Richmond and Hillcroft Adult and Community College
(Formerly Hillcroft College (Incorporated) Limited)

Annual Report and Financial Statements

31 July 2017

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

Charity Registration Number
312825

Contents

Legal and administrative information

Members of the Board (as at date of approval of the financial statements)	Louise Fluker (Chair) – appointed 1 October 2017 Mark Albrow – appointed 1 October 2017 Richard Brewster – appointed 1 October 2017 Helen Darracott – appointed 1 October 2017 Gabrielle Flint (Principal) - appointed 6 October 2017 Andrew George – appointed 1 October 2017 Gavin Hardcastle-Jones – appointed 1 October 2017 Theresa Hoenig Farah Ispahani Linda Jones Jane O'Shea – appointed 1 October 2017 Lisa Sharp – appointed 1 October 2017 Nigel Ware
Members of Hillcroft Council to the date of Merger with Richmond Adult and Community College	Linda Jones (Chair) Susan Carter Chris Gosling Theresa Hoenig Farah Ispahani Gordon Mattocks Katherine Perricos Patricia Terry Nigel Ware Hodo Muse Graham Tharp
Federation Principal and Principal of the merged College	Gabrielle Flint
Head of Hillcroft College and Accounting Officer to the date of merger	Susan Carter
Company secretary	Sara George
Registered office	South Bank Surbiton Surrey KT6 6DF
Company registration number	0201528 (England and Wales)
Charity registration number	312825

Key management personnel, board and professional advisors

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2016/17:

Susan Carter, Head of College

Susan Carter was appointed Vice Principal Designate for Learner Experience of the merged College and formally became Vice Principal – Learner Experience at the point of merger.

Victoria Murray, Director of Curriculum and Quality

Emma Staveley, Director of Student Services and Facilities

Board

Heather Cross acted as Clerk to the Board throughout the period.

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

1 NATURE, OBJECTIVES AND STRATEGIES

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

1.1 Legal status

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

On 1 October 2017 the College merged with Richmond Adult and Community College (RACC). All of RACC's assets and liabilities transferred into Hillcroft College at the point of merger. From the date of the merger the College formally changed its name to Richmond and Hillcroft Adult and Community College (RHACC).

The Articles of Association and charitable objects were amended to reflect the changing role of the College following the merger.

This members report relates to Hillcroft College for the pre-merger year of 2016-17.

1.2 Mission

The College's mission, as approved by the members of the Council in July 2012 is:

- To provide outstanding educational opportunities for women through residential and individualised learning.
- To enable women to progress in their work, community and in their personal lives.
- To develop educational services for organisations dedicated to women's advancement, and become a forum for debate.

1.3 Public benefit

Hillcroft College 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.

1 NATURE, OBJECTIVES AND STRATEGIES (continued)

1.3 Public benefit (continued)

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;
- Links with employers, industry and commerce.

1.4 Implementation of strategic plan

In December 2015 the College adopted a strategic plan for the period up to 31 July 2020. This strategic plan included property and financial plans. The Board monitors the performance of the College against these plans. The plans are reviewed and updated each year.

In 2016/17 the College was working towards the following six strategic objectives:

1. Provide responsive, transformational learning opportunities for women

   i) Maintain core areas of successful residential provision (local, regional and national) to increase the participation of women who can benefit from intensive, women-only residential study

   ii) Diversify the Hillcroft offer by exploring additional learning opportunities, progression pathways and types of provision with alternative funding streams

2. Develop Digital Skills & promote the Women into Technology/STEM Agenda

3. Work collaboratively and creatively to develop and share best practice to ensure an excellent experience for all learners

4. Maximise the benefits of referral partnerships, federation partnerships and employer and community links to increase access, reach and progression opportunities for women

5. Ensure a sustainable future by improving efficiencies through shared services; effective utilisation of resources and streamlining of systems; diversification of income streams and identification of new areas for growth

6. Develop the College estate and IT infrastructure to support all its strategic aims

1 NATURE, OBJECTIVES AND STRATEGIES (continued)

1.4 Implementation of strategic plan (continued)

The College has found it increasingly difficult to maintain financial sustainability and in October 2016 its financial health was graded inadequate by the ESFA. In advance of this the College had developed a financial recovery plan in an attempt to improve its financial performance in 2016/17.

One of the actions in the plan was to assess other structural options that might be available to secure the long term future of the College. Consequently, a feasibility study was undertaken to assess the potential for merger with RACC, the College's federation partner. Following the feasibility study both Colleges agreed to proceed to merger which was completed on 1 October 2017.

In 2016/17 significant senior management and governor time has been directed to the strategic objective of ensuring a sustainable future for the College.

1.5 Outcomes

The main outcomes in 2016/17 were as follows:

- The College achieved an ESFA funding value of £1,919,423 (2015/16: £1,640,356).
- The College's ESFA financial health category was inadequate.
- Student retention on all courses was 96.6% (2015/16: 96%).
- Achievement (previously success) rates for results received by the date of this report were 90% overall (2015/16: 90%).
- Overall recruitment onto ESFA courses represented by learner numbers decreased from 326 to 308 during the year. Enrolment numbers also decreased in the year from 886 to 841.

1.6 Financial objectives

The College's financial objectives are:

- To achieve an annual surplus on a historical cost basis.
- To pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances.
- To generate sufficient levels of income to support the asset base of the College.
- To further improve the College's short term liquidity.
- To fund continued capital investment.

1 NATURE, OBJECTIVES AND STRATEGIES (continued)

1.6 Financial objectives (continued)

A series of performance indicators had been agreed to monitor the successful implementation of the policies. It became increasingly evident that the College did not in the long term have a financially sustainable future and as a result the decision was taken to merge with RACC.

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.

Student retention on all courses was 96.6% (2015/16: 96%). Achievement (previously success) rates for results received by the date of this report were 90% overall (2015/16: 90%).

The College's educational provision was judged good by Ofsted in January 2014 in all three key areas of learner outcomes, teaching and learning, and leadership and management.

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.

The College achieved a funding target of 99% in 2016/17 and achieved an ESFA funding value of **£1,919,423** (2015/16: £1,640,356). This increase between years is a result of Discretionary Learner Support (DLS) income now being consolidated into the main Adult Education Budget allocation.

2 FINANCIAL POSITION

2.1 Financial results

The College made a deficit before other gains and losses in the year of £237,690 (2015/16: £211,056). The College had a budget deficit for the year of £48,950, However, additional staffing costs were incurred in delivering additional programmes in order to achieve the ESFA funding allocation, recruitment onto Level 3 Access courses was less than forecast with a resultant loss of tuition fee and residence income. A clawback to the ESFA in respect of Adult Learner Loan bursary of £128,000 and unbudgeted costs associated with the merger of £40,000 were incurred. An FRS 102 pension charge of £51,000 also contributed to the increased deficit.

At 31 July 2017, the College had accumulated reserves of £5,493,690 (2015/16: £5,503,380). This is after taking into account the accumulated deficit on the pension fund of £238,000 (2015/16:£405,000). Of the total reserves, £5,351,077 related to the Revaluation Reserve (2015/16: £5,439,727). The Income and Expenditure Reserve has a surplus of £120,725 (2015/16: £41,765).

2. FINANCIAL POSITION (continued)

2.1 Financial results (continued)

Tangible fixed asset additions during the year amounted to £105,266. This included equipment purchased of £5,720 and capital works to buildings of £99,546.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the ESFA provided 88% (2015/16: 81%) 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.

2.3 Cash flows and liquidity

The overall increase in cash of £21,739 (2015/16: decrease of £602,736) resulted from operating cash inflow of £155,731, cash outflows from investment activities of £105,242 and cash outflows from financing activities of £28,750.

The College put in place a bank overdraft facility of £50,000 during the year but this was not used at any point.

2.4 Taxation

The College's activities do not fall to be charged to corporation tax.

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 £120,725 (2016: £41,765). It is the intention 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.

3 CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

3.1 Student numbers

In 2016/17 learner numbers totalled 308 (2015/16: 326) and enrolment numbers totalled 841 (2015/16: 886).

3.2 Student achievements

Students continue to prosper at the College. Student retention on all courses was 96% (2015/16: 96%).

Success rates for results received by the date of this report were 90% overall (2015/16: 90%).

3.3 Curriculum developments

The College seeks to meet and exceed the curriculum needs of the women it serves. Many of our students have low levels of prior educational achievement. The College provides a range of courses aimed at students who are returning to education. Courses have been designed to ensure students are able to move securely into further or higher education, volunteering or jobs.

3.4 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 2017, the College paid 95%per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

3.5 Events after the end of the reporting period

The College formed a soft federation with Richmond Adult and Community College (RACC) which commenced on 1 August 2015. Gabrielle Flint, Principal of RACC, was appointed as Federation Principal (part-time) and Sue Carter was appointed as Vice Principal of the Federation, and Head of College and Accounting Officer for Hillcroft College with effect from 1 August 2015.

Following a review of the first year of operation of the federation, the Council of Hillcroft College and the Governing Body of RACC agreed to explore the potential for a merger of the two Colleges. Both bodies at their respective meetings in December 2016 discussed a report on the feasibility of the potential merger. The Council of Hillcroft College, and the Governing Body of RACC, resolved to further develop plans for merger, subject to due diligence and contract, with a target date for implementation of 1 August 2017. The target date for the merger was not achieved due to a delay in resolving issues around the Local Government Pension Scheme. These issues were satisfactorily resolved and the merger was completed on 1 October 2017.

The charitable objects of the College were formally changed to facilitate the merger and were registered at Companies House and with the Charity Commission prior to the merger with RACC completing and now read as follows:

3. CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

3.5 Events after the end of the reporting period (continued)

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

1. *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.*

2. *to enable adult men and/or women disadvantaged by educational or social factors to progress into Higher Education, vocational training and employment.*

3. *to contribute to the national development of women's education."*

These are an expansion from the original objects which restricted Hillcroft to providing women only education.

This merger offers an exciting opportunity to combine the expertise of the two colleges in providing an outstanding range of innovative courses and learner support services. It enables the College to become financially sustainable and thus better able to protect and develop provision to meet the needs of our learners groups through the realisation of economies of scale and will enable investment in curriculum development. As a merged College we will be educationally and financially strong, delivering high quality programmes to meet learner and employer needs. We will remain steadfastly at the heart of our local communities and keep those within our College community at the heart of everything we undertake.

3.6 Future prospects

The College had net current liabilities of £507,767 at the year end.

As noted above, the College merged with RACC on 1 October 2017. This action has effectively grown the College from an entity with £2.3m of income to one with an income of £8.5m. The College will continue to operate under an ESFA Financial Notice of Concern due to its previous inadequate financial health grade, however, the financial health of the merged College is forecast to be 'good'. The ESFA have confirmed the underlying financial health grade of the merged College as 'satisfactory'. The ESFA has indicated they will move from a monthly to a quarterly monitoring regime following merger.

The College is forecasting a small surplus for 2017/18, its initial ten months of operation and is forecasting cash balances of around £2m throughout the year. After careful consideration of its cashflow forecasts, the College is 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 a staff restructuring exercise will generate significant efficiency savings. In addition, work is being undertaken to identify further savings and income generation options to improve the position further.

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.

4 RESOURCES

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

4.1 Tangible

Tangible resources include the Hillcroft College site and following merger an additional site in the centre of Richmond.

4.2 Financial

At 31 July 2017 the College had £5,493,690 (2015/16: £5,503,380) of net assets, including a £238,000 pension liability (2015/16: £405,000). The College's Income and Expenditure Reserve was in surplus by £120,725 (2015/16: £41,765) at the year end. Prior to the merger, at 31 July 2017 RACC had net assets of £8,558,000, including a pension liability of £5,288,000. The Income and Expenditure Reserve had a surplus of £5,804,000 and the College had a cash balance of £2,435,000

4.3 People

At the merger date with RACC the College employed 157 people (expressed as full time equivalents), of whom 79 were teaching staff.

4.4 Reputation

The College has developed its reputation by improving the quality of its provision and achieving an overall Ofsted grade of Good in January 2014. 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 Senior Management 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. In addition to the main College risk register a detailed risk register in relation to the merger was established during the year.

Both risk registers identify 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.

5. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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.

5.1 Government funding

The College places considerable reliance on continued government funding through the ESFA. In 2016/17, 88% (2015/16: 81%) of the College's revenue was ultimately public funded, this will reduce following the merger as RACC has significantly less reliance on government funding. 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:

- Following the referendum vote for the UK to leave the EU there is some uncertainty around the future economic outlook for the UK. In turn this could impact on the future funding of adult education.
- The ESFA introduced student loans for Level 3 courses for adults aged 24 and above in 2013/14. In 2016/17 the College generated income of £65,000 from this source. Student Loans have now been extended to include learners aged 19+. The impact of this on College recruitment will be closely monitored.
- Funding for adult education in London will be devolved to the GLA from 2019/20. It is not yet clear if this devolved funding will apply to Special Designated Institutes and what the impact might be.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is 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 with RACC.

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 the Hillcroft site by making it available for lettings and other income generating activities. The risk for the College is that the budget targets are not met.

5. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

5.2 Income diversification (continued)

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 donors.
- 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.

5.3 Long term financial sustainability

The 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 improved financial sustainability that the merger will provide needs to be built upon to ensure the full benefits are realised. The merged College will have an 'inadequate' financial health grade for 2016/17 as a result of the previous financial performance of Hillcroft College, however, the ESFA has confirmed that the underlying financial health grade for the merged College will be 'satisfactory'. Achieving '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.
- Non-pay efficiency savings will be achieved through merger.
- 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:

- Students;
- Education sector funding bodies;
- FE commissioner;
- Staff;
- Partner referral organisations;
- Local employers;
- Local authorities;
- Government offices;

6. STAKEHOLDER RELATIONSHIPS (continued)

- The local community;
- Other FE institutions;
- Trade unions; and
- Professional bodies.

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

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. 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, Virtual Learning Environment (VLE) and on the shared drive.

The College publishes information on Equality and Diversity and Equality Objectives to ensure compliance with the Public Sector Equality Duty in the Single Equality Act 2010. The current Equality objectives are:

- To monitor and analyse student achievement in terms of the following protected characteristics: race, age, disability, pregnancy & maternity.
- To seek to ensure that the staff group reflects the diversity of the student population. Monitoring and analysis to be undertaken annually and reported to the Senior Management Team and Board.
- To improve the accessibility of the College buildings, particularly in relation to provision of study bedrooms and teaching and learning accommodation and facilities.

6.2 Disability statement

The College is a 'Positive about Disabled' 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.

6. STAKEHOLDER RELATIONSHIPS (continued)

6.2 Disability statement (continued)

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.

7 DISCLOSURE OF INFORMATION TO AUDITOR

The members of the Board 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.

Approved by the members of the Board and signed on their behalf by:

Linda Jones
Director

Approved on: 14.12.17

Statement of corporate governance and internal control 31 July 2017

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 period from 1 August 2016 to 31 July 2017.

The College endeavours to conduct its business:

i) in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability openness, honesty and leadership);

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

iii) having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

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 Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The Governors, 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 2017

Members of the Council

The members of the Council who served during the year and up to the date of merger with RACC were as follows:

	Expiry of Term of Office	Status of Appointment	Committees served	Attendance*
Sue Carter	N/A	Ex-officio Head of College	Ex-officio all committees except Audit	100%
Chris Gosling	1 October 2017	Elected	Human Resources and Governance (Chair)	91%
Theresa Hoenig	AGM 2019	Elected	Quality and Standards	72%
Farah Ispahani	AGM 2020	Elected	Audit	91%
Professor Linda Jones	AGM 2019	Elected	Chair of the Council Ex-officio all other committees apart from Audit	100%
Gordon Mattocks	1 October 2017	Elected	Audit	91%
Kash Pandya	AGM 2017	Elected	Hon Treasurer, Finance and General Purposes, HR and Governance	100%
Katherine Perricos	1 October 2017	Elected	Audit Committee (Chair)	91%
David Porter	Resignation June 2017	Elected	Finance & General Purposes	100%
Patricia Terry	1 October 2017	Elected	Audit, HR and Governance	93%
Nigel Ware	AGM 2018	Elected	Finance & General Purposes	100%
Hodo Muse	1 October 2017	Staff		25%
Graham Tharp	1 October 2017	Staff		100%
Hasan Syed	Resignation July 2017	Staff		57%
Jennifer Bladen-Towning	July 2017	Student		70%

*Number of Council Meetings attended in 2016/17 or to date of resignation if earlier.

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

Heather Cross served as Clerk to the Council during the year.

Outlined on Page 1 of this report are the names of the members of the Board of the merged College.

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

The Council 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 Council

The Council conducted its business through a number of committees during the year ended 31 July 2017. Each committee has terms of reference, which have been approved by the Council. These committees are Quality and Standards, Audit, Finance & General Purposes, Human Resources and Governance.

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

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

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

The Council has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Council 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 Council

Any new appointments to the Council are a matter for the consideration of the Council as a whole. The Council is responsible for the selection and nomination of new members for the Council's consideration and ensuring that appropriate training is provided as required.

Members of the Council are appointed for a term of office not exceeding three years.

Council performance

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

Human Resources and Governance Committee

This committee comprises 4 members of the Council and reviews HR and Governance matters, in addition to making recommendations concerning the remuneration of senior post holders.

The Council as a whole is responsible for decisions on the remuneration and benefits of the Accounting Officer and other senior staff on the recommendation of the HR and Governance Committee.

Finance and General Purposes Committee

This committee comprises 3 members of the Council and has terms of reference approved by the Council. The Committee membership includes the Hon. Treasurer. The Committee meets at least three times a year and reviews financial performance and items of expenditure requiring member approval.

Audit Committee

The Audit Committee comprises four members of the Council (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Council.

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 Council 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 Council.

Quality and Standards Committee

The Quality and Standards Committee comprises three members of the Council (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms in reference approved by the Council. 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 Council 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 Council has delegated the day-to-day responsibility to the Head of College 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 Council any material weaknesses or break-downs in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Hillcroft College for the year ended 31 July 2017 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Council 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 Council 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 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Council 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 Council;
- regular reviews by the Council 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 Council 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

Review of effectiveness

As Accounting Officer, the Head of College has responsibility for reviewing the effectiveness of the system of internal control. The Head of College'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 accountant for regularity assurance in their management letters and other reports.

Statement of corporate governance and internal control 31 July 2017

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 Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and the Audit Committee also receive regular reports from internal audit, and other sources of assurance which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Council's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2017 meeting, the Board carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2017.

Based on the advice of the Audit Committee and the Accounting Officer, the Council 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 3.6 of the Report of the Members of the Board to which reference should be made. Despite the net current liability position at the year end, 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 merged College for the period to July 2019 and the cash flow forecast indicate that the financial health of the College will improve during the coming year. This is on the basis of prudent income growth and flat line funding from the ESFA in relation to the Adult Education Budget. The financial plan is also predicated on efficiency savings being made from the merger with RACC. A staffing restructure has now taken place which will generate the staff savings forecast in the financial plan. 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.

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

Signed:	Signed: S.M Carter
Linda Jones Director	Susan Carter Head of College and Accounting Officer (Hillcroft College)
Date: 14.12.17	Date: 14.12.17

Members of the Board's statement of regularity, propriety and

compliance 31 July 2017

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: L Jones.

Linda Jones
Director

Date: 14.12.17

Signed: S.M Carter

Susan Carter
Head of College and Accounting Officer (HillcroftCollege)

Date: 14.12.17

Statement of the responsibilities of the members of the Board 31 July 2017

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 2016 to 2017 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the 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 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 2017

Signed on behalf of the Board

L J Jones.

Linda Jones
Director

Date: 14.12.17

Opinion

We have audited the financial statements of Hillcroft College (the 'College') for the year ended 31 July 2017 which comprise the statement of financial activities, 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).

This report is made solely to the College's members, 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 College's members 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 College's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 and of its deficit of expenditure over income 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 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 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 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 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;
- we have not received all the information and explanations we require for our audit; or
- the members of the Board were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

Responsibilities of members of the Board

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

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

Buzzacott LLP

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

20 December 2017

Reporting accountant's assurance report on regularity to the Members of the Board of Richmond and Hillcroft Adult and Community College (Formerly Hillcroft College (Incorporated) Limited) ("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 16 June 2017 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 Hillcroft College during the year ended 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("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 Hillcroft 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 and Community College (Formerly Hillcroft College (Incorporated) Limited) 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 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

Reporting accountant's assurance report on regularity 31 July 2017

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

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

The work undertaken to draw to our conclusion includes:

- 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 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Buzzacott LLP

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

20 December 2017

Statement of comprehensive income Year to 31 July 2017

	Notes	**2017** £	2016 £
Income			
Funding body grants	1	1,995,468	1,675,364
Tuition fees and education contracts	3	67,676	89,503
Other grants and contracts	2	144,788	14,974
Other income	4	8,391	210,955
Investment income	5	51,024	65,676
Total income		2,267,347	2,056,472
Expenditure			
Staff costs	6	1,535,499	1,465,076
Other operating expenses	7	838,365	565,993
Depreciation	9	70,173	159,459
Interest payable	19	61,000	77,000
Total expenditure		2,505,037	2,267,528
Deficit before other gains and losses		(237,690)	(211,056)
Deficit before tax		(237,690)	(211,056)
Taxation	8	—	—
Deficit for the year		(237,690)	(211,056)
Actuarial gain / (loss) in respect of pension schemes	19	228,000	(45,000)
Total Comprehensive Income for the year		(9,690)	(256,056)
Represented by:			
Restricted comprehensive income		—	—
Unrestricted comprehensive income		(9,690)	(256,056)
		(9,690)	(256,056)

Statement of changes in reserves Year to 31 July 2017

	Income and expend -iture account £	Revalua -tion reserve £	Restricted Benefac -tion fund £	Restricted other funds £	Restricted Endow- ment fund £	**Total £**
Balance at 1 August 2015	209,171	5,528,377	16,558	2,330	3,000	**5,759,436**
Deficit from the income and expenditure account	(211,056)	-	-	-	-	**(211,056)**
Other comprehensive income - Actuarial loss in respect of pension schemes	(45,000)	-	-	-	-	**(45,000)**
Transfers between revaluation and income and expenditure reserves	88,650	(88,650)	-	-	-	-
	(167,406)	(88,650)	-	-	-	**(256,056)**
Balance at 31 July 2016	41,765	5,439,727	16,558	2,330	3,000	**5,503,380**
Deficit from the income and expenditure account	(237,690)	-	-	-	-	**(237,690)**
Other comprehensive income – Actuarial gain in respect of pension schemes	228,000	-	-	-	-	**228,000**
Transfers between revaluation and income and expenditure reserves	88,650	(88,650)	-	-	-	-
Total comprehensive income for the year	78,960	(88,650)	-	-	-	**(9,690)**
Balance at 31 July 2017	120,725	5,351,077	16,558	2,330	3,000	**5,493,690**

Balance sheet 31 July 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Non current assets					
Tangible fixed assets	9		7,052,385		7,017,291
Current assets					
Trade and other receivables	10	18,819		89,372	
Cash and cash equivalents	15	146,333		124,594	
		165,152		213,966	
Creditors - amounts falling due within one year	11	(672,919)		(428,235)	
Net current liabilities			(507,767)		(214,269)
Total assets less current liabilities			6,544,618		6,803,022
Creditors - amounts falling due after more than one year	12		(812,928)		(894,642)
Provisions					
Net pension liability	19		(238,000)		(405,000)
Total net assets			5,493,690		5,503,380
Restricted reserves					
Benefaction fund			16,558		16,558
Endowment fund			3,000		3,000
Other restricted funds			2,330		2,330
			21,888		21,888
Unrestricted reserves					
Income and expenditure reserve			120,725		41,765
Revaluation reserve			5,351,077		5,439,727
TOTAL RESERVES			5,493,690		5,503,380

The financial statements on pages 30 to 50 were approved by the Directors and signed on their behalf by:

Signed: LJ

Linda Jones
Director

Date: 14.12.17

Signed: S. M Carter

Susan Carter
Head of College & Accounting Officer
(Hillcroft College)

Date: 14.12.17.

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

Statement of cash flows 31 July 2017

	Notes	2017 £	2016 £
Cash flow from operating activities			
Deficit for the year		**(237,690)**	(211,056)
Adjustment for non-cash items			
Depreciation		**70,173**	159,459
Decrease/(Increase) in debtors		**70,552**	(23,397)
Increase/(Decrease) in creditors due within one year		**244,684**	(324,415)
Decrease in creditors due after one year		**(81,714)**	(75,730)
Pensions costs less contributions payable		**61,000**	45,000
Adjustment for investing or financing activities			
Investment income		**(24)**	(676)
Repayments of amounts borrowed		**28,750**	42,500
Net cash flow from operating activities		**155,731**	(388,315)
Cash flows from investing activities			
Investment income (excluding pension)		**24**	676
Payments made to acquire fixed assets		**(105,266)**	(172,597)
		(105,242)	(171,921)
Cash flows from financing activities			
Repayments of amounts borrowed		**(28,750)**	(42,500)
		(28,750)	(42,500)
Increase / (decrease) in cash and cash equivalents in the year		**21,739**	(602,736)

	Notes	2017 £	2016 £
Cash and cash equivalents at the beginning of the year	15	**124,594**	727,330
Cash and cash equivalents at the end of the year	15	**146,333**	124,594

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 2016 to 2017 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical 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.

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 Members of the Board. The financial position of the College, its cashflow, liquidity and borrowings are presented in the financial statements and accompanying notes.

The College had net current liabilities of £507,767 at the year end. The College has no loans outstanding.

As described more fully in the Report of the Members of the Board, the College resolved to merge with RACC with effect from 1 October 2017. Despite the net current liability position at the year end, 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 merged College for the period to July 2019 and the cash flow forecast indicate that the financial health of the College will improve during the coming year. For this reason the College will continue to adopt the going concern basis in the preparation of its financial statements.

Recognition of income

The recurrent grant from the Education and Skills Funding Agency represents the funding allocation attributable to the current financial year and is credited directly to the income and expenditure account. Education and Skills Funding Agency recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement against this planned activity 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 Education and Skills Funding Agency following the year end.

Income from other 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.

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

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. As stated in note 19, the TPS is a multi employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Kingston Local Government Pension Scheme (LGPS)

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 on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Kingston Local Government Pension Scheme (LGPS) (continued)

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

Short term employment benefits

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

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.

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 2012, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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 assets life beyond that conferred by repairs and maintenance.

Non-current Assets - Tangible fixed assets (continued)

Equipment
Equipment costing less than £200 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

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.

Provisions and contingent liabilities (continued)
Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Agency arrangements
The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Judgements in applying accounting policies and key sources of estimation uncertainty
In preparing these financial statements, management have made the following judgements:

- Determine 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, other than investment properties, 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 19, 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 2017. 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.

1 Funding body grants

	2017 £	2016 £
Recurrent grants		
Education and Skills Funding Agency	**1,919,423**	1,640,356
Specific grants		
Release of deferred capital grants	**76,045**	35,008
	1,995,468	1,675,364

2 Other grants and contracts

	2017 £	2016 £
Royal Female School for Arts	**4,978**	2,914
Heritage Big Lottery Project	—	4,570
Big Lottery Grant	**139,810**	7,490
	144,788	14,974

3 Tuition fees

	2017 £	2016 £
Tuition fees	**67,676**	89,503

4 Other income

	2017 £	2016 £
Subscriptions and donations	—	98,665
Board and administration fees	**2,162**	90,905
Nursery fees	—	(161)
Lettings and residential courses	**759**	159
Other income	**5,470**	21,387
	8,391	210,955

5 Investment income

	2017 £	2016 £
Bank interest receivable	**24**	676
Net return on pension scheme (note 19)	**51,000**	65,000
	51,024	65,676

6 Staff costs

The average number of persons (including key management personnel) employed by the College during the year was:

	2017 No	2016 No
Teaching staff	**25**	26
Non- teaching staff	**24**	24
	49	50

Staff costs for the above persons:

	2017 £	2016 £
Wages and salaries	**1,017,857**	1,011,518
Social security costs	**87,206**	74,038
Other pension costs	**202,358**	183,185
Payroll sub total	**1,307,421**	1,268,741
Contracted out staffing services	**198,078**	196,335
Restructuring costs	**30,000**	—
Total staff costs	**1,535,499**	1,465,076

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 Leadership Team which comprises the Head of College, the Director of Curriculum and Quality and the Director of Student Services and Facilities.

Emoluments of key management personnel, Accounting Officer and other higher paid staff:

	2017 No	2016 No
The number of key management personnel including the Accounting Officer was:	**3**	3

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	
	2017	2016	**2017**	2016
£40,001 - £50,000	1	1	N/A	N/A
£50,001 - £60,000	1	1	—	—
£60,001 - £70,000	1	1	—	—
	3	3	—	—

6 Staff costs (continued)

Key management personnel *(continued)*

Key management personnel emoluments are made up as follows:

	2017 £	2016 £
Salaries	**174,000**	159,955
Pension contributions	**30,115**	28,329
National Insurance Employer's contributions	**20,792**	18,995
Total contributions	**224,907**	207,279

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:

	2017 £	2016 £
Salaries	**70,000**	70,000
Pension contributions	**11,536**	11,397
Total contributions	**81,536**	81,397

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.

There have been no payments for compensation for loss of office in the year (2016: £nil).

7 Other operating expenses

	2017 £	2016 £
Teaching costs	**67,625**	81,996
Non-teaching costs	**607,248**	293,268
Premises costs	**163,492**	190,729
Total	**838,365**	565,993

Other operating expenses include:

	2017 £	2016 £
Auditors' remuneration		
. Financial statements audit	**15,000**	14,640
. Internal audit	**9,043**	16,236
. Other services provided by the financial statements auditor (Regularity and Teachers' Pensions Audit)	**5,400**	10,734

8 Taxation

Hillcroft College is a charity with no additional trading activities. The Members of the Board of Hillcroft College do not believe any corporation tax liability was incurred in 2016/17.

9 Non-current assets

	Land and buildings £	Equipment, fixtures and fittings £	**Total £**
Cost or valuation			
At 1 August 2016	7,318,281	596,891	**7,915,172**
Additions	99,546	5,720	**105,266**
At 31 July 2017	7,417,827	602,611	**8,020,438**
Depreciation			
At 1 August 2016	379,235	518,646	**897,881**
Charge for the year	44,179	25,994	**70,173**
At 31 July 2017	423,414	544,640	**968,054**
Net book value at 31 July 2017	6,994,415	57,970	**7,052,385**
Net book value at 31 July 2016	6,939,046	78,245	**7,017,291**

The land and buildings owned by Hillcroft College 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.

The College was due to undertake a third year interim valuation of its land and buildings in 2014/15. However, after assessing the cost/benefit of undertaking an additional valuation governors took the decision to use the current valuation as deemed cost. The College does not believe that there has been any impairment to the valuation of its land and buildings since the date of the last valuation in 2012.

The College continues to develop the College's buildings and invested £99,546 (2015/16 - £177,340) 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)
Net book value based on cost	12,724

10 Debtors

	2017 £	2016 £
Amounts falling due within one year		
Trade receivables	**1,955**	4,295
Other debtors	**5,000**	5,000
Prepayments and accrued income	**9,658**	77,871
Benefaction account	**2,206**	2,206
	18,819	89,372

11 Creditors: amounts falling due within one year

	2017 £	2016 £
Bank loans and overdrafts (note 13)	—	22,500
Other loans	—	6,250
Trade payables	**160,556**	128,051
Other payables	**40,195**	36,728
Other taxation and social security	**23,505**	22,634
Accruals and deferred income	**278,867**	177,072
Deferred income – government capital grants	**41,418**	35,000
Amounts owed to the Education and Skills Funding Agency	**128,378**	—
	672,919	428,235

12 Creditors: amounts falling due after more than one year

	2017 £	2016 £
Deferred income – government capital grants	**812,928**	894,642
	812,928	894,642

13 Maturity of debt

Bank and overdrafts are repayable as follows:

	2017 Total £	2016 Total £
In one year or less	—	28,750
	—	28,750

14 Provisions

	Defined benefit obligations £	Total £
At 1 August 2016	405,000	**405,000**
Expenditure in the period	(167,000)	**(167,000)**
At 31 July 2017	238,000	**238,000**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in note 19.

15 Cash and cash equivalents

	At 1 August 2016 £	Cash flows £	Other changes £	**At 31 July 2017 £**
Cash and cash equivalents	124,594	21,739	—	**146,333**
	124,594	21,739	—	**146,333**

16 Capital and other commitments

The College had no capital commitments contracted for at 31 July 2017.

17 Contingent liabilities

There are no contingent liabilities.

18 Events after the reporting period

Following a review of the first year of operation of the federation, the Board of Hillcroft College and the Governing Body of RACC agreed to explore the potential for a merger of the two Colleges. Both bodies at their respective meetings in December 2016 discussed a report on the feasibility of the potential merger. The Board of Hillcroft College, and the Governing Body of RACC, resolved to further develop plans for merger, subject to due diligence and contract, with a target date for implementation of 1 August 2017. The target date for the merger was not achieved due to a delay in resolving issues around the Local Government Pension Scheme. These issues were satisfactorily resolved and the merger was completed on 1 October 2017.

19 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 Wessex Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by London Borough of Kingston upon Thames. Both are multi-employer defined-benefit plans

	2017 Total £	2016 Total £
Teachers' Pension Scheme contributions paid	**81,358**	78,185
Local Government Pension Scheme:		
. Contributions paid	**70,000**	72,000
. FRS 102 (28) charge	**51,000**	33,000
Charge to the Statement of Comprehensive Income	**121,000**	105,000
Total pension cost for year within staff costs	**202,358**	183,185

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 2012 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' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

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

19 Defined benefit obligations (continued)

The Teachers' Pension Budgeting and Valuation Account *(continued)*

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

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- Total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- An employer cost cap of 10.9% of pensionable pay;
- The assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

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

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

Scheme Changes

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

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

19 Defined benefit obligations (continued)

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

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

The pension costs paid to TPS in the year amounted to £81,358 (2016: £78,185).

FRS 102 (28)

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the Royal Borough of Kingston-upon-Thames Local Authority. The total contributions made for the year ended 31 July 2017 were £93,000, of which employer's contributions totalled £70,000 and employees' contributions totalled £23,000. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 7.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary.

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	2.9%	3.9%
Future pensions increases	2.5%	1.9%
Discount rate for scheme liabilities	2.7%	2.4%
Inflation assumption (CPI)	2.5%	1.9%
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 2017	At 31 July 2016
Retiring today		
Males	22.5	22.5
Females	24.8	24.7
Retiring in 20 years		
Males	24.2	24.6

***Principal Actuarial Assumptions** (continued)*

Females	26.7	27.0

Sensitivity analysis is provided below:	**Approx % increase in Obligation**	**Approx monetary amount (£000's)**
Discount rate - 0.5%	11%	277
Salary Increase Rate + 0.5%	1%	32
Pension Increase Rate + 0.5%	9%	242

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

	Value at 31 July 2017 £'000	Value at 31 July 2016 £'000
Equity instruments	**1,666**	1,490
Debt instruments	**486**	504
Property	**93**	84
Cash	**69**	20
Total fair value of plan assets	**2,314**	2,098

No long term rate of return has been provided for accounting periods beginning on or after 1 January 2015.

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

	2017 Total £	2016 Total £
Fair value of plan assets	**2,314,000**	2,098,000
Present value of plan liabilities	**(2,552,000)**	(2,503,000)
Net pensions liability	**(238,000)**	(405,000)

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

	2017 Total £	2016 Total £
Amounts included in staff cost		
Current service cost	**(121,000)**	(105,000)
Total	**(121,000)**	(105,000)
Amounts included in investment income	**51,000**	65,000
Amounts included in interest costs	**(61,000)**	(77,000)
Net interest cost	**(10,000)**	(12,000)
Return on pension plan assets	127,000	208,000
Experience losses arising on defined benefit obligations	108,000	23,000
Changes in assumptions underlying the present value of plan liabilities	(7,000)	(276,000)
Amount recognised in Other Comprehensive Income	228,000)	(45,000)

Movement in net defined benefit liability during year

	2017 Total £	2016 Total £
Net defined benefit liability in scheme at 1 August	**(405,000)**	(315,000)
Movement in year:		
. Current service cost	**(121,000)**	(105,000)
. Employer contributions	**70,000**	72,000
. Net interest on the defined (liability)	**(10,000)**	(12,000)
. Actuarial gain or (loss)	**228,000**	(45,000)
Net defined benefit (liability) at 31 July	**(238,000)**	(405,000)

Asset and Liability Reconciliation

	2017 Total £	2016 Total £
Defined benefit obligations at 1 August	**2,503,000**	2,086,000
Current service cost	**121,000**	105,000
Interest cost	**61,000**	77,000
Contributions by Scheme participants	**23,000**	22,000
Experience gains and losses on defined benefit obligations	**(154,000)**	(23,000)
Changes in financial assumptions	**53,000**	276,000
Estimated benefits paid	**(55,000)**	(40,000)
Defined benefit obligations at 31 July	**2,552,000**	2,503,000

Changes in fair value of plan assets

	2017 Total £	2016 Total £
Fair value of plan assets at 1 August	**2,098,000**	1,771,000
Interest on plan assets	**51,000**	65,000
Return on plan assets	**127,000**	208,000
Employer contributions	**70,000**	72,000
Contributions by Scheme participants	**23,000**	22,000
Estimated benefits paid	**(55,000)**	(40,000)
Fair value of plan assets at 31 July	**2,314,000**	2,098,000

20 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 at arm's length and 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 Governors during the year was £1,102.44 (2016: £1,514.55). This represents travel and subsidence expenses and other out of pocket expenses incurred in attending Governors meetings or charity events in their official capacity.

Related party transactions (continued)

No Governor received any remuneration or waived payments from the College or its subsidiaries during the year (2016:£nil).

The College will disclose all related party transactions in accordance with the College's financial regulations. There were none in 2016/17 (2015/16:none).

21 Learner support funds

Learner Support Funds	**Year ended 31 July 2017 £**	Year ended 31 July 2016 £
Access Funds		
Grant received	135,629	311,169
Less: Disbursed to students	(135,629)	(117,455)
Less: Student residential costs	—	(193,714)
Underspend/(Overspend) for the year	—	—
Other Learner Support Funds (Childcare)		
Grant received – current year	—	221,869
Less: Disbursed to students	—	(196,543)
Less: Hillcroft College – Administration fee	—	(25,326)
Underspend/(Overspend) for the year	—	—
Net underspend/(overspend) for the year	—	—
Credited/(Charged) in the College's financial statements	—	—

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.