

**Richmond and Hillcroft  
Adult and Community  
College**

**Annual Report and Financial  
Statements**

31 July 2020

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

Charity Registration Number  
312825

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## Legal and administrative information

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

Prof. Andrew George (Chair)  
Farah Rachlin (Vice Chair)  
Mark Albrow  
Richard Brewster  
Kate Clarke  
Helen Darracott  
Gabrielle Flint (Principal)  
David Izett  
Jane O'Shea  
Sharon Raj  
Nigel Ware  
Nasrin Farahani (Student Governor)  
Graham Tharp (Staff Governor)

**Principal and Accounting Officer  
of the College**

Gabrielle Flint

**Clerk to the Board**

Neil Wallbank

**Principal and Registered office**

Parkshot  
Richmond  
Surrey  
TW9 2RE

**Company registration number**

0201528 (England and Wales)

**Charity registration number**

312825

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

### **Key management personnel**

Key management personnel are defined as members of the Executive Team and were represented by the following in 2019/20:

Gabrielle Flint, Principal

Gaynor Bray, Vice Principal

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

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

Bates Wells  
10 Queen Street Place  
London  
EC4R 1BE

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

Buzzacott LLP  
130 Wood Street  
London  
EC2V 6DL

### **Internal auditors**

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

### **Bankers**

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

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

National Westminster Bank plc  
10 Victoria Road  
Surbiton  
Surrey

## **STRATEGIC REPORT**

### **1 Objectives and Strategy**

The members of the Board (governors) present their report and the audited financial statements for Richmond and Hillcroft Adult and Community College ('the College') for the year ended 31 July 2020.

The charitable objects of the College are as follows:

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

- *to enable adult men and/or women disadvantaged by educational or social factors to progress into Higher Education, vocational training and employment.*
- *to contribute to the national development of women's education."*
- *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.*

#### **1.1 Legal status**

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

#### **1.2 Mission**

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

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

#### **1.3 Implementation of the strategic plan**

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

1. Ethos
  - i) To develop a whole college culture of performance, efficiency and excellence.
2. Curriculum
  - i) To extend the curriculum with increased opportunities for learners of all ages, backgrounds and abilities to gain vocational and wellbeing skills and enrichment.
  - ii) To develop our communication with learners to ensure that target learner groups are aware of opportunities open to them.

**STRATEGIC REPORT** (continued)

3. Quality
  - i) To achieve Ofsted 'Outstanding' status and the highest levels of teaching and learning and customer satisfaction in all college services.
4. Resources
  - i) To develop a first class college estate that provides community hubs in Richmond and Surbiton, cutting edge teaching and learning spaces and accessible and high quality residential facilities.
  - ii) To develop our digital skills and infrastructure to make learning more accessible and relevant.
5. Financial Sustainability
  - i) To achieve long term financial sustainability through improved efficiency and additional income generation that provides a positive contribution to operating costs.
6. Partnerships
  - i) To continue to develop partnerships with local stakeholders regarding the planning and delivery of learning and progression opportunities and the engagement and support of specific learner groups. This will involve agreements with partner organisations in local government, the voluntary sector, with local employers and businesses and other adult learning providers.

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

**1.4 Financial objectives**

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

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

**STRATEGIC REPORT** (continued)

**2. RESOURCES**

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

**2.1. Tangible**

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

**2.2 Financial**

At 31 July 2020 the College had £39,382,000 (2018/19: 44,028,000) of net assets, including a £9,716,000 pension liability (2018/19: £5,405,000) and no external debt. The College had a cash balance of £4,381,000 at 31 July 2020 (2018/19 £4,352,000), part of which it is intended to use for the redevelopment of the Hillcroft site.

**2.3 People**

During the year ended 31 July 2020 the College employed 455 people (expressed as average head count), of whom 309 were teaching staff.

**2.4 Reputation**

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

**3. STAKEHOLDER RELATIONSHIPS**

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

- Learners;
- Education sector funding bodies;
- FE commissioner;
- Staff;
- Partner referral organisations;
- Local employers;
- Local authorities and the GLA;
- Local charities;
- Government offices;
- The local community;
- Trade Unions;
- Other FE institutions; and
- Professional bodies.

**STRATEGIC REPORT** (continued)

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

Feedback from learners is encouraged, to help the management team to judge performance and ensure areas of weakness are addressed.

**3.1 Engagement with employees**

The College consults with the staff through staff forums providing employees with information on matters of concern to them. Key performance indicators are produced and shared with the College Management Team and with members of the staff forum enabling employee participation in the performance of the College.

The College has adopted a Recruitment and Selection Policy and Procedure that is in line with all relevant legislation. This includes a policy in respect of applications for employment from disabled persons.

With respect to finance, budget holders are consulted during the budget setting process. The consultation is undertaken by the Director of Finance and Resources and the Head of Finance.

**3.2 Engagement with suppliers, customers and others in a business relationship with the College**

The College continues to foster good working relations with suppliers by ensuring:

- Payments are made to suppliers within required timescales;
- Where payments are delayed a dialogue is maintained with the supplier;
- Tender processes are clear and transparent; and
- Clear escalation procedures are in place in case of a dispute with the College.

**3.3 Promoting the success of the College to achieve its purposes**

The College has its own website, which is kept updated with the latest news and events that are taking place. Social media sites are also used to promote the College and its activities

**4. PUBLIC BENEFIT**

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

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

In delivering its mission, the College provides identifiable public benefit through the advancement of education to around 7,000 students.



**STRATEGIC REPORT** (continued)

The College provides courses without charge to young people and to those who are unemployed or on low income. The College also provides a number of concessions to learners. The College is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

**5. DEVELOPMENT AND PERFORMANCE**

**5.1 Financial results**

The College realised a deficit (deficit before other gains and losses) in the year of £706,000 (2018/19: deficit £562,000). This deficit is after charging depreciation of £843,000 and pension adjustments of £371,000. Total Comprehensive Income for the year is a deficit of £4,646,000 after allowing for an actuarial loss on the pension scheme of £3,940,000.

The performance for the year has been significantly impacted by Covid-19 and the requirement for the College to close between March and July. Unlike general FE colleges, as an Institute of Adult Learning (IAL), the College generates a larger proportion of its income from tuition fees. Although the College was successful in transferring over 50% of provision to on-line delivery there was still a significant impact on tuition fee income with a total for the year of £2,169,000 (2018/19 £2,515,000), a decline of £346,000. The College welcomed the approach from the ESFA and the GLA to relax the year-end funding reconciliation process. The College achieved 85.8% of its ESFA allocation and 82% of its GLA allocation. If the normal year end reconciliation and clawback process had been implemented this would have potentially further reduced income by around £811,000. As a result of the revised year-end reconciliation process for the Adult Learner Loan Bursary the College did not suffer claw back that would otherwise have been payable to the ESFA of £256,028.

The College received income from 'other income' sources of £653,000 (2018/19 £738,000), a decline of £85,000, as a result of the Covid-19 restrictions. This was largely represented by falling income from the creche facility and from income generated from events and hires.

The College has total net assets of £39,382,000 including cash balances of £4,381,000. This includes the accumulated deficit on the pension fund of £9,716,000 (2018/19: £5,405,000 deficit).

At 31 July 2020, the College had accumulated reserves of £39,382,000 (2018/19: £44,028,000). The Income and Expenditure Reserve has a surplus of £33,210,000 (2018/19: £37,767,000). The College continues to operate without the requirement of any external financing.

Tangible fixed asset additions during the year amounted to £317,000. This included equipment purchased of £94,000, capital works to buildings of £100,000 and £123,000 assets in the course of construction for the Hillcroft campus.

The College has significant reliance on the education sector funding bodies, the ESFA and GLA, for its principal funding source of recurrent grants. In 2019/20 the ESFA and GLA provided 61% (2018/19: 56.7%) of the College's total income.

**STRATEGIC REPORT** (continued)

The LGPS pension was a deficit of £9,716,000 (2019: £5,405,000) which is a significant increase on last year. The value of the liabilities and the deficit are highly influenced by the FRS102 assumptions, and current asset values are depressed due to current economic conditions. Whilst the LGPS deficit has not crystallised, the level of deficit may necessitate higher contribution levels in future.

**5.2 Cash flows and liquidity**

There was a small increase in cash at the 31 July 2020 of £29,000 resulting from operating cash inflows of £267,000 and cash outflows from investment activities of £238,000. Despite the fall in income for the year the College has been able to maintain a healthy level of cash balance. When considering the uncertainty of financial performance in 2020/21 as a result of Covid-19, the College is aware of the need to maintain control of its cash resource to enable it to mitigate potential further falls in income.

**5.3 Taxation**

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

**5.4 Reserves**

As at the balance sheet date, the Income and Expenditure Reserve was in surplus by £33,210,000 (2018/19: £37,767,000). The balance on the Income and Expenditure Reserve has been severely depleted in 2019/20 primarily as a result of the actuarial loss in respect of the pension scheme of £3,940,000 (2019/20: £782,000 actuarial loss).

**5.5 Streamlined Energy & Carbon Reporting**

Under the new Streamlined Energy and Carbon Reporting (SECR), as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 the College is mandated to include energy consumption, related emissions, intensity metrics and energy efficiency improvements implemented during the financial year. The College is required to comply with these regulations as it meets two of the three criteria of a large company, as defined by the Companies Act 2006; the College employs more than 250 employees and has a balance sheet total of greater than £18million. This information is summarised below.

This year is the first year of reporting these metrics so there are no prior year comparative figures to be reported.

The total consumption (kWh) figures for energy supplies reportable are as follows:

Utility and Scope	2019/20 UK consumption (kWh)
Natural gas (Scope 1)	756,734
Grid-supplied electricity (Scope 2)	1,442,562
Total	2,199,296

**STRATEGIC REPORT** (continued)

The total emissions (tCO<sub>2</sub>e) figures for energy supplies reportable are as follows:

Utility and Scope	2019/20 UK emission (tCO <sub>2</sub> e)
Natural gas (Scope 1)	265,243
Grid-supplied electricity (Scope 2)	176,425
Total	441,668

An intensity metric of tCO<sub>2</sub>e per headcount number of employees for the annual UK consumption has been calculated as follows:

Total tCO <sub>2</sub> e emissions	441,668
Average headcount employees for the year	455
Intensity metric	970

The reporting methodology is as follows: Scope 1 and Scope 2 consumption and CO<sub>2</sub>e emissions data has been calculated in line with the 2019 UK Government environmental reporting guidance. The Emission Factor Database 2019, Version 1 has been used.

The intensity metric has been calculated utilising the annualised average employee numbers for the whole College, totalling 455 employees, and has been applied to all the carbon emissions reported.

## **6. FUTURE PROSPECTS**

### **6.1 Future developments**

The College continues with its plans for the redevelopment of the Hillcroft site. This involves the sale of the existing building and part of the site with a new development being constructed on the remaining land. The development will be primarily funded through the sale proceeds and also a grant of £3.2m from the GLA Skills for Londoners Capital Fund. The College has earmarked around £500,000 of its cash reserves to part finance the development. Planned completion of the project is 2023.

The College has been allocated £248,000 in 2020/21 from the DfE as part of the national College Capital Improvement Fund.. This grant will be utilised in addressing premises issues across both existing sites..

**STRATEGIC REPORT** (continued)

The College recognises that there are likely to be continuing and significant differences in the way it will need to operate as a result of Covid-19. A grant of £199,000 has been allocated by the GLA in 2020/21 from its Covid-19 Response Fund. This money will be used to prepare the College and its sites for different ways of working and delivering provision to learners. This will include investment in IT facilities to further develop remote and blended learning and also to further make the site as Covid-19 secure.

**6.2 Financial Plan**

The Board approved a budget in July 2020 which allowed for a deterioration in its financial performance in 2020/21 as a result of Covid-19. The budget indicated a deficit of £1,081,000 and a financial health grade of 'Requires Improvement'. It was agreed that the budget would be revised during the autumn term to further account for the impact of Covid-19 on enrolments. It is anticipated that enrolments will see a fall from previous years, as a result of the College having to provide a classroom environment that enables students to socially distance which will result in reduced class sizes. In addition, there may also be a reluctance of some learners to return to College. It is forecast that, like 2019/20, this will have a significant impact on the level of tuition fee income that will be generated in 2020/21.

The reduced learner numbers will also impact on the College's ability to achieve its funding allocation. The College recognises the assistance provided by the ESFA and the GLA in 2019/20 by removing the year-end reconciliation process which would have resulted in a significant claw back of funding. To enable the College to operate with some financial certainty while managing the anticipated significant reduction in tuition fee and other income, a similar approach would be welcomed for 2020/21.

**6.3 Treasury policies and objectives**

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

The College has a separate treasury management policy in place.

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

**6.4 Reserves**

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.

It is the intention of the College to increase reserves by the generation of annual operating surpluses. However, in the short term, with the impact of Covid-19 it is recognised that this will not be possible but it still remains the medium to longer term goal. The Board members consider it of prime importance that the College is able to meet its on-going commitments through its cash reserves and by the generation of annual operating surpluses to increase its ability to invest in the infrastructure.

**STRATEGIC REPORT** (continued)

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

In addition to the ongoing review, the Executive Team also considers any risks which may arise as a result of a new area of work being undertaken by the College. A risk register is maintained at the College level which is reviewed each term by the Audit Committee and the Board. Each sub-committee also reviews the risks associated with its own area of responsibility.

The risk register identifies the key risks, controls, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are ranked using a consistent scoring system. This is supported by a risk management communication programme to raise awareness of risk throughout the College.

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

**7.1 Government funding**

The College has had considerable reliance on continued funding from the GLA and the ESFA. In 2019/20 the College received 61% (2018/19: 56.7%) of its funding from these two bodies. Following devolved funding, the GLA is now the College's largest single funder. 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:

- The impact of Covid-19 on enrolments for 2020/21 will provide a challenge for the College in achieving its funding allocation or being within the accepted 3% tolerance level. As a further 'lockdown' has occurred during November 2020 this provides an added difficulty in achieving the target. Neither the GLA nor the ESFA have at this stage given any indication as to whether the year-end reconciliation procedure for 2020/21 will be suspended as in 2019/20. If there is no variation to the year-end reconciliation process in 2020/21 it is highly likely that the College will be faced with a significant funding claw back.
- There remains uncertainty around the future economic outlook for the UK as a result of Covid 19 and Brexit. In turn this could impact on the future funding of adult education.

**STRATEGIC REPORT** (continued)

- Funding for adult education in London has been devolved to the GLA from 2019/20. Although the College has been granted an additional two years transition in recognition of its status as a specialist residential college, work will need to be undertaken in working with the GLA to ensure that the impact on funding is minimised.

This risk is mitigated in a number of ways:

- Responding to the challenges imposed by the Covid-19 pandemic by implementing alternative forms of delivery where possible i.e. on-line and blended learning.
- Implementing a thorough risk assessment process to make sure that the College's sites are as Covid-19 secure as possible, giving learners confidence that they are returning to a safe physical learning environment.
- Lobbying with the other Institutes of Adult Learning for an early decision to be made on suspending the year-end reconciliation procedure for 2020/21.
- By ensuring the College is rigorous in delivering high quality education and training.
- Funding is derived through a number of direct and indirect contractual arrangements.
- Considerable focus and investment are placed on maintaining and managing key relationships with the various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Developing the range of quality level 3 programmes.
- Further developing links and relationships with the local authority.

**7.2 Income diversification**

The College has been relatively successful in generating income from a number of non funding body sources. This has involved improving the utilisation of both sites by making them available for lettings and other income generating activities. The risk for the College is that the budget targets are not met. In 2019/20 this income stream was particularly affected due to Covid-19 lock down from March to July when facilities were unavailable for hire. It is likely that there will also be a reduction in income from this source in 2020/21 as the impact of the pandemic continues.

This risk is mitigated in a number of ways:

- By ensuring the College can demonstrate to potential users that it is a Covid-19 secure environment and that risk assessments are kept fully up to date. Ensuring that the facilities available for income generating activities are of a standard expected by paying customers.
- Close management of expenditure in relation to all income generating activities to ensure that they are self-financing.
- Appropriate and relevant marketing of facilities.

**STRATEGIC REPORT** (continued)

**7.3 Learner engagement**

The College has developed a curriculum strategy to ensure that the course offer continues to meet both learner and community needs and enables learners from all backgrounds to progress towards their individual goals. However, the College is now faced with an additional challenge of engaging with, and attracting, learners during a pandemic. Learners may be reluctant to physically attend College, class sizes will have to be reduced in some areas and some learners may not have the necessary IT capability and/or facilities to engage in on-line learning.

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

- By providing support to learners who are having difficulty accessing on-line learning due to lack of IT equipment through the loan of laptops.
- By providing a Covid-19 secure environment for those unable to access provision on-line.
- By providing timely IT support to learners having difficulty using on-line platforms.
- By on-going review of the marketing strategy of the College and how we recruit our learners.
- By embedding an on-going communications programme for staff, learner voice and other stakeholders.
- By continuously improving learner achievement rates and teaching quality.
- By engaging with learners, employers and stakeholders to facilitate learner progression and course development.

**7.4 Long term financial sustainability**

Achieving and maintaining at least 'Good' financial health and long term financial sustainability is a priority for the College. The College has been able to achieve this goal in 2019/20 despite the impact of Covid-19. The College continues to have a strong balance sheet with good cash reserves and no external borrowings. However, it is recognised that 2020/21 will also be a difficult year that will require careful monitoring of the financial impact of Covid-19.

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.
- Planned deficit as a result of the impact of Covid-19 is manageable within the College's cash reserves.
- Efficiencies in staffing will be achieved to generate staff cost savings.
- New sources of income generation are being explored, including grants from the GLA to assist the College in developing on-line provision.

**STRATEGIC REPORT** (continued)

**7.5 Covid-19**

As highlighted above, Covid-19 is having a significant impact on all aspects of the College's operation and financial position. It is likely that this impact will be experienced throughout the 2020/21 year. There is a risk that further lockdown or restrictions could involve the College having to further reduce face to face provision or that learners will be reluctant to return to site. Even if on-site provision can continue, the College is aware of the need to provide a Covid-19 secure environment and to adhere to government guidelines.

The College is seeking to mitigate the risks in a number of ways, including:

- Ensuring there is oversight of the Colleges Covid-19 response actions by a governance group.
- Implementing a comprehensive risk assessment process.
- Regular communication with staff and learners on the precautions implemented by the College and actions they should take if they show symptoms of Covid-19.
- Providing appropriate sanitisation facilities and other Covid-19 protection measures.
- Ensuring provision is planned with Covid-19 and social distancing in mind, including increased on-line and blended learning.
- Participation in local Covid-19 response groups facilitated by the local authority.
- Continuing to deliver provision wherever possible in order to be able to demonstrate to funding bodies that the College has attempted to continue operations and achieve its funding allocation.

**8. KEY PERFORMANCE INDICATORS**

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

At the most recent inspection by Ofsted in January 2020 the College was judged as good in all areas. This was the first inspection of the College following merger in October 2017.

The College is required to complete the annual Finance Record for the ESFA. The Finance Record produces a financial health grading. The grade for 2019/20 has been confirmed as Good by the ESFA. The financial results for the year also indicate a financial health grade of 'Good'. However, it is anticipated that this will deteriorate to 'Requires Improvement' in 2020/21 due to the impact that Covid-19 will have on the College's financial performance.



**STRATEGIC REPORT** (continued)

The Colleges key performance indicators are set out below.

Key Performance Indicator	Measure/Target	Actual for 2019/20
Financial Health	Outstanding	Good
Ofsted rating	Outstanding	Good
Student Achievement	87.3%	86.2%
Student Numbers	7,200	6,827
EBITDA as % of Income	3.02%	5.2%

Due to Covid-19, College success rates will not be formally published for 2019/20. Despite the challenging teaching and learning environment caused by lockdown RHACC learners have achieved well. Achievement rates are predicted to be at or above the national average for pre Covid 2018/19 when all results have been recorded.

**8.1 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 2020, the College paid 92% per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

**9. EQUALITY AND DIVERSITY**

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

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

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

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

**STRATEGIC REPORT** (continued)

- Considered access to the College's resources by giving assistance to applicants, staff and learners with learning disabilities or difficulties, making the appropriate reasonable adjustments where necessary.
- Maintained its disability symbol employer status year on year through demonstrating its commitment to the principles and objectives of the Disability Confident Employer standards.
- Implemented an updated Equality and Diversity training programme. Information and refresher training is carried out on an ongoing basis.
- Allocated specific resource to providing information, guidance and a range of support where necessary to learners with learning difficulties and/or disabilities. There are also a number of learning support assistants who provide a range of support for learning.
- Provided a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities.
- Provided a list of specialist equipment which the College makes available for learner use and a range of assistive technology is also available in the learning centres.
- Highlighted its commitment to Equality and Diversity through staff and learner policies and information such as the Equality and Diversity policy and action plan. Specific reference to our commitment is made explicit in the staff and learner handbooks.
- Offered specialist programmes in College prospectuses.
- All staff of the College and its partners are expected to demonstrate a positive attitude towards diversity.

**9.1 Disability statement**

The College is a 'Disability Confident' employer and has committed to the principles and objectives of the Positive about Disabled People standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the minimum criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College seeks to achieve the objectives set down in the Equality Act 2010 and takes 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.

**STRATEGIC REPORT** (continued)

- Training staff in Mental Health First Aid and Awareness.

**10. ENVIRONMENTAL SUSTAINABILITY**

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

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

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

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

**11. TRADE UNION FACILITY TIME**

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

**STRATEGIC REPORT** (continued)

**12. GOING CONCERN**

The College has been affected by Covid-19 both operationally and financially in 2019/20. It is likely that this impact will continue into 2020/21. In order to maintain provision the College was able to react to the pandemic and lockdown and deliver over 50% of its provision on-line. However a fall in income of £137,000 was reported for the year. The College anticipates that a similar method of delivery will be required in 2020/21 to further manage the impact of Covid-19. Continued measures to make the College sites Covid-19 secure will enable the College to provide face to face delivery wherever possible. The College has been successful in its funding bids to the GLA for support in investing in equipment and adaptations to enable it to continue to operate safely on site and also deliver programmes remotely. The support awarded in 2020/21 amounts to £250,000.

The College has a strong balance sheet with net assets of £39,382,000 and net current assets of £1,432,000. The College's cash balance at 31 July 2020 was £4,381,000 which represented an increase in cash for the year of £29,000. The College worse case cash forecast for December 2021 indicates a cash balance of £2,905,000.

In anticipation of another difficult year due to Covid-19 the Board recognised that the College would be facing a deficit position in 2020/21. The budget approved in July 2020 planned for a deficit of £1,081,000 with a deficit EBITDA of £416,000. The Board would welcome some indication from both the GLA and the ESFA regarding the year-end reconciliation process for 2020/21 to enable it to plan with greater certainty.

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

**13. EVENTS AFTER THE END OF THE REPORTING PERIOD**

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

**14. DISCLOSURE OF INFORMATION TO AUDITOR**

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

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

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

**Strategic Report** 31 July 2020

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

Professor Andrew George  
Chair



Approved on:

15 December 2020

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL**

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the year from 1 August 2019 to 31 July 2020 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i) in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
- ii) in full accordance with the guidance to colleges from the Association of Colleges in the Code of Good Governance for English Colleges ('the Code').

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

In the opinion of the members of the Board, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2020. The Board recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The members of the Board, who are also trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

## Statement of Corporate Governance and Internal Control 31 July 2020

### **Members of the Board**

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

	<b>Expiry of term of office</b>	<b>Term of office</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Working Groups/Committees served (2018/19)</b>	<b>Attendance record for period concerned</b>
Mr Mark Albrow	01 10 2021	4 years	n/a	Independent	Quality & Standards Committee	10 of a possible 12
Mr Richard Brewster	01 10 2021	4 years	n/a	Independent	Audit Committee	8 of a possible 9
Ms Kate Clarke	01 04 2024	4 years	n/a	Independent	Audit Committee	3 of a possible 3
Ms Helen Darracott	01 10 2021	4 years	n/a	Independent	Audit Committee	8 of a possible 9
Ms Nasrin Farahini	01 04 2024 *	4 years	n/a	Student	Quality & Standards Committee	3 of a possible 3
Ms Gabrielle Flint	n/a	n/a	n/a	Principal & Chief Executive (ex officio)	Search & Governance Committee, Quality & Standards Committee as member. All other Committees (not Audit) as ex-officio	14 of a possible 14
Ms Louise Fluker (Chair of the Board)	01 10 2020	Agreed by Board	31 July 2020	Independent	Search & Governance (Chair)	17 of a possible 17
Professor Andrew George	01 10 2021	4 years	n/a	Independent	Quality & Standards Committee (Chair)	12 of a possible 12
Mr David Izett	01 04 2024	4 years	n/a	Independent	Finance & Resources Committee	7 of a possible 7
Professor Linda Jones	01 10 2021	4 years	8 April 2020	Independent	Search & Governance Committee	5 of a possible 6

## Statement of Corporate Governance and Internal Control 31 July 2020

	Expiry of term of office	Term of office	Date of resignation	Status of appointment	Working Groups/Committees served (2018/19)	Attendance record for period concerned
Ms Jane O'Shea	01 10 2021	4 years	n/a	Independent	Search & Governance Committee	18 of a possible 18
Ms Farah Rachlin	01 10 2021	4 years	n/a	Independent	Audit Committee & Quality & Standards Committee	17 of a possible 19
Ms Sharon Raj	20 05 2024	4 years	n/a	Independent	Finance & Resources Committee	3 of a possible 3
Ms Lisa Sharp	01 10 2021	4 years	8 April 2020	Independent	Finance & Resources Committee	5 of a possible 6
Mr Graham Tharp	01 10 2021**	4 years	n/a	Staff	Finance & Resources Committee	12 of a possible 12
Mr Nigel Ware	01 10 2021	4 years	n/a	Independent	Finance & Resources Committee	19 of a possible 19

\* Unless enrolment as a College student ceases before that date

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

Neil Wallbank acted as Clerk to the Board during the period 1 August 2019 – 31 July 2020.



## **Statement of Corporate Governance and Internal Control 31 July 2020**

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

The Board is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues.

### **The Board**

The Board conducted its business through a number of committees during the year ended 31 July 2020. Each committee has terms of reference, which have been approved by the Board. These committees are Quality and Standards, Audit, Finance and Resources, Search and Governance.

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

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

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

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

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

### **Appointments to the Board**

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

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

### **Board performance**

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

### **Search and Governance Committee**

The Board has a Search and Governance Committee, consisting of four members of the Board in 2019/20 which has been increased to 5 members in 2020/21 to include the Chairs of each sub-committee, the Chair of the Board and the Principal, which reviews governance matters and is responsible for the selection and nomination of any new member for the Board's consideration. The Remuneration Committee is a sub-committee of the Search and Governance Committee and comprises

## **Statement of Corporate Governance and Internal Control 31 July 2020**

all members of Search and Governance aside from the Principal. Its responsibilities include making recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders.

Details of remuneration for the year ended 31 July 2020 are set out in note 6 to the financial statements.

### **Finance and Resources Committee**

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

### **Audit Committee**

The Audit Committee comprises four members of the Board. The Committee operates in accordance with written terms of reference approved by the Board.

The Audit Committee meets at least three times a year and provides a forum for reporting by the College's internal and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

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

### **Quality and Standards Committee**

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

### **Internal control**

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

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

## Statement of Corporate Governance and Internal Control 31 July 2020

The Board has delegated the day-to-day responsibility to the Principal as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the funding bodies. She is also responsible for reporting to the Board any material weaknesses or break-downs in internal control.

### ***The purpose of the system of internal control***

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements.

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

The Board has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board at least once every term.

### ***The risk and control framework***

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board;
- Regular reviews by the Board of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board on the recommendation of the Audit Committee.

## Statement of Corporate Governance and Internal Control 31 July 2020

### ***Risks faced by the Board***

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.

The College has a risk register that is reviewed by the Audit Committee, sections relevant to each sub committee are also subject to scrutiny by those committees. The risk register is a regular item on the Board agenda. The register identifies the key risks faced by the College together with an impact and likelihood rating for each risk.

### ***Control weaknesses identified***

The reviews did not identify any significant internal control weaknesses or failures.

### ***Responsibilities under funding agreements***

The College maintains learner records in support of funding claims to the ESFA and the GLA. Claims are made in accordance with the funding regulations in place at the time and are submitted in accordance with the timescale set out by the two funding bodies.

### ***Statement from the Audit Committee***

The Audit Committee has advised the Board that the College has an effective framework of governance and risk management in place. The Audit Committee believes that the Board has effective internal controls in place.

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

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors;
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- Comments made by the College's financial statements and reporting accountants for regularity assurance in their management letters and other reports.

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

## Statement of Corporate Governance and Internal Control 31 July 2020

The Executive Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Team and the Audit Committee also receive regular reports from internal audit, and other sources of assurance which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board's agenda includes a regular item for consideration of risk and control and it receives reports thereon from the Executive Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Board carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Executive Team and internal audit, and taking account of events since 31 July 2020.

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

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

Signed:



Professor Andrew George  
Chair  
Date: 15 December 2020

Signed:



Gabrielle Flint  
Principal and Accounting Officer  
Date: 15 December 2020

**Members of the Board’s statement of regularity, propriety and compliance 31 July 2020**

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:



Professor Andrew George  
Chair

Date: 15 December 2020

Signed:



Gabrielle Flint  
Principal and Accounting Officer

Date: 15 December 2020

## Statement of the responsibilities of the members of the Board 31 July 2020

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 2019 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2019 to 2020 issued by the ESFA, and the UK's Generally Accepted Accounting Practice and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the 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;
- assess whether the College is a going concern, noting the key supporting assumptions, qualifications or mitigating actions as appropriate; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

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

The Board is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the Companies Act 2006, the relevant legislation of incorporation, including the Further and Higher Education Act 1992, the Companies Act 2011 and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the 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.

## Statement of the responsibilities of the members of the Board 31 July 2020

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.

Signed on behalf of the Board

A handwritten signature in blue ink, appearing to read 'A. George', is centered on the page.

Professor Andrew George  
Chair

Date: 15 December 2020



## **Independent auditor's report to the members of the Board of Richmond and Hillcroft Adult and Community College 31 July 2020**

### **Opinion**

We have audited the financial statements of Richmond and Hillcroft Adult and Community College (the 'College') for the year ended 31 July 2020 which comprise the statement of comprehensive income and expenditure, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2020 and of its deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

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

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

### **Other information**

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

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

## **Independent auditor's report to the members of the Board of Richmond and Hillcroft Adult and Community College 31 July 2020**

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

We have nothing to report in this regard.

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

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

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

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

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Post 16 Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of members of the Board remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

As explained more fully in the statement of responsibility of the members of the Board, the members, who are also the directors of this company for the purpose of company law, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

**Independent auditor's report to the members of the Board of Richmond and Hillcroft Adult and Community College 31 July 2020**

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

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

**Use of our report**

This report is made solely to the members of the Board, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the members of the Board those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the members of the Board as a body, for our audit work, for this report, or for the opinions we have formed.



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

19 January 2021

## **Reporting accountant's assurance report on regularity 31 July 2020**

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

In accordance with the terms of our engagement letter dated 9 July 2018 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Richmond and Hillcroft Adult and Community College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. 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) data returns, for which the ESFA or devolved authority has other assurance arrangements in place.

This report is made solely to the Members of the Board of Richmond and Hillcroft Adult and Community College and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Board and the ESFA 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 ESFA for our work, for this report, or for the conclusion we have formed.

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

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 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 ESFA. 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 2020

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 period 1 August 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP  
Chartered Accountants  
130 Wood Street  
London  
EC2V 6DL

19 January 2021

## Statement of comprehensive income and expenditure Year to 31 July 2020

	Notes	2020 £'000	2019 £'000
<b>Income</b>			
Funding body grants	1	5,417	5,108
Tuition fees and education Contracts	2	2,169	2,515
Other grants and contracts	3	293	246
Other income	4	653	738
Investment income	5	335	397
<b>Total income</b>		<b>8,867</b>	<b>9,004</b>
<b>Expenditure</b>			
Staff costs	6	5,708	5,686
Other operating expenses	7	2,590	2,579
Depreciation	9	843	809
Interest payable	16	432	492
<b>Total expenditure</b>		<b>9,573</b>	<b>9,566</b>
<b>Deficit before other gains and losses</b>		<b>(706)</b>	<b>(562)</b>
<b>Deficit before tax</b>		<b>(706)</b>	<b>(562)</b>
Taxation	8	—	—
<b>Deficit for the year</b>		<b>(706)</b>	<b>(562)</b>
Actuarial loss in respect of pension schemes	16	(3,940)	(782)
<b>Total Comprehensive Expenditure for the year</b>		<b>(4,646)</b>	<b>(1,344)</b>
<b>Represented by:</b>			
Unrestricted comprehensive expenditure		<b>(4,646)</b>	<b>(1,344)</b>
		<b>(4,646)</b>	<b>(1,344)</b>

The Statement of Comprehensive Income and Expenditure items are in respect of continuing activities.

## Statement of changes in reserves Year to 31 July 2020

	Income and expenditure account £'000	Revaluation reserve £'000	Restricted Benefaction fund £'000	Restricted other funds £'000	Restricted Endowment fund £'000	Total £'000
<b>Balance at 1 August 2018</b>	39,022	5,262	17	1,068	3	45,372
Deficit from the income and expenditure account	(562)	-	-	-	-	(562)
Other comprehensive income – Actuarial loss in respect of pension schemes	(782)	-	-	-	-	(782)
Transfers between revaluation and income and expenditure reserves	89	(89)	-	-	-	-
<b>Total comprehensive expenditure for the year</b>	<b>(1,255)</b>	<b>(89)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,344)</b>
<b>Balance at 31 July 2019</b>	<b>37,767</b>	<b>5,173</b>	<b>17</b>	<b>1,068</b>	<b>3</b>	<b>44,028</b>
Deficit from the income and expenditure account	(706)	-	-	-	-	(706)
Other comprehensive income – Actuarial loss in respect of pension schemes	(3,940)	-	-	-	-	(3,940)
Transfers between revaluation and income and expenditure reserves	89	(89)	-	-	-	-
<b>Total comprehensive expenditure for the year</b>	<b>(4,557)</b>	<b>(89)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,646)</b>
<b>Balance at 31 July 2020</b>	<b>33,210</b>	<b>5,084</b>	<b>17</b>	<b>1,068</b>	<b>3</b>	<b>39,382</b>

**Balance sheet** 31 July 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
<b>Non current assets</b>					
Tangible fixed assets	9		<b>53,040</b>		53,566
<b>Current assets</b>					
Trade and other receivables	10	<b>529</b>		827	
Cash and cash equivalents	15	<b>4,381</b>		4,352	
		<b>4,910</b>		5,179	
<b>Creditors - amounts falling due within one year</b>					
	11	<b>(3,478)</b>		(3,766)	
<b>Net current assets</b>					
			<b>1,432</b>		1,413
<b>Total assets less current liabilities</b>					
			<b>54,472</b>		54,979
<b>Creditors - amounts falling due after more than one year</b>					
	12		<b>(5,374)</b>		(5,546)
<b>Provisions</b>					
Net pension liability	16		<b>(9,716)</b>		(5,405)
<b>Total net assets</b>					
			<b>39,382</b>		44,028
<b>Restricted reserves</b>					
Benefaction fund			<b>17</b>		17
Endowment fund			<b>3</b>		3
Other restricted funds			<b>1,068</b>		1,068
			<b>1,088</b>		1,088
<b>Unrestricted reserves</b>					
Income and expenditure reserve			<b>33,210</b>		37,767
Revaluation reserve			<b>5,084</b>		5,173
<b>TOTAL RESERVES</b>					
			<b>39,382</b>		44,028


The financial statements on pages 36 to 58 were approved by the Directors and signed on their behalf by:

Signed:



Andrew George  
Chair

Signed:



Gabrielle Flint  
Principal & Accounting Officer

Date: 15 December 2020

Date: 15 December 2020

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



## Statement of cash flows 31 July 2020

	<b>2020</b>	2019
	<b>£'000</b>	£'000
<b>Cash flow from operating activities</b>		
Deficit for the year	<b>(706)</b>	(562)
<b>Adjustment for non-cash items</b>		
Depreciation	<b>843</b>	809
Decrease / (increase) in trade and other receivables	<b>298</b>	(121)
Decrease in creditors due within one year	<b>(348)</b>	(280)
(Decrease) / increase in creditors due after one year	<b>(172)</b>	54
Pensions costs less contributions payable	<b>371</b>	353
<b>Adjustment for investing or financing activities</b>		
Investment income	<b>(19)</b>	(19)
<b>Net cash flow from operating activities</b>	<b>267</b>	234
<b>Cash flows from investing activities</b>		
Investment income (excluding pension)	<b>19</b>	19
Payments made to acquire fixed assets	<b>(257)</b>	(560)
	<b>(238)</b>	(541)
<b>Increase / (decrease) in cash and cash equivalents in the year</b>	<b>29</b>	(307)
	<b>2020</b>	2019
	<b>£'000</b>	£'000
Cash and cash equivalents at 1 August 2019	15 <b>4,352</b>	4,659
Cash and cash equivalents at 31 July 2020	15 <b>4,381</b>	4,352

## Principal accounting policies 31 July 2020

### Statement of accounting policies and estimation techniques

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 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2019 to 2020 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 higher relevant public benefit requirements of FRS 102.

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

### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

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

### Going concern

The College has been affected by Covid-19 both operationally and financially in 2019/20. It is likely that this impact will continue into 2020/21. In order to maintain provision the College was able to react to the pandemic and lockdown and deliver over 50% of its provision on-line. However a fall in income of £137,000 was reported for the year. The College anticipates that a similar method of delivery will be required in 2020/21 to further manage the impact of Covid-19. Continued measures to make the College sites Covid-19 secure will enable the College to provide face to face delivery wherever possible. The College has been successful in its funding bids to the GLA for support in investing in equipment and adaptations to enable it to continue to operate safely on site and also deliver programmes remotely. The support awarded in 2020/21 amounts to £250,000.

The College has a strong balance sheet with net assets of £39,382,000 and net current assets of £1,432,000. The College's cash balance at 31 July 2020 was £4,381,000 which represented an increase in cash for the year of £29,000. The College worst case cash forecast for December 2021 indicates a cash balance of £2,905,000.

In anticipation of another difficult year due to Covid-19 the Board recognised that the College would be facing a deficit position in 2020/21. The budget approved in July 2020 planned for a deficit of £1,081,000 with a deficit EBITDA of £416,000. The Board would welcome some indication from both the GLA and the ESFA regarding the year-end reconciliation process for 2020/21 to enable it to plan with greater certainty.

## **Principal accounting policies 31 July 2020**

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

### **Recognition of income**

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

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

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

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

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

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

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 16, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

## **Principal accounting policies 31 July 2020**

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

Actuarial gains and losses are recognised immediately in the Statement of comprehensive income.

### **Short term employment benefits**

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

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

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

#### **Land and buildings**

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

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

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

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

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

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

## Principal accounting policies 31 July 2020

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

### Subsequent expenditure on existing fixed assets

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

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

### Equipment

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

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

- computer equipment                      3 years
- furniture, fixtures and fittings        10 years

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

### Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income

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

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

## **Principal accounting policies 31 July 2020**

### **Borrowing costs**

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

### **Cash and cash equivalents**

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

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

### **Taxation**

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

The College receives no exemption in respect of Value Added Tax.

### **Provisions and contingent liabilities**

Provisions are recognised when

- the College has a present legal or constructive obligation as a result of a past event
- it is probable that a transfer of economic benefit will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

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

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

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

## Principal accounting policies 31 July 2020

### **Agency arrangements**

The College acts as an agent in the collection and payment of the Advanced Learner Loans Bursary. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 18 except for: the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant; the income for Childcare support provided by the College's Crèche; and unspent funds not reclaimed by the ESFA.

### ***Judgements in applying accounting policies***

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

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

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

- Tangible fixed assets

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

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 16, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## Notes to the financial statements 31 July 2020

### 1. Funding body grants

	2020 £'000	2019 £'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency - adult	667	4,686
Education and Skills Funding Agency 16-18	107	163
Education and Skills Funding Agency - apprenticeships	—	2
Greater London Authority - Devolved Grant	4,006	—
<b>Specific grants</b>		
Release of deferred capital grants	162	152
Education and Skills Funding Agency - Residential Access	—	100
Education and Skills Funding Agency – ALL Bursary	310	—
Teachers' Pension Scheme contribution grant	165	—
HE Grant	—	5
	<b>5,417</b>	<b>5,108</b>

### 2. Tuition fees and education contracts

	2020 £'000	2019 £'000
Adult education fees	1,818	2,143
Fees for HE loan supported courses	178	175
Total Tuition fees	1,996	2,318
Education contracts	173	197
<b>Total</b>	<b>2,169</b>	<b>2,515</b>

### 3. Other grants and contracts

	2020 £'000	2019 £'000
Big Lottery Grant	175	240
Other grants and contracts	5	6
Coronavirus Job Retention Scheme grant	113	—
	<b>293</b>	<b>246</b>

The College furloughed some of the administration, estates staff and variable hour teachers under the government's Coronavirus Job Retention Scheme. The funding received of £113k relates to staff costs which are included within the staff costs note below as appropriate.



## Notes to the financial statements 31 July 2020

### 4. Other income

	2020 £'000	2019 £'000
Other income generating activities	261	270
Creche income	53	86
Rent income	276	264
Other income	63	118
	<b>653</b>	<b>738</b>

### 5. Investment income

	2020 £'000	2019 £'000
Bank interest receivable	19	19
Net return on pension scheme (note 16)	316	378
	<b>335</b>	<b>397</b>

### 6. Staff costs

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

	2020 No	2019 No
Teaching staff	309	267
Non-teaching staff	146	217
	<b>455</b>	<b>484</b>

Staff costs for the above persons:

	2020 £'000	2019 £'000
Wages and salaries	4,050	4,099
Social security costs	303	306
Other pension costs	1,103	982
<b>Payroll sub total</b>	<b>5,456</b>	<b>5,387</b>
Contracted out staffing services	217	299
Restructuring costs - contractual	35	—
<b>Total staff costs</b>	<b>5,708</b>	<b>5,686</b>

**6 Staff costs** (continued)

***Key management personnel***

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Team which comprises the Principal; the Vice Principal – Teaching and Learning; and the Director of Finance and Resources.

	<b>2020</b>	2019
	<b>No</b>	No
The number of key management personnel including the Accounting Officer was:	<b>3</b>	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	
	<b>2020</b>	2019	<b>2020</b>	2019
£75,001 - £80,000 p.a.	<b>2</b>	2	—	—
£95,001 - £100,000 p.a.	<b>1</b>	1	—	—
	<b>3</b>	3	—	—

Key management personnel emoluments are made up as follows:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Salaries	<b>257</b>	<b>257</b>
Pension contributions	<b>56</b>	<b>43</b>
National Insurance - Employer's contributions	<b>32</b>	<b>32</b>
Total contributions	<b>345</b>	<b>332</b>

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

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

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Salaries	<b>97</b>	97
Pension contributions	<b>22</b>	16
Total remuneration	<b>119</b>	113

## 6 Staff costs (continued)

### Key management personnel (continued)

The Board adopted the AoC's Senior Staff Remuneration Code in 2019 and assesses pay in line with its principles. The remuneration of the Accounting Officer is reviewed annually by the Remuneration Committee and is benchmarked, using the ESFA benchmark tool and the AoC Senior Staff Salary Survey.

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.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

	2020 £'000	2019 £'000
Principal's basic salary as a multiple of the median of all staff	4.2	N/A
Principal's total remuneration as a multiple of the median of all staff	4.6	N/A

## 7 Other operating expenses

	2020 £'000	2019 £'000
Teaching costs	763	939
Non-teaching costs	968	793
Premises costs	859	847
<b>Total</b>	<b>2,590</b>	<b>2,579</b>

Other operating expenses include:

	2020 £'000	2019 £'000
Auditors' remuneration		
• Financial statements audit	30	32
• Other services provided by the financial statements auditor (Regularity and Teachers' Pensions Audit)	6	3
Internal audit	11	20
Hire of assets under operating leases	47	58

## 8 Taxation

Richmond and Hillcroft Adult and Community College is a charity with no additional trading activities. The Members of the Board of the College do not believe any corporation tax liability was incurred in 2019/20.

**9 Tangible fixed assets**

	Freehold land and buildings £'000	Equipment, fixtures and fittings £'000	Assets in the course of construction £'000	Total £'000
<b>Cost or valuation</b>				
At 1 August 2019	54,910	317	44	<b>55,271</b>
Additions	100	94	123	<b>317</b>
Disposals	—	(110)	—	<b>(110)</b>
<b>At 31 July 2020</b>	<b>55,010</b>	<b>301</b>	<b>167</b>	<b>55,478</b>
<b>Depreciation</b>				
At 1 August 2019	1,662	43	—	<b>1,705</b>
Charge for the year	730	113	—	<b>843</b>
Elimination in respect of disposals	—	(110)	—	<b>(110)</b>
<b>At 31 July 2020</b>	<b>2,392</b>	<b>46</b>	<b>—</b>	<b>2,438</b>
<b>Net book value at 31 July 2020</b>	<b>52,618</b>	<b>255</b>	<b>167</b>	<b>53,040</b>
Net book value at 31 July 2019	53,248	274	44	<b>53,566</b>

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

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

RHACC continues to develop the College's buildings and invested £100,000 during the year.

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

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

## Notes to the financial statements 31 July 2020

### 10 Trade and other receivables

	2020 £'000	2019 £'000
<i>Amounts falling due within one year</i>		
Trade receivables	263	606
Other debtors	4	4
Prepayments and accrued income	260	215
Benefaction account	2	2
	<b>529</b>	<b>827</b>

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

	2020 £'000	2019 £'000
Trade payables	191	133
Other payables	32	32
Other taxation and social security	87	85
Accruals and deferred income	1,184	1,299
Deferred income – government capital grants	162	153
Amounts owed to the Education and Skills Funding Agency	1,822	2,064
	<b>3,478</b>	<b>3,766</b>

	2020 £'000	2019 £'000
Deferred income at 1 August	763	279
Released from previous years	(763)	(279)
Resources deferred during the year	554	763
Deferred income at 31 July	<b>554</b>	<b>763</b>

At the balance sheet date, the College was holding tuition fees (£482k) received in advance for courses starting or continuing in 2020 (2019: £821k) and £72k for other income including lettings, donations and grants (2019: £nil)

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

	2020 £'000	2019 £'000
Deferred income – government capital grants	<b>5,374</b>	<b>5,546</b>

## Notes to the financial statements 31 July 2020

### 13 Lease obligations

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

	<b>2020</b> <b>£'000</b>	2019 £'000
<b>Equipment</b>		
Not later than one year	72	72
Later than one year and not later than five years	107	178
	<b>179</b>	<b>250</b>

### 14 Provisions

	Defined benefit obligations £'000	<b>Total</b> <b>£'000</b>
At 1 August 2019	5,405	4,270
Movement in the year (note 16)	4,311	1,135
<b>At 31 July 20120</b>	<b>9,716</b>	<b>5,405</b>

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

### 15 Cash and cash equivalents

	At 1 August 2019 £'000	Cash flows £'000	<b>At 31 July 2020 £'000</b>
Cash and cash equivalents	4,352	29	<b>4,381</b>
	<b>4,352</b>	<b>29</b>	<b>4,381</b>

### 16 Defined benefit obligations

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

	<b>2020</b> <b>Total</b> <b>£'000</b>	2019 Total £'000
<b>Teachers' Pension Scheme contributions paid</b>	<b>418</b>	328
Local Government Pension Scheme:		
. Contributions paid	430	415
. FRS 102 (28) charge	255	239
Charge to the Statement of Comprehensive Income	<b>685</b>	654
<b>Total pension cost for year within staff costs (note 6)</b>	<b>1,103</b>	982

**16 Defined benefit obligations** (continued)

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2019.

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

***Teachers' Pension Scheme***

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Regulations. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

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

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

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

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

The pension costs paid to TPS in the year amounted to £412,000 (2019: £328,000).

**16 Defined benefit obligations (continued)**

**Local Government Pension Scheme**

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the Wandsworth Council Pension Fund Local Authority. The total contributions made for the year ended 31 July 2020 were £536,000, of which employer's contributions totalled £430,000 and employees' contributions totalled 106,000. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 12.5% for employees, depending on salary.

**Principal Actuarial Assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by a qualified independent actuary.

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	2.45%	2.75%
Future pensions increases	2.25%	2.35%
Discount rate for scheme liabilities	1.35%	2.10%
Inflation assumption (CPI)	2.25%	2.35%
Commutation of pensions to lump sums (pre-April 2008 service)	50%	50%
Commutation of pensions to lump sums (post-April 2008 service)	75%	75%

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

	At 31 July 2020 Years	At 31 July 2019 Years
<b>Retiring today</b>		
Males	21.8	23.4
Females	24.4	24.8
<b>Retiring in 20 years</b>		
Males	23.2	25.1
Females	25.9	26.6

Sensitivity analysis is provided below:

	2020 Approx monetary amount (£'000's)
Discount rate + 0.1%	24,069
Discount rate - 0.1%	25,157
Mortality assumption – 1 year increase	25,633
Mortality assumption – 1 year decrease	19,617
CPI rate +0.1%	25,141
CPI rate -0.1%	24,084



**16 Defined benefit obligations** (continued)

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

**Local Government Pension Scheme**

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

	Value at 31 July 2020 £'000	Value at 31 July 2019 £'000
Equity instruments	8,949	10,117
Gilts	352	435
Bonds	2,134	1,701
Property	1,312	657
Cash	759	141
Multi-asset fund	1,385	1,925
<b>Total fair value of plan assets</b>	<b>14,891</b>	<b>14,976</b>
<b>Actual return on plan assets</b>	<b>172</b>	<b>667</b>

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

	2020 Total £'000	2019 Total £'000
Fair value of plan assets	14,891	14,976
Present value of plan liabilities	(24,607)	(20,381)
<b>Net pensions liability</b>	<b>(9,716)</b>	<b>(5,405)</b>

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

	2020 Total £'000	2019 Total £'000
<b>Amounts included in staff cost</b>		
Current service cost	(685)	(617)
Past service cost	-	(37)
<b>Total</b>	<b>(685)</b>	<b>(654)</b>
Amounts included in investment income	316	378
Amounts included in interest costs	(425)	(486)
Administration expenses	(7)	(6)
<b>Net interest cost</b>	<b>(116)</b>	<b>(114)</b>
Return on pension plan assets	(488)	289
Other actuarial losses on assets	(65)	-
Experience losses arising on defined benefit obligations	(646)	-
Changes in assumptions underlying the present value of plan liabilities	(2,741)	(1,071)
<b>Amount recognised in Other Comprehensive Income</b>	<b>(3,940)</b>	<b>(782)</b>

**16 Defined benefit obligations** (continued)

***Local Government Pension Scheme***

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

	<b>2020 Total £'000</b>	2019 Total £'000
Net defined benefit liability in scheme at 1 August	<b>(5,405)</b>	(4,270)
Movement in year:		
. Past service cost	—	(37)
. Current service cost	<b>(685)</b>	(617)
. Employer contributions	<b>430</b>	415
. Net interest on the defined liability	<b>(116)</b>	(114)
. Actuarial loss	<b>(3,940)</b>	(782)
<b>Net defined benefit liability at 31 July</b>	<b>(9,716)</b>	(5,405)

***Asset and Liability Reconciliation***

	<b>2020 Total £'000</b>	2019 Total £'000
<b>Defined benefit obligations at 1 August</b>	<b>20,381</b>	18,518
Current service cost	<b>685</b>	617
Interest cost	<b>425</b>	486
Contributions by Scheme participants	<b>106</b>	94
Change in demographic assumptions	<b>(588)</b>	(1,177)
Changes in financial assumptions	<b>3,329</b>	2,248
Estimated benefits paid	<b>(377)</b>	(442)
Past service cost	—	37
Experience losses on defined benefit obligations	<b>646</b>	—
<b>Defined benefit obligations at 31 July</b>	<b>24,607</b>	20,381

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

	<b>2020 Total £'000</b>	2019 Total £'000
<b>Fair value of plan assets at 1 August</b>	<b>14,976</b>	14,248
Interest on plan assets	<b>316</b>	378
Return on plan assets	<b>(488)</b>	289
Employer contributions	<b>430</b>	415
Contributions by Scheme participants	<b>106</b>	94
Estimated benefits paid	<b>(377)</b>	(442)
Administration expenses	<b>(7)</b>	(6)
Other actuarial losses	<b>(65)</b>	—
<b>Fair value of plan assets at 31 July</b>	<b>14,891</b>	14,976

### 17 Related party transactions

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

The total expenses paid to or on behalf of the members of the Board during the year was £58 for 2 Governors (2019: £105 for 2 Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Board meetings in their official capacity.

No Board member received any remuneration or waived payments from the College or its subsidiaries during the year (2019: £nil).

The College will disclose all related party transactions in accordance with the College's financial regulations. There were none in 2019/20 (2018/19: none).

### 18 Learner support funds

<i>Learner Support Funds</i>	<b>Year ended 31 July 2020 £'000</b>	Year ended 31 July 2019 £'000
<b>Other Learner Support Funds (Advanced Learner Loans Bursary)</b>		
Grant received – current year	<b>366</b>	359
Less: Disbursed to students	<b>(47)</b>	(148)
Less: Administration fee	<b>(22)</b>	(9)
Less: Retained income	<b>(256)</b>	-
Underspend for the year	<b>41</b>	202

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

The College had unspent funds at the year-end of £296,853. In accordance with the revised ESFA year-end reconciliation process £40,824 will be repayable to the ESFA and the balance of £256,029 has been included in the Statement of Comprehensive Income and Expenditure.

### 19 Contingent liability

The Department for Education is in the process of undertaking a review of residential funding for FE colleges and in conjunction with this the ESFA has undertaken an audit of the College's Residential Access fund claim in respect of 2018/19. All four English residential colleges have been the subject of the review and audit. The audit has primarily focused on the way in which the colleges have applied the funding methodology as it applies to residential provision.

**Notes to the financial statements** 31 July 2020

The ESFA has identified a potential clawback for RHACC of between £85,000 - £105,000. The College is in the process of disputing the basis of the audit findings and potential clawback with the ESFA. At this time there is no certainty that the College will suffer any clawback, or if it does, the amount of clawback and when it is likely to occur.