

**Richard Huish College**

**Members' report and financial statements**

**For the year ended 31 July 2018**

## **Members' report and financial statements**

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## **Professional advisers**

Financial Statements and Regularity Auditor:	Bishop Fleming Stratus House Emperor Way Exeter Business Park Exeter EX1 3QS
Internal Auditor:	TIAA Ltd. 53-55 Gosport Business Centre Aerodrome Road Gosport PO13 0FQ
Bankers:	Lloyds Bank plc 31 Fore Street Taunton TA1 1HN
Solicitors:	Menzies Law St Brandon's House 29 Great George Street Bristol BS1 5QT

## **Members' Report**

### **Operating and Financial Review**

#### **NATURE, OBJECTIVES AND STRATEGIES**

The members present their report and the audited financial statements for the year ended 31 July 2018.

##### **Legal status**

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the business of Richard Huish College. The College is an exempt charity for the purposes of the Charities Act 2011. For the purposes of this document, the Richard Huish College Corporation will be referred to as 'the Corporation'. Richard Huish College will be referred to as 'the College' or 'Huish'.

##### **Strategic Vision**

Our strategic vision, reviewed by the Corporation on an annual basis, is:

- *To provide exceptional education and training through the delivery of a holistic academic and vocational curriculum.*

##### **Public Benefit**

Richard Huish College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 18.

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

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- high-quality teaching,
- demonstrable 'value-added' student attainment,
- excellent student progression into further studies and employment,
- strong student support systems,
- expanding links with employers, industry and commerce through our development of apprenticeship delivery.

##### **Implementation of our strategic plan**

During 2015/16, the Corporation revised the strategic vision, values and drivers which then informed the development of a revised strategic plan. The strategic planning process includes action planning in respect of future accommodation demands and financial forecasting to underpin the curriculum vision. We monitor progress towards the strategic plan through a detailed action plan. This strategic plan remains relevant for the year to 31 July 2018.

The strategic drivers which are key to the delivery of the strategic vision are:

- maintain and seek further improvements in student outcomes and progression through highly effective teaching, learning and curriculum delivery,
- maintain and further improve the range and quality of enrichment activities,
- further develop the curriculum in new vocational areas, work based learning and Higher Education,
- further develop formal and informal partnership working through our links with other organisations in the local and wider community,
- grow our total number of international students,

## **Members' report** *(continued)*

### **Implementation of our strategic plan** *(continued)*

- retain and grow our local, regional and national reputation as a highly effective and forward thinking educational organisation,
- further improve the quality of the College's campus and facilities,
- seek further financial efficiencies and develop current or new income streams,
- recruit, retain and develop inspirational and highly effective staff,
- provide highly effective governance and strategic leadership.

The values which underpin our strategic vision and support the strategic drivers are:

- **students are at the centre of everything we do** – all decisions are considered in relation to the impact on students,
- **we are determined and rigorous in our pursuit of educational excellence** – we are individually and collectively committed to making improvements for the benefit of students,
- **we strive to add value** and are committed to supporting all members of the College community to achieve beyond what might be expected,
- **we have a culture that cares for the individual and promotes inclusivity, equality and mutual respect** – specialist support is available for all and diversity is embraced,
- **honesty and integrity are central to our work** – we are committed to being open and trusting,
- **we work collaboratively and constructively as a team to best serve the local and wider community** – all stakeholders work together positively and professionally.

The Corporation regularly reviews evidence to ensure that strategic drivers and values are being achieved and that appropriate action is being taken to improve performance if strategic objectives/drivers are not being met.

### **Financial objectives**

In order to deliver our vision we recognise that our financial performance has to remain sound. To achieve this, we must:

- progress our financial strategy so that we can protect our College from reasonably foreseeable changes in the local, regional and national context,
- generate sufficient income to drive continuous improvement of our teaching and learning and overall student experience in accordance with the strategic drivers detailed above.

A series of performance indicators have been agreed to monitor the successful implementation of financial objectives and to at least maintain the College's financial category of good. The Corporation and College management team continue to strengthen and develop risk management arrangements in order to underpin organisational improvement and the achievement of financial performance targets. Performance against these financial targets for 2017/18 is summarised in the table below.

Measure	Target	Achieved
Total Comprehensive income surplus before LGPS charges	£28K	£4K
Current ratio (unadjusted)	1.20:1	0.95:1
Borrowings as a percentage of income (net of deferred capital grants)	17.40%	16.91%
Remain within Lloyds Bank loan covenants	Compliance	Yes
Secure funding for Redwood building upgrades	£0.9M	Not achieved

## **Members' report** *(continued)*

### **Performance indicators**

The Corporation monitors the performance of the College through a range of measures and indicators, these include:

- success rates,
- Value Added
- learner destinations,
- the quality of teaching and learning,
- satisfaction surveys,
- stakeholder feedback, and
- benchmarking performance against local, regional and national competitors.

College financial performance is monitored through completion of the annual Finance Record for the Education and Skills Funding Agency (ESFA).

### **FINANCIAL POSITION**

#### **Financial results**

All numbers quoted are prepared under FRS102. For the year ended 31 July 2018, the key features of the College financial results were:

- An operating deficit of £699K (2016/17 deficit £313K). This result is after charges relating to LGPS pension service costs of £526K (2016/17 £374K) and LGPS interest charges of £177K (2016/17 £136K). Our underlying financial performance, excluding LGPS charges and asset disposal losses was a surplus of £4K (2016/17 surplus £247K).
- We achieved an unadjusted current ratio of 0.95:1, the primary reason for this shortfall related to the increased costs associated with the Aspen Music Block development.
- Although our submission to the ESFA Buildings Condition Improvement Fund scored highly we were unsuccessful. It is our intention to submit the scheme in 18/19 excluding the works that contributed to the reduced score.
- Accumulated negative reserves of £42K (2016/17 negative £729K) and cash/cash equivalent balances of £1,803K (2016/17 £2,601K). Our reserves position is materially adversely impacted by the valuation of our Local Government Pension Scheme, although the valuation for 2017/18 yielded a positive movement. The latest actuarial valuation resulted in a decreased liability of £677K (2016/17 £873K increased liability).
- Tangible fixed asset additions during the year amounted to £2,724K (2016/17 £2,505K).

We rely on the Education Skills Funding Agency (ESFA) as our principal source of income, funding our 16-18 study programmes. In 2017/18 we received £7,259K (2016/17 £7,572K) from ESFA. We have £682K (2016/17 £600K) of ESFA funded activity, mainly for the delivery of 16-18 and adult apprenticeships. A claw back provision of £5K (2016/17 £Nil) has been included within the financial statements to reflect a small shortfall in recruitment against our Adult Education contract.

Income from Higher Education student fees was £327K (2016/17 £278K), international student recruitment yielded £670K (2016/17 £490K). Employer costs related to National Insurance and pension contributions were £1,458K (2016/17 £1,383K), an increase of £75K in the year. Salary costs were £6,015K (2016/17 £5,814K), an increase of £201K.

#### **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 policy for management of funds. Short-term borrowing for temporary revenue purposes is authorised by the Principal. All other borrowing requires the authorisation of the Corporation and complies with the requirements of the agencies as revised from 1 April 2016.

## **Members' report (continued)**

### **Cash flows**

At £680K (2016/17 £1,360K), operating cash flow remains positive. The net cash outflow of £798K (2016/17 Out flow of £549K) resulted primarily from capital expenditure and management of liquid resources.

### **Liquidity**

The College current assets to current liabilities ratio (current ratio) was 0.95:1 (2016/17 1.08:1). Removing the impact of FRS102 in relation to the treatment of deferred capital grants gives a current ratio of 1.11:1 (2016/17 1.21:1). Current liabilities reduced by £387K in the year, current assets by £777K with capital expenditure on buildings and equipment being significant.

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

### **Student numbers**

In 2017/18 the College received £7,941K (2016/17 £8,172K) in funding agency main allocation income. This comprised £7,259K for 16-18 students, £609K for apprenticeships and £72K Adult Education Budget funding.

Income received from the Education Skills Funding Agency funded 1,836 16-19 year old students (2016/17 1,879).

In addition, there were 518 apprentices (2016/17 506) earning £609K of funding (2016/17 £589K).

Our overall retention rate for full-time 16-19 year old students studying Level 3 courses is 83%. In-year retention was 85 % for A-level qualifications. This is a new statistic due to the change from 'In Year Retention' to Course Retention over two years. Pass rates during 2017/18 were 98% for the A-level qualifications. Achievement rates during 2017/18 were 81% for A-level qualifications.

The results in respect of vocational Level 3 qualifications are not consolidated into A-level results. There was a pass rate of 100% in respect of BTEC qualifications. There was an achievement rate for Level 3 vocational qualifications of 79% (78% in 2016/17). The vocational Level 2 qualifications had a retention rate of 84%, a pass rate of 88% and an achievement rate of 74%.

### **Student achievements**

In the summer of 2018, 962 students in their final year of study were entered for A2 examinations (2016/17 808). 352 students also completed their two-year BTEC qualification (2016/17 262). There is an increase in the number of students opting for a mixed Academic and Vocational programme.

Students sitting A2 courses in the summer of 2018 achieved a pass rate of 98.3% (2016/17 99%), with 76% (2016/17 77%) at A-C grades. The College results were above the national average.

Students sitting AS examinations at the end of their first year of study in the summer of 2018 achieved a pass rate of 99.2% (2016/17 95%), with 84.6% (2016/17 78%) at A-C grades. The College results were above the national average.

Students sitting full Level 3 Vocational qualifications in the summer of 2018 achieved a pass rate of 100% (2016/17 100%), with 73% (2016/17 67%) achieving Distinction\*, 98% achieved Merit/Distinction/Distinction\*. The College results were above the national average.

Students sitting the new Progression Level 2 Vocational qualifications in the summer of 2018 achieved a pass rate of 96% with 23% achieving Distinction/Distinction\*. 70% achieved Merit/Distinction/Distinction\*. The College results were above the national average.

Students who were resitting their GCSE English and Maths achieved the following: GCSE English A\*/C 62% Pass 100% GCSE Maths A\*/C 48% Pass 100%. The College results were above the national average.

Students are given honest advice and guidance and the above results are achieved within the new Educational system of few if any opportunities to resit.

## **Members' report** *(continued)*

### **Curriculum developments**

The College offers a broad curriculum of over 50 Advanced Level 3 courses, including both Academic and Vocational qualifications. All full-time students have an individually planned Study Programme with access to an extensive enrichment programme that develops their personal and social skills. Students have opportunities to develop their generic learning skills through a variety of provision, including completion of the Extended Project Qualification, where students follow a programme of study that teaches advanced level research skills. This course contributes towards the development of students' generic skills and provides strong evidence of individual progress. Achievement in the Extended Project Qualification is impressive, in the summer of 2018, 100% (100% 2016/2017) of students achieved a pass rate, with 87% (95% 2016/2017) at A-C grades. Students participate in a range of other activities, including work experience, volunteering, exchanges, visits, fieldwork and performances within the community. The College Careers Service also provides professional work placement opportunities for students who require this option for their career planning; this is in addition to helping develop a broad range of personal skills required in the work place. The College is highly responsive in its curriculum provision and is constantly alert to ensuring that all students' needs are met which enables students to achieve and progress; all students have access to ongoing guidance and support and are enrolled on a coherent individual Study Programme. The College has continued to develop its provision in respect of Vocational qualifications, meeting student demand for an alternative to study at A Level and/or Level 3 study. Student numbers have increased for the Extended Diploma course, enabling students to develop their learning in a focused area of study. From September 2018 the curriculum includes a new Level 3 Vocational Extended Diploma in Public Services.

Students have also benefitted from a mixed Study Programme of Academic and Vocational courses, suiting their individual needs and aspirations.

To support progression for students who do not achieve the College minimum entry requirements for a Level 3 Study Programme, the College offers resit GCSE English and Mathematics and the option of one of 5 Vocational Level 2 courses. This curriculum offer enables students to undertake a Study Programme at Level 2, with a view to progression to a full Advanced Level 3 programme in subsequent years.

Apprenticeships and traineeships continue to demonstrate steady and sustainable growth in their portfolio of Business and Medical related courses. The successful arrangements for Foundation and top-up Degree programmes with Plymouth Marjon University have demonstrated considerable achievement during 2017/2018 meeting the needs of the community and local Higher Education learners.

### **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 accounting period 1 August 2017 to 31 July 2018, the College believes that payments were made in line with the terms of its suppliers and its own policy.

**Post balance sheet events** -There have been no material post balance sheet events this year.

### **Future developments**

The College routinely monitors and reviews its activities as part of its strategic planning process. We have made significant investments in our Apprenticeship delivery capacity and have had good success in securing contracts from levy paying employers. We are forecasting a 50% increase in apprenticeship activity for 2018/19. Whilst our International recruitment for 2017/18 was very positive the outlook for 2018/19 is less promising. Increased global competition and the UK Universities offering International Foundation Programmes have both had a negative impact on recruitment. Consequently, we are looking to diversify our offer into other countries and are reviewing our curriculum offer.



## **Members' report** *(continued)*

### **Reserves policy**

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The College reserves include nil reserves held as restricted. As at the balance sheet date the Income and Expenditure reserves deficit stands at £1,774K (2016/17 £2,489K). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

### **Resources**

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

Tangible resources include:

### **Financial**

The College has £6,035K of net assets (excluding the LGPS pension liability of £6,077K) and long term debt of £1,585K.

### **People**

In the year to 31 July 2018, the College employed 183 people (expressed as full time equivalents), of whom 95 were teaching staff.

### **Reputation**

The College has an excellent reputation locally, regionally and nationally. The retention of our Highly Trusted Sponsor status and growth in student recruitment demonstrates that our international reputation is growing year-on-year.

Maintaining a quality brand and offering the best information, advice and guidance to future and current students is integral to our success.

### **Principal risks and uncertainties**

We continue to develop and embed our systems of internal control into every aspect of our activity, including financial and operational areas. Risk management is a constantly evolving and developing process to ensure that all key risks are identified and managed to limit their impact should they crystallise.

The established risk register and board assurance framework is subject to regular scrutiny and review by senior managers as well as scrutiny and challenge by the Corporation. There is an ongoing review of all risk management processes to ensure that the management of risk is contemporary, proactive and that the Corporation is able to fully assess and make provision to obtain the range of assurance it requires. The risk register forms the basis of risk management action planning, with risks summarised in a contemporary risk 'map'. The Audit Committee is able to monitor the position at any time via this summary. Risks are prioritised using a consistent scoring system and are directly referenced to the College strategic planning process. Review of key risks informs the range of assurance work which the Audit Committee undertakes on behalf of the Corporation. There is a well-established ethos of risk management throughout the College.

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

### **Government funding**

The College relies on continued government funding through the sector funding agencies for England. In 2017/18, 76% of College revenue was from the ESFA. A similar level of funding is necessary if delivery of core business activity is to continue in the same way. There is no long-term 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. Some comfort can be taken from the fact that the rate of funding for 16-18 year olds has been secured for the medium term. The College has secured significant apprenticeship contracts with major levy paying employers. We continue to see a growth in non-levy employer activity. The growth in apprenticeships remains a strategic priority for the College. Our planning takes account of further negative impact in subsequent years, particularly any adverse impact that arises through shortfalls in recruitment.

## **Members' report** *(continued)*

### **Principal risks and uncertainties** *(continued)*

#### **Government funding** *(continued)*

Strategic planning takes full account of the risk to funding. The key strategic drivers ensure that risk to funding is mitigated through:

- continuing to maintain and seek further improvements in student outcomes and progression through highly effective teaching, learning and curriculum delivery,
- maintaining and further improving the range and quality of enrichment activities,
- further development of the curriculum in new vocational areas, across new levels of qualifications, work based learning and Higher Education,
- increase the level of levy-paying apprenticeship activity (accepting that the routing of this funding remains via the ESFA),
- further development of formal and informal partnership working through our links with other organisations in the local and wider community,
- growing our total number of international students,
- retaining and growing our local, regional and national reputation as a highly effective and forward thinking educational organisation,
- further improvement of the quality of the College's campus and facilities,
- seeking further financial efficiencies and developing current or new income streams,
- recruiting, retaining and developing inspirational and highly effective staff,
- providing highly effective governance and strategic leadership.

There is regular dialogue with the funding agency, partner institutions, employers and other stakeholders in order to ensure that we have all relevant information to hand to assist in the strategic decision-making process.

#### **Changes to government policy at a national and regional level**

Government policy continues to have significant potential impact on our College and the post-16 education sector generally.

Ever reducing subsidies to transport providers continue to have an adverse impact on our students. As a specialist A-level provider serving a wide rural area many of our students are wholly reliant on public transport, increased costs and rationalisation of services are a constant threat. We are closely monitoring the impact of increased transport costs on our students, accessing affordable transport cannot become a barrier to choosing the most appropriate college for any student.

It is critical that we continue to review and monitor our provision in the light of government policy and stakeholder need. We have successfully navigated our way through the introduction of linear A-levels. We have been successful in growing our apprenticeship activity and have been successful in securing contracts with large local employers. We do however remain concerned that changes in individual funding tariffs will negatively impact on the apprentice and employer experience and the viability of some apprenticeship standards. We see the introduction of T-level technical qualifications as our next major curriculum challenge, securing sufficient work placement opportunities being of significance. Risk associated with changes in government policy is mitigated in a number of ways:

- all governors and managers engage in strategic networking activity to ensure that the College is a primary shaper of education at local, regional, national and international level,
- all members of the College and the Corporation work to maintain positive strategic relationship partnerships at local, regional and international level, ensuring that there is a synergy in response to any given circumstances,
- staff are engaged in national, regional and local networks where knowledge and best practice is shared.

## **Members' report** *(continued)*

### **Principal risks and uncertainties** *(continued)*

#### **Changes in the local area post-16 landscape**

The demographic profile for post-16 learners in the area reached its lowest point in 2017 with the year 11 school cohort being at its lowest. In 2016/17 we saw a small reduction in our 16-18 student numbers, in 2017/18 this has now stabilised. Data provided by Somerset County Council indicates that there will be a sustained increase from September 2018 onwards based on current school cohort sizes; we should see a positive impact in the September 2019 recruitment levels. The significant housing developments in the local area will increase numbers further. This is obviously good news although has to be set against the potential impact of the introduction of T-levels and the inherent rationalisation of vocational opportunities for young people coupled with the mandatory work placement element and the availability of employers in the local area to meet that demand. We also have to recognise that the lagged funding model for 16-18 funding will present its own challenges should any significant growth be forthcoming that cannot be accommodated within our existing delivery capacity.

On 7 August 2014, the Department for Education approved the College to be an appropriate organisation to sponsor an academy, the Corporation formally agreed to the adoption of the Taunton Academy on 27 January 2015. On 31 March 2015, the assets and liabilities of the Taunton Academy transferred to Richard Huish Trust (Company No. 9320523), the legal entity, incorporated on 20 November 2014. West Buckland Community Primary School and North Curry C of E Primary School joined the Trust on 1<sup>st</sup> May 2018. In July 2018 The Trust was selected by Somerset County Council to open a new Primary phase Free School, due to open September 2019.

The Richard Huish Trust is a charitable company limited by guarantee; it is an exempt charity and is not registered with the Charity Commission. Academies are charities by virtue of the Academies Act 2010. The Trust is a self-governing, autonomous and separate body to the College.

Members and Directors have been appointed for the Multi - Academy Trust and the College operates separate auditing arrangements. The sponsorship will widen access to the College's educational resources and will have an undoubted benefit for Academy students. Our expectation is that the Trust will further increase its membership in 2018/19.

It is not possible to fully assess the long-term impact of potentially complex developments. Proactive risk management will mitigate the risks in the following ways:

- the College is a leader in local discussion to ensure a coherence of provision for all learners in the community, especially at post-16 level,
- the College will monitor and review working relationships with local education providers in order to promote the positive development of local educational provision at all levels,
- the College will continue to review and develop its range of curriculum activity in the light of local requirement and available resources. The College quality brand and the best information, advice and guidance for students are both critical to that process,
- the College will pay due attention to forward planning, particularly in relation to the accommodation which will be required both in the short and long-term to support delivery of the best quality teaching and learning.

#### **Tuition fee policy**

The College annually reviews its tuition fees in line with funding and other guidance together with prevailing market conditions. The introduction of the apprenticeship levy continues to require detailed planning to ensure that we can remain competitive. Indications suggest that employers are now starting to expect more competitive pricing for apprenticeships as they look to maximise the impact of their levy pot. A continuing area of concern for our College and the sector generally is the impact of likely reviews to individual apprenticeship tariffs and the notice period attached to implementation. This approach makes medium term planning very challenging and makes our discussions with employers equally difficult.

## **Members' report** *(continued)*

### **Principal risks and uncertainties** *(continued)*

#### **Tuition Fees** *(continued)*

With regards to other fees the risk is that demand falls as fees increase, adversely impacting growth. This risk is mitigated in a number of ways:

- by delivering the highest quality education and training and therefore providing best value for students,
- close monitoring of the demand for courses as charges change,
- closely monitoring the market in the light of economic and other external factors,
- development of new courses and exploring new markets,
- optimising the use of external funding and identifying new opportunities,
- by providing the highest quality information, advice and guidance,
- maintaining close links with our local levy paying employers so that they are well informed about potential changes in Government funding,
- continuing to invest in our delivery management capacity to ensure that we can react quickly to changes in market conditions

#### **Pension liabilities**

The financial statements report the share of the pension scheme deficit on our balance sheet in line with the requirements of FRS102. The College is committed to meeting its ongoing obligations and is making deficit repayments to the pension fund on top of our existing employer contribution. The impact of these deficit repayments, whilst manageable, are nonetheless increasing our costs of employment at a time when funding is static. The employer contribution to both the Teachers' Pension Scheme (TPS) and Local Government Pension Scheme (LGPS) are now approaching unsustainable levels without any significant increase in income. Indications are that the 2017 review of the TPS will bring about a significant increase in employer contributions, without Government intervention the education sector will not be able meet the increased obligation.

#### **International students**

The College retains its Highly Trusted Sponsor (HTS) status. Whilst 2017/18 recruitment was very positive increased competition has negatively impacted our 2018/19 recruitment. We have refined our student experience further by taking on board suggestions from parents, agents and the students themselves. English support for all International students and dedicated learning centre facilities have both seen significant investment ready for the 2018/19 year.

Oak House, our student accommodation facility, was available for students from September 2017. The 2017/18 year has been a successful one with occupancy levels meeting our target of 70%. Indications suggest that we will achieve full occupancy in 2018/19. There remains the risk that the accommodation block costs will not be covered by income from residents, this is offset by the increase in tuition fee income possible only through having the facility.

#### **Accommodation strategy**

Student recruitment and the learning experience for individual students would be severely compromised if the quality of the facilities offered by Huish did not meet the needs and high expectations of its clientele. We have continued to be proactive in securing grant funding to ensure that the quality of its facilities supports delivery of the highest quality of teaching and learning. During recent years there has been an impressive programme of new building and refurbishment work to ensure that facilities provide the right circumstances for all students to have a highly positive learning experience. Since 2010, work to improve the campus has included new building work to complete the Juniper Building. Using grant and funds from College reserves, the new Cedar Building was completed in March 2012. Refurbishment work in respect of the Beech Building, extension of the recently-completed Cedar Building and improvement to facilities in the Redwood Centre was funded following receipt of a further grant from the Building Condition Improvement Fund (BCIF), with work completed for the start of the academic year 2012/13. Refurbishment to the Beech Building significantly improved the overall quality of the interior of the building and provided state-of-the-art laboratory facilities, meeting a growth in demand for science courses. A four-classroom extension to the Cedar Building was completed in November 2012. During 2012/13, the College received £686K from the Building Condition Improvement Fund. The grant has enabled the College to undertake a programme of

## **Members' report** *(continued)*

### **Principal risks and uncertainties** *(continued)*

#### **Accommodation strategy** *(continued)*

refurbishment to improve the condition of the exterior of Beech Building with considerable positive impact on study areas. In 2013/14 there was a small programme of internal works undertaken on the Linden Building, providing additional high-quality teaching space for higher education activity.

During 2013/14 the College received a total of £930K from the Building Condition Improvement Fund. £880K was awarded for the College building project and £50K for IT improvements. There was an additional investment from the new catering company and an additional amount from College funds, making a total of up to £1.38M available for the building project. The project was completed for September 2017 and has focused on the improvement of the College's cafe, dining and social spaces.

During 2014/15 a sports accommodation Condition Improvement Fund (CIF) bid was approved by the then EFA for a total amount of £2,233K, £750K of which was loan funding. Works on the sports accommodation project was completed in January 2017 and came in slightly under budget.

In June 2017 we were successful in securing ESFA BCIF grant support to re-develop our Maple Building (Art and computing), the level of grant being 90% of the estimated build cost of £1.95M. The project has progressed well with very few issues. We expect completion to be at the end of October 2017.

In 2017/18 work had progressed to complete our new Music facilities and the refurbishment of our Elmfield House block. The decision to construct a free-standing Music Block rather than extend Elmfield House has resulted in a total project cost of circa £1.6M, largely offset by the VAT costs that would have been incurred had we continued with our extension plans. The building is on course to be completed before the start of teaching in September 2018.

We will continue to submit bids for capital support to ensure that our facilities remain current and are capable of housing the increase in student numbers arising from demographic growth. Where appropriate, we will source funding to augment any award to protect our working capital position.

The College has reflected the impact of the above risks in its short term financial planning and is fully aware of the potential adverse impact that a reduction in student recruitment levels has on our ability to return a balanced financial position set against a backdrop of increasing pay inflation and rising pension contributions. In line with all Further Education and Sixth Form Colleges we believe that an increase in the funding tariff for 16-18 students is vital to the medium term sustainability of the sector.

## Members' report (*continued*)

### Stakeholder relationships

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

- students
- parents/carers
- funding agencies
- staff
- governors
- employers
- local authorities, government offices and regional agencies
- the local community
- other educational institutions
- trades unions
- professional organisations
- trustees
- lenders.

We recognise the importance of its relationships with key stakeholders and seek to engage with them at every appropriate opportunity. The learner experience is fundamental to everything we do, we seek their views on a regular and increasing basis.

### Staff, student and parent involvement

The Corporation, the Principal and senior managers fully accept their responsibility for matters of policy and administration and recognise that good communication within the College community is vital to success. There is provision for two members of staff, two students and two parents to serve as members of the Corporation. The Principal is an *ex officio* member of the Corporation.

We encourage the involvement of staff through membership of committees and teams. All members of staff, through team action plans and other means, are afforded opportunity to contribute to our strategic planning process. Specific task groups may be convened to engage in seeking staff views when there are new initiatives or strategic issues for consideration.

A Staff Voice group has remained in place for 2017/18, to ensure that staff have a voice and know that their opinions and views will be acted upon. The group meets with the Principal and the HR Director twice per term with a governor representative.

The views of students are actively sought through a variety of questionnaires and focus group meetings. There is an elected Student Council, two of whose members serve as members of the Corporation. The College continues to develop the way in which it engages with learners, including through their attendance at some key administrative meetings. The recent appointment of a student liaison officer, substantially funded by the Richard Huish College Foundation, supports development of the learner voice and promotes work with students to enable learners at all levels to achieve and progress.

We place great value on the role that parents and carers play in supporting students during their study.

## **Members' report** *(continued)*

### **The College's Commitment**

Richard Huish College is committed to the principle and practice of equality of treatment and opportunity for everyone. It is the first of our College's values: 'We have a culture that cares for the individual and promotes inclusivity, equality and mutual respect – specialist support is available to all and diversity is embraced.' It is, therefore, the responsibility of everyone within the College to actively combat any direct or indirect discriminatory behaviour that could provoke feelings of discomfort or disadvantage towards others. This could be on the grounds of age, disability, gender reassignment, pregnancy and maternity, race, sex, religion and belief or sexual orientation, as outlined by the Equality Act 2010.

In addition to being bound by the legislative framework, the College will use recognised codes of practice i.e. the SEND (Special Educational Needs and Disabilities) Code of Practice in Section 41 of the Children and Families Act 2014 as the benchmark for procedures and measures introduced to ensure greater equality of opportunity.

The nine protected characteristics as defined by the Equality Act 2010 are:

- race
- gender
- disability
- sexual orientation
- religion or belief
- gender reassignment/being a transsexual person
- pregnancy and maternity
- being married or in a civil partnership
- age.

The Equal Opportunities in Employment Policy is published on the College website and is regularly reviewed by the Corporation. All new staff and governors receive compulsory training in diversity and equality matters.

The College considers applications from all disabled applicants who meet the minimum criteria for a post. When an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College policy is to make any reasonable adjustments in order to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees.

The College is committed to promoting and ensuring the safeguarding and protection of all students. All employees, governors and contractors are subject to vetting and barring procedures and training procedures. The Corporation regularly reviews the Safeguarding Policy to ensure that there are relevant and effective safeguarding practices and a culture of adherence to them. Mandatory 'Prevent Duty' training has been delivered to all staff and governors.

### **Disability statement**

The College provides individually agreed support for students with disabilities, learning difficulties and health issues. These students receive additional support appropriate to their needs, within the parameters of what is reasonable. Special arrangements for examinations are negotiated with the examining boards on behalf of students and appropriate support provided.

There is a range of specialist equipment and technology that the College can make available for use by students.

As required by the Equality Act 2010, the College annually publishes an Equality Report and has Equality Objectives that are reviewed on at least a four-yearly basis.

## **Members' report** *(continued)*

### **Disclosure of Information to Auditor**

The members of the Corporation 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. Each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditor is aware of that information.

Approved by order of the members of the Corporation on 3 December 2018 and signed on its behalf by:

**Duncan Alexander**

*Chair*



## **Statement of Corporate Governance and Internal Control**

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1<sup>st</sup> August 2017 to 31<sup>st</sup> July 2018 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. having due regard to the UK Corporate Governance Code 2017 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the AoC Code of Good Governance for English Colleges. 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 best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

### **The Corporation from 1 Aug 2017 to 31 July 2018**

The Richard Huish College Corporation has determined that the Corporation should comprise up to 20 members at any given time. As at 31 July 2018 the Corporation comprised

- the Principal,
- 3 Foundation members,
- 2 Staff members, 2 Parent members,
- 1 Student member,
- 9 other members.

Three vacancies arose during the year. One new external member and one parent member were appointed during the year. Two student members were also appointed. As at the end of the year, July 2018, there was one external member vacancy and two student member vacancies.

The members who served the Corporation during the year and up to the date of signature of this report is detailed in the table on the following page.

## Statement of Corporate Governance and Internal Control *(continued)*

### The Corporation *(continued)* 1 Aug 2017 to 31 July 2018

Name	Date of Appointment for Current Term	Term of Office	Date of Resignation/ End of Appointment	Status of Appointment	Committees Served on in 2017/18 <b>Bold text indicates chair of committee</b>	%FGB Attendance
Mr J Abbott	18 June 2013	Indefinite	-	Principal Ex officio	Finance and General Purposes Personnel, Search and Governance	100
Mr G Adams	23 September 2016	2 years to 30.09.2018	-	Foundation Member	Remuneration , Finance and General Purposes Personnel, Search and Governance	83
Mr D Alexander	23 September 2016	4 years to 30.09.2020	-	Member <b>Governing Body (GB) Chair</b>	Finance and General Purposes Personnel ,Search and Governance <b>Remuneration</b>	83
Dr A Andrews	31 July 2014	4 years to 31.07. 2018	31.07.08	Staff Member	Personnel, Search and Governance	33
Mr L Ballard	5 December 2016	4 years to 31.12.2020		Staff Member	Academic Planning and Quality	100
Mrs B Barratt	31 December 2017	4 years to 31.12.2021	-	Member <b>GB Vice-chair</b>	Academic Planning and Quality Personnel, Search and Governance	83
Mrs S Burns	20 November 2015	4 years to 30.11.2019	-	Member	<b>Audit</b>	50
Mr G Charles	1 December 2015	4 years to 31.12.2019	06.03.18	Member	Finance and General Purposes Academic Planning and Quality	33
Mr P Flaherty	21 March 2016	4 years to 31.03.2020	-	Member	Audit	50
Prof J Gill	9 December 2013	4 years to 31.12.2017	31.12.17	Member	Academic Planning and Quality Audit	50
Mr D Griffin	1 June 2015	4 years to 30.06.2019	-	Member	Audit	100
Dr S Haydock	27 March 2017	4 years to 31.03.2021	-	Member	Academic Planning and Quality Audit	67
Mrs A Helsby	1 December 2015	4 years to 31.12.2019	-	Member	Academic Planning and Quality <b>Personnel, Search and Governance</b> Remuneration	100
Mr J Langdon	1 May 2017	4 years to 31.05.2021	-	Foundation Member <b>GB Vice-chair</b>	Academic Planning and Quality <b>Finance and General Purposes</b>	67
Mr T McKee	25 September 2017	1 year to 30.06.18	30.06.18	Student Member	Academic Planning and Quality	80
Mrs N Reid	27 March 2017	4 years to 31.03.2021	-	Member	Audit	100
Mrs M Reynolds	4 December 2017	4 years to 31 .12.21	-	Parent Member	Personnel, Search and Governance	60
Ms L Scott	25 September 2017	1 year to 30.06.18	12.03.18	Student Member	Academic Planning and Quality	33
Mr K Tharmananthar	12 April 2018	4 years to 30.04.22	-	Member	Finance and General Purposes	50
Dr M Tighe	1 December 2015	4 years to 31.12.2019	-	Foundation Member	<b>Academic Planning and Quality</b>	100
Mr D Tomaney	21 March 2016	4 years to 31.03.2020	-	Parent Member	Academic Planning and Quality Finance and General Purposes	100
Xanne Blythe			-	Clerk		

## **Statement of Corporate Governance and Internal Control (*continued*)**

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as academic performance, performance against funding targets, proposed capital expenditure, quality and personnel related matters such as health and safety and environmental issues. The Corporation meets on at least a termly basis.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Academic Planning and Quality, Appeals, Audit, Finance and General Purposes, Personnel, Remuneration and Search and Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College website and from the Clerk to the Corporation at:

Richard Huish College  
South Road  
Taunton, TA1 3DZ

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the expense of the College and have access to the Clerk to the Corporation, who is responsible to the Corporation for ensuring that there is compliance with all applicable procedures and regulations. The appointment of the Clerk to the Corporation is a matter for the Corporation as a whole, and in accordance with the Instrument and Articles of Government of the College.

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

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal of the College are separate.

### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee comprising the members indicated in the membership table. These members are responsible for the selection and nomination of any new member for the Corporation's consideration in the light of the skill requirement of the Corporation as a whole. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years. Any re-appointment is always a matter for consideration by the whole Corporation.

### **Corporation performance**

#### **Remuneration Committee**

During the year ending 31 July 2018, the Remuneration Committee comprised three members as indicated in the membership table. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Principal and other senior post holders. Details of remuneration for the year ended 31 July 2018 are set out in note 6 to the financial statements.

## **Statement of Corporate Governance and Internal Control (continued)**

### **Audit Committee**

The Audit Committee comprises six members of the Corporation (excluding the Principal, Chair of Corporation and Staff Members who are not permitted to be members). The Committee operates in accordance with written terms of reference approved by the Corporation, taking full account of the Post 16 Audit Code of Practice 2017/18. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee also monitors and reviews the effectiveness of the College's internal audit service and annually reviews the arrangements for internal audit. In December 2014, the Corporation formally approved the appointment of an Internal Auditor for three years from January 2015 to 2018, with an annual review. On 4 December 2017 it was agreed to extend the internal audit service for an additional two years to 2019. The plan of audit is compiled in the light of information contained in the risk register, the risk management action plan, the board assurance framework and other relevant information.

The Audit Committee conducted a tender exercise in-year for the college Financial Statements Audit service provider. Bishop Fleming LLP was appointed as the new Financial Statements Auditor.

The Audit Committee meets on at least a termly basis and provides a forum for reporting by the College's Internal and Financial Statements Auditor who has access to the Committee for independent discussion, without the presence of College management if required. The Committee also receives and considers reports from the funding agencies when required.

The College's Internal Auditor monitors the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input, and reports its findings to management and the Audit Committee. Management is responsible for the implementation of agreed recommendations and the Internal Audit Service undertakes periodic follow-up reviews to ensure that agreed recommendations have been implemented.

The Audit Committee advises the Corporation on the appointment of the Internal Auditor and the External Audit Service and their remuneration for both audit and non-audit work.

### **Internal Control**

#### **Scope of responsibility**

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

The Corporation has delegated the day-to-day responsibility to the Principal, 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 he is personally responsible. This being in accordance with the responsibilities assigned to him in the Financial Memoranda between the College and the funding agencies. The Principal is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going 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 Richard Huish College for the year ended 31 July 2018 and up to the date of approval of the Annual Report and Financial Statements.

## **Statement of Corporate Governance and Internal Control (continued)**

### **Capacity to handle risk**

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the Annual Report and accounts. This process is regularly reviewed by the Corporation.

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

The system of internal control is based on a framework of regular management information, administration 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 Corporation,
- regular reviews by the Corporation 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,
- preparation of an appropriate business case in the case of capital investment,
- the adoption of formal project management disciplines, when appropriate,
- appropriate risk management plans in respect of all capital and discrete areas of financial activity.

The College has an appointed internal audit service which operates in accordance with the requirements of the Corporation on the advice of the Audit Committee. The plan of work 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 Internal Auditor annually provides the Corporation with a summary report on internal audit work during the preceding year. The report includes independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

### **Review of effectiveness**

As Accounting Officer, the Principal 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 Auditor,
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework,
- comments made by the College's Financial Statements Auditor, the Regularity Auditor, and the appointed Funding Auditor in their management letters and other reports.

The Principal has been advised on the implications of the result of this review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the Internal Auditor. A plan to address weaknesses and ensure continuous improvement of systems is in place.

College managers receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms which are embedded within the departments and reinforced by risk awareness training. College managers and the Audit Committee also receive regular reports from internal audit, which include recommendations and advice for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes regular consideration of risk and control and receives reports thereon from College managers and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Corporation reviewed the annual assessment for the year ended 31 July 2018 by considering documentation from College managers, its Committees and the Internal Auditor.

## **Statement of Corporate Governance and Internal Control (continued)**

Based on the advice of the Audit Committee's annual report 2017-18 and that of the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control. The Corporation has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"*.

### **Going concern**

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

Approved by order of the members of the Corporation on 3 December 2018 and signed on its behalf by:

**Duncan Alexander**  
*Chair*

**John Abbott**  
*Principal*

## **Governing Body's statement on the College's regularity, propriety and compliance with Funding Body's terms and conditions of funding**

The Corporation has considered its responsibility to notify the ESFA 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/funding agreement.

We confirm, on behalf of the Corporation, 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 ESFA's 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.

**John Abbott**  
**Accounting Officer**

**Duncan Alexander**  
**Chair**

## **Statement of the responsibilities of the members of the Corporation**

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2017 to 2018 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the 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 Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are 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 Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 3 December 2018 and signed on its behalf by:

**Duncan Alexander**  
Chair



## **Independent Auditor's report to the Corporation of Richard Huish College**

### **Opinion**

We have audited the financial statements of Richard Huish College (the 'corporation') for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice: Accounting for Further and Higher Education (the '2015 FE HE SORP') and the College Accounts Direction for 2017 to 2018.

In our opinion, the financial statements:

- give a true and fair view of the state of the corporation's affairs as at 31 July 2018 and of the corporation's surplus 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 2015 FE HE SORP and the College Accounts Direction 2017 to 2018.

### **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 corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Independent Auditor's report to the Corporation of Richard Huish College (*continued*)**

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

We have nothing to report in respect of the following matters where the Post 16 Audit Code of Practice Issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the corporation, or returns adequate for our audit have not been received from branches not visited by us; or
- the corporation's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of corporation**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page X, the corporation is 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 corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

### **Use of our report**

This report is made solely to the corporation, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the corporation those matters we are required to state to it 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 corporation, for our audit work, for this report, or for the opinions we have formed.

**Bishop Fleming LLP**  
*Chartered Accountants*

Bishop Fleming  
Stratus House  
Emperor Way  
Exeter Business Park  
Exeter EX1 3QS

Date

## **Reporting accountant's assurance report on regularity to the Corporation of Richard Huish College ("Richard Huish College") and Secretary of State for Education acting through the Department for Education ("the Department")**

In accordance with the terms of our engagement letter dated 25 May 2018 and further to the requirements of funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Richard Huish College during the period 1<sup>st</sup> August 2017 to 31 July 2018 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 Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the Department has other assurance arrangements in place.

This report is made solely to the Corporation of Richard Huish College and Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Richard Huish College and the Department those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Richard Huish College and the Department for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of Richard Huish College and the reporting accountant**

The Corporation of Richard Huish 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<sup>st</sup> August 2017 to 31 July 2018 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 jointly by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across the College's activities;
- Evaluation and validation of the processes and controls in place to ensure regularity and propriety for the use of public funds, including the consideration of the College's self-assessment questionnaire (SAQ);
- Sample testing of income and expenditure to ensure that funds have been applied for the purposes that they were awarded, focused on areas assessed as high risk.

## **Reporting Accountant's assurance report on regularity (*continued*)**

### **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<sup>st</sup> August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

### **Bishop Fleming LLP**

Chartered Accountants  
Bishop Fleming  
Stratus House  
Emperor Way  
Exeter Business Park  
Exeter EX1 3QS

Date:

## Statements of Comprehensive Income for the year ended 31 July 2018

	Note	2018 £'000	2017 £'000
<b>INCOME</b>			
Funding body grants	2	8,238	8,451
Tuition fees and education contracts	3	1,290	1,054
Other grants and contracts	4	21	–
Other income	4	1,214	962
Endowment and investment income	5	10	13
Donations and Endowments	4	26	14
<b>Total income</b>		<b>10,799</b>	<b>10,494</b>
<b>EXPENDITURE</b>			
Staff costs	6	8,069	7,650
Other operating expenses	7	2,373	2,118
Depreciation	10	789	774
Interest and other finance costs	8	267	215
<b>Total expenditure</b>		<b>11,498</b>	<b>10,757</b>
<b>Deficit before other gains and losses</b>		<b>( 699)</b>	<b>(263)</b>
Loss on disposal of assets	10	-	(50)
<b>Deficit before tax</b>		<b>( 699)</b>	<b>(313)</b>
Taxation	9	-	–
<b>Deficit for the year</b>		<b>( 699)</b>	<b>(313)</b>
Actuarial gain/(loss) in respect of pensions schemes	18	1,386	(873)
<b>Total Comprehensive Income for the year</b>		<b>687</b>	<b>(1,186)</b>

The income and expenditure account is in respect of continuing activities.

The notes on pages 33 to 54 form part of the financial statements.

**Statement of Changes in Reserves**  
**For the year ended 31 July 2018**

	<b>Statement of Comprehensive Income £'000</b>	<b>Revaluation reserve £'000</b>	<b>Total £'000</b>
<b>Balance at 1st August 2016</b>	(1,331)	1,788	457
Deficit from the income and expenditure account	(313)	0	(313)
Other comprehensive income	(873)	0	(873)
Transfers between revaluation and income and expenditure reserves	28	(28)	0
	<u>(2,489)</u>	<u>1,760</u>	<u>(729)</u>
 <b>Balance at 31st July 2017</b>	 (2,489)	 1,760	 (729)
Deficit from the income and expenditure account	(699)	0	(699)
Other comprehensive income	1,386	0	1,386
Transfers between revaluation and income and expenditure reserves	28	(28)	0
<b>Total comprehensive income for the year</b>	<u>715</u>	<u>(28)</u>	<u>687</u>
<b>Balance at 31st July 2018</b>	<u><u>(1,774)</u></u>	<u><u>1,732</u></u>	<u><u>(42)</u></u>

The notes on pages 33 to 54 form part of the financial statements.

## Balance sheets as at 31 July 2018

	Note	2018		2017	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible fixed assets	10		14,666		12,731
<b>Current assets</b>					
Trade and other receivables	12	893		872	
Cash and cash equivalents	17	1,803		2,601	
		<u>2,696</u>		<u>3,473</u>	
<b>Less: Creditors – amounts falling due within one year</b>	13	<b>(2,836)</b>		<b>(3,223)</b>	
<b>Net current assets</b>			<b>(140)</b>		250
<b>Total assets less current liabilities</b>			<b>14,526</b>		12,981
Creditors – amounts falling due after more than one year	14	<b>(8,491)</b>		<b>(6,956)</b>	
<b>Provisions</b>					
Defined benefit obligations	18	<b>(6,077)</b>		<b>(6,754)</b>	
<b>Total net liabilities</b>			<b>(42)</b>		<b>(729)</b>
<b>Reserves</b>					
Revaluation reserve			1,732		1,760
Income and expenditure account			<b>(1,774)</b>		<b>(2,489)</b>
<b>Total unrestricted reserves</b>			<b>(42)</b>		<b>(729)</b>

The financial statements on pages 29 to 32 were approved and authorised for issue by the Corporation on 3 December 2018 and were signed on its behalf on that date by:

**Mr D Alexander**  
**Chair**

**Mr John Abbott**  
**Accounting Officer**

The notes on pages 33 to 54 form part of the financial statements.

**Statement of Cash Flows**  
**for the year ended 31 July 2018**

	<b>Note</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Cash inflow from operating activities</b>			
Deficit for the year		(699)	(313)
<b>Adjustment for non cash items</b>			
Depreciation	10	789	774
(Increase)/decrease in trade and other receivables	12	(21)	(243)
Increase/(decrease) in creditors due within one year	13	(441)	246
Difference between pension charge and cash contribution	18	532	381
Deferred capital grants released to income	14	263	263
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(10)	(13)
Interest payable	8	267	215
Loss on sale of fixed assets	10	—	50
<b>Net cash flow from operating activities</b>		<b>680</b>	<b>1,360</b>
<b>Cash flows from investing activities</b>			
Capital grant receipts		1,514	874
Payments made to acquire fixed assets	10	(2,724)	(2,440)
		<b>(1,210)</b>	<b>(1,566)</b>
<b>Cash flows from financing activities</b>			
Interest paid	8	(90)	(79)
Interest received	5	10	13
Repayments of amounts borrowed	15	(174)	(244)
Capital element of finance lease rental payments	15	(14)	(33)
		<b>(268)</b>	<b>(343)</b>
<b>Decrease in cash and cash equivalents in the year</b>		<b>(798)</b>	<b>(549)</b>
Cash and cash equivalents at beginning of the year	17	2,601	3,150
Cash and cash equivalents at end of the year	17	1,803	2,601

The notes on pages 33 to 54 form part of the financial statements.



## Notes

*(forming part of the financial statements)*

### 1 Statement of accounting policies

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

#### ***Basis of preparation***

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2017 to 2018* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

#### ***Basis of accounting***

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

#### ***Going concern***

The activities of the College, together with the factors likely to affect its future development and performance, are set out in the Members' Report. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £1,086K of loans outstanding with bankers with a further £701K being owed to the Education Skills Funding Agency as part of the funding package for the new Sports Hall. The College financial forecasts indicate that it will continue to generate operating and cash surpluses for the foreseeable future. This will ensure that the College will continue to be able to fulfil the requirements of its borrowing facilities, and operate within the covenants laid down by its bankers.

The terms of the existing agreements are set out in Note 15. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

#### **Recognition of income**

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

## **Notes (continued)**

### **1 Statement of accounting policies (continued)**

#### **Recognition of income (continued)**

The recurrent grant from OfS (formerly HEFCE) represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

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

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

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, 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 valuations using a prospective benefit method. 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 plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

#### **Short term Employment benefits**

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

## **Notes** *(continued)*

### **1 Statement of accounting policies** *(continued)*

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

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

##### *Land and buildings*

Freehold buildings are being depreciated at different rates according to their expected remaining life, being periods of between 30 and 40 years. Freehold land is not depreciated.

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

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

##### *Assets under construction*

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, 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 after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

##### *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 of between 3 and 8 years.

#### **Borrowing costs**

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

## **Notes** *(continued)*

### **1 Statement of accounting policies** *(continued)*

#### **Non-current Assets - Tangible fixed assets** *(continued)*

##### ***Leased assets***

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1<sup>st</sup> August 2014 are spread over the minimum lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

##### **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.

##### **Current asset investments**

Cash held on deposit with Somerset County Council is on one month notice and is therefore treated as a cash equivalent in line with the definition given above.

##### **Financial liabilities and equity**

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

##### **Agency arrangements**

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

## **Notes (continued)**

### **1 Statement of accounting policies (continued)**

#### **Taxation**

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

The College is registered for VAT. The cost of purchases and fixed assets includes VAT where not recoverable.

#### **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.

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

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

- Determine 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.
- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

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

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 18, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. 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 (continued)

<b>2 Funding Body grants</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Recurrent grants</b>		
Education and Skills Funding Agency - adult	73	62
Education and Skills Funding Agency – 16 -18	7,259	7,572
Education and Skills Funding Agency - apprenticeships	609	538
Office for Students/Higher Education Funding Council	23	26
<b>Specific Grants</b>		
SFA - Advanced Learning Loans	35	22
Releases of government capital grants	239	231
<b>Total</b>	<b>8,238</b>	<b>8,451</b>

  

<b>3 Tuition fees and education contracts</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Apprenticeship fees and contracts	20	42
Fees for HE loan supported courses	327	278
Full cost recovery	238	237
International students fees	670	490
Total tuition fees	1,255	1,047
Education contracts	35	7
<b>Total</b>	<b>1,290</b>	<b>1,054</b>

### Tuition fees funded by bursaries

There are no tuition fees funded by bursaries.

## Notes (continued)

<b>4 Other income</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Residences, catering and conferences	50	55
Other income generating activities	1,104	844
European Commission	21	–
Examination fee income	36	31
Unrestricted donations	26	14
Release of non-government capital grants	24	32
<b>Total</b>	<b>1,261</b>	<b>976</b>

<b>5 Investment income</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Other interest receivable	10	13
<b>Total</b>	<b>10</b>	<b>13</b>

## **6 Staff numbers and costs**

The average number of persons (including key management personnel) employed by the College during the year, described as full-time equivalents, were:

	<b>2018</b>	<b>2017</b>
	<b>Number</b>	<b>Number</b>
Teaching staff	95	106
Non-teaching staff	88	78
<b>Total</b>	<b>183</b>	<b>184</b>

<b>Staff costs for the above persons</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	6,015	5,814
Social security costs	519	516
Employer Pension costs	1,465	1,241
Apprenticeship levy	15	3
<b>Payroll sub total</b>	<b>8,014</b>	<b>7,574</b>
Contracted out staffing services	21	22
	<b>8,035</b>	<b>7,596</b>
Restructuring costs - contractual		
non contractual	34	54
<b>Total</b>	<b>8,069</b>	<b>7,650</b>

## Notes (continued)

### 6 Staff numbers and 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 is represented by the College Leadership Team that comprises the Principal, Deputy Principal, two Vice Principals, HR Director, four Assistant Principals and the Director of Marketing and Recruitment.

#### Emoluments of Key management personnel, Accounting Officer and other higher paid staff

	Year ended 31 July 2018	Year ended 31 July 2017
	Number	Number
The number of key management personnel including the Accounting Officer was:	10	6

The number of senior post-holders and other staff who received emoluments, excluding pension contributions and employer's national insurance but including benefits in kind, in the following ranges was:

	Key management personnel		Other staff	
	Year ended 31 July 2018 Number	Year ended 31 July 2017 Number	Year ended 31 July 2018 Number	Year ended 31 July 2017 Number
£40,001 to £50,000	3	–	–	–
£50,001 to £60,000	3	1	–	–
£60,001 to £70,000	1	2	–	–
£70,001 to £80,000	2	2	–	–
£110,001 to £120,000	1	1	–	–
<b>Total</b>	<b>10</b>	<b>6</b>	<b>–</b>	<b>–</b>

	2018	2017
	£'000	£'000
Key management personnel compensation is made up as follows:		
Salaries	454	452
Employers National Insurance contributions	55	52
Benefits in kind	–	–
	<b>509</b>	504
Pension contributions	71	71
<b>Total key management personnel compensation</b>	<b>580</b>	575

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



## Notes (continued)

### 6 Staff numbers and costs (continued)

#### Key management personnel (continued)

The emoluments stated on the previous page include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	119	116
Benefits in kind	–	–
	<u>119</u>	<u>116</u>
Pension contributions	19	19
<b>Total emoluments</b>	<b><u>138</u></b>	<b><u>135</u></b>

The pension contributions in respect of the Accounting Officer and other senior post holder are in respect of employer's contributions to the Teachers' Pension Scheme and are paid at the same rate for other employees.

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

### 7 Other operating expenses

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Teaching costs	749	789
Non teaching costs	930	1,033
Premises costs	694	296
<b>Total</b>	<b><u>2,373</u></b>	<b><u>2,118</u></b>

#### Other operating expenses include:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
Financial statements audit	7	33
Internal audit	3	14
Hire of assets held under operating leases	331	47
Pension Administration expenses	6	7

## Notes (continued)

<b>8 Interest payable</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans:	90	79
Pension finance costs (note 18)	177	136
<b>Total</b>	<b>267</b>	<b>215</b>

## 9 Taxation

The members do not believe the College was liable for any Corporation Tax arising out of its activities during either period.

## Notes (continued)

10 Tangible fixed assets	Freehold land and buildings	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2017	15,918	4,457	699	21,074
Additions	1,248	290	1,186	2,724
Disposals	-	-	-	-
Transfers	699		( 699)	-
<b>At 31 July 2018</b>	<b>17,865</b>	<b>4,747</b>	<b>1,186</b>	<b>23,798</b>
<b>Depreciation</b>				
At 1 August 2017	4,338	4,005		8,343
Charge for the year	538	251		789
Elimination in respect of disposals				-
<b>At 31 July 2018</b>	<b>4,876</b>	<b>4,256</b>	<b>-</b>	<b>9,132</b>
<b>Net book value at 31 July 2018</b>	<b>12,989</b>	<b>491</b>	<b>1,186</b>	<b>14,666</b>
<b>Net book value at 31 July 2017</b>	<b>11,580</b>	<b>452</b>	<b>699</b>	<b>12,731</b>

Legal ownership of the land and buildings, other than the sports ground known as Ash Meadows and the buildings known as the Juniper Building, the Willow Building, the Cedar Building, the Hawthorn Building, the Sycamore Building (Sports Hall), the Maple Building (new Art and computing Building), the Linden Centre, Elmfield House and Rowan House (formerly number 48 South Road, Taunton), remains with the Richard Huish College Foundation (registered charity - 310267) and not the College. Notwithstanding this the members have concluded that it would be misleading to exclude the land and buildings owned by the RHC Foundation from the College's balance sheet.

Inherited land and buildings were valued at incorporation at depreciated replacement cost by a firm of independent chartered surveyors with the exception of unoccupied land and buildings which have been valued at open market value based on professional advice as at 25 July 1997. Other tangible fixed assets inherited from the Local Education Authority at incorporation have been valued by the Corporation on a replacement cost basis with the assistance of independent professional advice.

The net book value of equipment includes an amount of **£40K** (2016/17 – £53K) in respect of assets held under finance leases. The depreciation charge on these assets for the year was **£13K** (2016/17 – £16K).

## Notes (continued)

<b>11 Current asset Investments</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Cash investment	1,000	1,300
<b>Total</b>	<b>1,000</b>	<b>1,300</b>
<b>12 Debtors</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Trade receivables	298	720
Prepayments and accrued income	595	152
<b>Total</b>	<b>893</b>	<b>872</b>
<b>13 Creditors: amounts falling due within one year</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans (note 15)	202	187
Obligations under finance leases	18	18
Trade payables	335	176
Fixed asset Creditor	211	–
Payments received on account	228	–
Other taxation and social security	300	267
Deferred income - government capital grants	377	330
Deferred income - other grants	24	32
Accruals and deferred income	1,101	1,671
Amounts owed to the ESFA relating to AEB contract under-performance	5	26
Amounts received from ESFA re capital projects-payments on account	35	516
<b>Total</b>	<b>2,836</b>	<b>3,223</b>

The bank loans are unsecured. Obligations under finance leases are secured against the assets to which they relate.

**Notes** *(continued)*

<b>14 Creditors: amounts falling due after one year</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Bank and other loans (note 15)	1,585	1,774
Obligations under finance leases	–	14
Deferred income - government capital grants	6,672	4,954
Deferred income-other	234	214
<b>Total</b>	<b>8,491</b>	<b>6,956</b>

The bank loans are unsecured. Obligations under finance leases are secured against the assets to which they relate.

<b>15 Analysis of borrowings</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Bank loans and borrowing from the ESFA</b>		
Bank loans and overdrafts are repayable as follows:		
In one year or less	202	187
Between one and two years	212	202
Between two and five years	705	677
In five years or more	668	895
	<b>1,585</b>	<b>1,774</b>
<b>Total</b>	<b>1,787</b>	<b>1,961</b>

The bank loans are unsecured and consist of fixed rate facilities repayable in instalments on varying terms ending not later than March 2025.

<b>The interest rate profile of the College's loans was:</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Fixed rate	1,787	1,961
Variable rate	–	–
<b>Total</b>	<b>1,787</b>	<b>1,961</b>

## Notes (continued)

### 15 Analysis of borrowings (continued)

Finance leases	2018	2017
	£'000	£'000
The net finance lease obligations to which the institution is committed are:		
In one year or less	18	18
Between two and five years	–	14
In five years or more	–	–
<b>Total</b>	<b>18</b>	<b>32</b>

Finance lease obligations are secured on the assets to which they relate.

16 Provisions	Defined benefit Obligations £'000
At 1 August 2017	(6,754)
Movement in year (see note 18)	677
<b>At 31 July 2018</b>	<b>(6,077)</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme (LGPS). Further details are given in Note 18.

17 Cash and cash equivalents	At 1 August 2017	Cash flows	At 31 July 2018
	£'000	£'000	£'000
Cash	1,301	(498)	803
Other liquid investments	1,300	(300)	1,000
<b>Cash and cash equivalents per the cash flow statement</b>	<b>2,601</b>	<b>(798)</b>	<b>1,803</b>

## Notes (continued)

### 18 Pensions and similar obligations

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Somerset Local Government Pension Scheme (LGPS) for non-teaching staff, managed by Somerset County Council. Both are multi-employer defined-benefit plans.

<b>Total pension cost for the year</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Teachers' Pension Scheme: contributions paid	553	558
Local Government Pension Scheme:		
Contributions paid	386	309
FRS 102 (28) charge	526	374
<b>Total Pension Cost for the year within staff costs</b>	<b>1,465</b>	<b>1,241</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year. Contributions amounting to **£113,940** (2016/17 £105,448) were payable to the scheme and are included in creditors.

#### The Teachers' Pension Scheme

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

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

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

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

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

## **Notes** *(continued)*

### **18 Pensions and similar obligations** *(continued)*

#### **Teachers Pension Scheme** *(continued)*

The latest actuarial review of the TPS was carried out as at 31 March 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

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 year amounted to £553K (2016/17 £578K)



## Notes (continued)

### 18 Pensions and similar obligations (continued)

#### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Somerset County Council. The total contribution made for the year ended 31 July 2018 was **£526K** of which employer's contributions totalled **£386K** and employees' contributions totalled **£140K**. The agreed contribution rate for future years is 14.1 % 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 2016 updated to 31 July 2018 by a qualified independent actuary

	31 July 2018	31 July 2017	31 July 2012
	%	%	%
Inflation assumption (CPI)	2.35	2.7	2.6
Inflation assumptions (RPI)	3.35	3.6	3.4
Rate of increase in salaries	3.85	4.2	3.4
Future pensions increases	2.35	2.7	2.6
Discount rate for scheme liabilities	2.65	2.7	4.8
Commutation of pensions to lump sums	50.00	50.0	50.0

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

	31 July 2018	31 July 2017
	years	years
<i>Retiring today</i>		
Males	24.0	23.9
Females	25.2	25.1
<i>Retiring in 20 years</i>		
Males	26.3	26.1
Females	27.5	27.4

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

	Long-term rate of return expected at 31 July 2018	Fair Value at 31 July 2018	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017
	%	£'000	%	£'000
Equities	2.65	5,705	2.7	5,102
Gilts	2.65	426	2.7	405
Bonds	2.65	716	2.7	714
Property	2.65	690	2.7	638
Cash	2.65	431	2.7	329
<b>Total market value of assets</b>		<b>7,968</b>		<b>7,188</b>

## Notes (continued)

### 18 Pensions and similar obligations (continued)

#### Local Government Pension Scheme (continued)

The amount included in the balance sheet in respect of the defined benefit pension plan [and enhanced pensions benefits] is as follows:

	2018	2017
	£'000	£'000
Fair value of plan assets	7,968	7,188
Present value of plan liabilities	( 14,045)	( 13,942)
<b>Net pensions liability</b>	<b>( 6,077)</b>	<b>( 6,754)</b>

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

	2018	2017
	£'000	£'000
<b>Amounts included in staff costs</b>		
Current service cost	912	683
Past service cost	-	-
<b>Total</b>	<b>912</b>	<b>683</b>

#### Amounts included in investment income

Net interest payable	177	136
<b>Total</b>	<b>177</b>	<b>136</b>

#### Administration expenses

6	7
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#### Amounts recognised in Other Comprehensive Income

Return on pension plan assets	365	825
Experience losses arising on defined benefit obligations	-	( 504)
Changes in assumptions underlying the present value of plan liabilities	1,021	( 1,194)
<b>Amount recognised in Other Comprehensive Income</b>	<b>1,386</b>	<b>( 873)</b>

## Notes (continued)

### 18 Pensions and similar obligations (continued)

#### Local Government Pension Scheme (continued)

<b>Movement in net defined benefit liability during the year</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Deficit in scheme at 1 August	( 6,754)	( 5,364)
Movement in year:		
Current service cost	( 912)	( 683)
Administration expenses	( 6)	( 7)
Employer contributions	386	309
Past service cost	-	-
Net interest on the defined liability	( 177)	( 136)
Return on net assets	1,386	( 873)
<b>Net defined benefit liability at 31 July</b>	<b>( 6,077)</b>	<b>( 6,754)</b>
<b>Asset and Liability Reconciliation</b>	<b>2,018</b>	<b>2,017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
Liabilities at the start of the period	13,942	11,830
Current Service cost	912	683
Interest cost	374	307
Contributions by Scheme participants	140	124
Changes in financial assumptions	( 1,021)	1,194
Estimated benefits paid	( 302)	( 196)
<b>Defined benefit obligations at end of period</b>	<b>14,045</b>	<b>13,942</b>
<b>Changes in fair value of plan assets</b>	<b>2,018</b>	<b>2,017</b>
	<b>£'000</b>	<b>£'000</b>
Assets at the start of the period	7,188	6,466
Interest on plan assets	197	171
Return on plan assets	365	825
Administration expenses	( 6)	( 7)
Employer contributions	386	309
Contributions by Scheme participants	140	124
Other actuarial gains/(losses)	-	( 504)
Estimated benefits paid	( 302)	( 196)
<b>Assets at the end of the period</b>	<b>7,968</b>	<b>7,188</b>

**Notes** *(continued)*

<b>19 Capital commitments</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted for as at 31 July	356	1,177

**20 Lease obligations**

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

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Equipment		
Expiring - within one year	22	-
Expiring - within two and five years	14	60
	36	60
Property lease		
Expiring - within one year	321	-
Expiring - within two and five years	1,423	-
Expiring - after five years	402	-
	2,146	-
	2,182	60

## **Notes (continued)**

### **21 Related party transactions**

Due to the nature of the College's operations and the composition of the Corporation (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

Three of the College governors are trustees of Richard Huish College Foundation, a registered charity (registration number 310267) which is independent of the College. During 2017/18, the College received a donation from the Foundation for the student liaison officer to support students amounting to **£26k** (£14k 2016/17). The Richard Huish College Foundation reports annually to the Charity Commission and submits audited accounts.

As noted in Note 10, legal ownership of some of the College's land and buildings was and remains with the Richard Huish College Foundation. The Foundation allows the College unrestricted use of the land and buildings for a peppercorn rent which is paid annually. Despite legal ownership of the land and buildings being with the Richard Huish College Foundation, they have been included in the accounts of the College.

On 7 August 2014 the Department for Education approved the College to be an appropriate organisation to sponsor an academy, the Corporation formally agreed to the adoption of the Taunton Academy on 27 January 2015. On 31 March 2015 the assets and liabilities of the Taunton Academy transferred to Richard Huish Trust (Company No. 9320523), the legal entity, incorporated on 20 November 2014.

The Richard Huish Trust is a charitable company limited by guarantee, it is an exempt charity and is not registered with the Charity Commission. Academies are charities by virtue of the Academies Act 2010. The Trust is a self-governing, autonomous and separate body to the College and will operate separate auditing arrangements. Two College Governors are Richard Huish Trust members (Ex officio), two College governors are Trustees of the Trust - one of whom is the Chair of Trustees. The Principal of the college is the CEO of The Trust and a Trustee (Ex officio).

During the year 2017/18 Richard Huish College provided a range of services to Richard Huish Trust at cost, categorised as below

Senior Leadership and back office services £194,351 (2016/17 £156,201)

Cleaning and caretaking staffing £65,106 (2016/17 £89,354)

Reprographic and printing services £6,920 (2016/17 Nil)

Catering contract management £3,000 (2016/17 £3,600)

**Notes** *(continued)*

<b>22 Amounts disbursed as agent</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Learner support funds</b>		
Brought forward balance	12	-
Funding body grants - Free School Meals	19	20
Funding body grants – bursary support	135	143
Funding body grants – discretionary learner support	-	-
	<hr/>	<hr/>
Disbursed to students	( 162)	( 144)
Administration costs	( 8)	( 7)
	<hr/>	<hr/>
<b>Balance (overspent)/underspent as at 31 July, included in creditors</b>	<b>( 4)</b>	<b>12</b>
	<hr/> <hr/>	<hr/> <hr/>

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.