1,071)	589
<b>Amount recognised in Other Comprehensive Income</b>	<b>(782)</b>	<b>1,268</b>

## Notes to the financial statements 31 July 2019

### 16 Defined benefit obligations (continued)

#### *Local Government Pension Scheme*

##### *Movement in net defined benefit liability during year*

	2019 Total £'000	2018 Total £'000
Net defined benefit liability in scheme at 1 August	(4,270)	(238)
Movement in year:		
. Transferred pension deficit on merger	—	(5,014)
. Past service cost	(37)	(33)
. Current service cost	(617)	(469)
. Employer contributions	415	322
. Net interest on the defined liability	(114)	(106)
. Actuarial (loss) or gain	(782)	1,268
<b>Net defined benefit liability at 31 July</b>	<b>(5,405)</b>	<b>(4,270)</b>

##### *Asset and Liability Reconciliation*

	2019 Total £'000	2018 Total £'000
<b>Defined benefit obligations at 1 August</b>	<b>18,518</b>	<b>2,552</b>
Current service cost	617	469
Interest cost	486	411
Contributions by Scheme participants	94	76
Change in demographic assumptions	(1,177)	175
Changes in financial assumptions	2,248	(764)
Estimated benefits paid	(442)	(234)
Past service cost	37	33
Liabilities transferred from RACC	—	15,800
<b>Defined benefit obligations at 31 July</b>	<b>20,381</b>	<b>18,518</b>

##### *Changes in fair value of plan assets*

	2019 Total £'000	2018 Total £'000
<b>Fair value of plan assets at 1 August</b>	<b>14,248</b>	<b>2,314</b>
Interest on plan assets	378	306
Return on plan assets	289	679
Employer contributions	415	322
Contributions by Scheme participants	94	76
Estimated benefits paid	(442)	(234)
Administration expenses	(6)	(1)
Assets transferred from RACC	—	10,786
<b>Fair value of plan assets at 31 July</b>	<b>14,976</b>	<b>14,248</b>

## 17 Related party transactions

Owing to the nature of the College's operations and the composition of the Board being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. All transactions involving such organisations are conducted in accordance with the College's financial regulations and normal procurement procedures. Transactions with the ESFA are detailed in note 1.

The total expenses paid to or on behalf of the members of the Board during the year was £105 (2018: £375). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Board meetings or charity events in their official capacity.

No Board member received any remuneration or waived payments from the College or its subsidiaries during the year (2018: £nil).

The College will disclose all related party transactions in accordance with the College's financial regulations. There were none in 2018/19 (2017/18: none).

## 18 Learner support funds

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
<b><i>Learner Support Funds</i></b>		
<b>Other Learner Support Funds (Advanced Learner Loans Bursary)</b>		
Grant received – current year	359	577
Less: Disbursed to students	(148)	(346)
Less: Administration fee	(9)	(14)
Underspend for the year	202	217

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of comprehensive income and expenditure.

## 19 Richmond Adult Community College

On 1 October 2017, Hillcroft College merged with Richmond Adult and Community College. This has been accounted for using the acquisition method of accounting.

The net assets as at 1 October were as follows:

	Book value at 30 September 2017 £'000	Fair value adjustment £'000	Total value on merger £'000
<b>Tangible Fixed assets</b>	17,101	30,151	47,252
<b>Current assets</b>			
Trade and other receivables	967	—	967
Cash and cash equivalents	2,689	—	2,689
Creditors falling due within one year	(2,606)	—	(2,606)
<b>Net current assets</b>	<b>1,050</b>	<b>—</b>	<b>1,050</b>
<b>Total assets less current liabilities</b>	<b>18,151</b>	<b>30,151</b>	<b>48,302</b>
Creditors falling due after more than one year	(4,686)	—	(4,686)
Provisions			
Net pension liability	(5,014)	—	(5,014)
<b>Total net assets</b>	<b>8,451</b>	<b>30,151</b>	<b>38,602</b>
<b>Restricted Funds</b>	1,066	—	1,066
<b>Unrestricted reserves</b>			
Income and expenditure reserve	5,703	31,833	37,536
Revaluation reserve	1,682	(1,682)	—
<b>Total reserves</b>	<b>8,451</b>	<b>30,151</b>	<b>38,602</b>