

EAST RIDING COLLEGE
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2017/18:

Derek Branton	Principal and CEO; Accounting Officer (Until 4 January 2018)
Mike Welsh	Principal and CEO; Accounting Officer (From 4 January 2018)
John Doris	Vice Principal Finance and Resources
Rhys Davies	Vice Principal: Curriculum and Quality (Until 23 March 2018)
Barbara Collinson	Director of Human Resources
Helen Wooldridge	Director of Learner Services Planning and Diversity (until 6 April 2018) and Assistant Principal, Information, Planning, Learner Experience, Inclusion and Curriculum Operations (from 9 April 2018)
Paul Smith	Director of Curriculum Programmes (from 9 April 2018)
Richard Sellick	Director of Business Programmes (from 9 April 2018)

Board of Governors

A full list of Governors is given in the Statement of Corporate Governance and Internal Control.

Mrs J Sunderland acted as clerk to the Corporation throughout the period

Professional advisers

Financial statements auditors and reporting accountants:

RSM UK Audit LLP
Two Humber Quays
Wellington Street West
Hull
HU1 2BN

Internal auditors

TIAA
Business Support Centre
52-55 Gosport Business Centre
Aerodrome Road
Gosport
Hampshire
PO13 0FQ

Bankers

Barclays Plc
1st Floor Hardman Street
Spinningfields
Manchester
M3 3HF

Solicitors

Rollits
Citadel House
58 High Street
Hull
HU1 1QE

Eversheds
115 Colmore Row
Birmingham
B3 3AL

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REPORT OF THE GOVERNING BODY

Nature, objective 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 East Riding College (the College). The College is an exempt charity for the purposes of part 3 of the Charities Act 2011.

The Corporation was incorporated as Beverley College of Further Education in 1992. On 1st March 2002 Beverley College of Further Education merged with East Yorkshire College of Further Education, Bridlington. At that date the Secretary of State approved the dissolution of East Yorkshire College of Further Education along with the transfer of its property, rights and liabilities to Beverley College of Further Education. On 1st March 2002 the Secretary of State further approved the change of name from Beverley College of Further Education to East Riding College.

Mission

The College's mission as approved by its members is:

"East Riding College will continue to be a leader in the economic success and social development of the region, working in partnership to provide access to the highest quality education and skills training to meet the needs of individuals, employers and the communities we serve."

This mission is supported by a statement of the College's key values, beliefs and behaviours; Quality, Ambition, Enterprise, Resilience, Respectful, Caring, Open, Honest and Transparent and Sustainability.

Public Benefit

East Riding College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the Charity, are disclosed on pages 11 to 13.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. The College's Public Value Statement can be found on the College website: www.eastridingcollege.ac.uk.

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

- High-quality teaching;
- Widening participation and tackling social exclusion;
- Excellent progression record into employment and further studies for students;
- Strong student support systems;
- Support for employers, industry and commerce; and
- Close collaboration with Local Authorities and Local Enterprise Partnerships (LEPs).

The delivery of public benefit is covered throughout the report of the Governing Body.

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

REPORT OF THE GOVERNING BODY (CONTINUED)

Nature, objective and strategies (continued)

Implementation of strategic plan (continued)

The members of the Corporation approve on an annual basis the College's Strategic Plan, Public Value Statement and Financial Plan, the latter including a detailed budget for the forthcoming year. The Corporation regularly monitors and assesses the performance of the College against these plans.

The College's Strategic plan for 2018/19 outlines the College's priorities as:

1. Maintain responsiveness and learner choice
2. Sustain high quality and standards
3. Support the continued growth of the regional economy
4. Strive to improve our effectiveness and efficiency

Progress against these objectives is monitored through the assessments of Key Performance Indicators which are agreed annually by the Corporation and reported termly by management to governors.

Financial objectives

The College has clear financial objectives as stated in its Financial Plan and its Annual Budget; progress against these financial targets is monitored through monthly management accounts and updated forecasts.

The College's financial objectives are:

- To achieve 'Good' Financial Health;
- To continue to diversify sources of income consistent with the wider strategic objectives and the need for a contribution to the College's overall finances;
- To continue to pursue efficiencies and to seek value for money;
- To improve the College short term liquidity; and
- To fund continued capital investment.

Performance indicators

The College has established Key Performance Indicators (KPIs) to assess its progress in meeting its objectives. These KPIs relate to the strategic objectives of the College which, in-turn, are aligned with objectives of the funding agencies at local, regional and national levels. The College KPIs are set at the whole College level and a number are disaggregated by curriculum areas and/or budget centres to achieve delegated ownership and responsibility throughout the College organisation. The KPIs with comparatives against targets and prior years' performance are repowered at Corporation meetings.

Key Performance Indicators for 2017/18	Target/Budget	Actual
Income	£11,786k	£11,169k
EBITDA	£1,233k	£448k
Surplus/(Deficit) per Management Accounts	£200k	(£493k)
Net cash generation from operating activities	£1,211k	(£141k)
Capital Expenditure	£270k	£71k
Cash position at year end	£1,100k	£893k
Pay to income ratio (excluding franchised provision)	67%	69%
Reliance on ESFA income	71%	71%
Financial Health Grade	Good	Inadequate / Satisfactory *
<i>Financial Health constituent elements:</i>		
Current ratio	1.57%	0.23 / 1.29% *
EBITDA % to income	10.6%	4.1%
Borrowing as % to income	43.6%	49.8%

* After / prior to reclassification of all debt as short term

East Riding College

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REPORT OF THE GOVERNING BODY (CONTINUED)

Performance indicators (continued)

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates.

Teaching standards within the College remained very high in 2017/18 with 93% of lesson observations graded as 'good' or 'outstanding'. During the 2017/18 academic year over 500 sessions were observed. The latest available information on Learner Satisfaction from July 2018 showed a 94% overall satisfaction rate. This included a 94% student satisfaction for teaching, learning and assessment.

Financial position

Financial Results

The financial results of the College, for the 12 months ending 31 July 2018, show a deficit before other gains and losses of £982k (2017: deficit £487k).

Total College income reduced by £121k or 1.1% to £11,169k (2017: £11,290k). Income in 2017 had included gift income of £118k relating to the value of specialised engineering equipment donated to the College for its new Mechatronics Centre in Bridlington. Excluding this gift income in 2017 the underlying income in 2018 was very similar to 2017 and plans for growing income were not realised. In particular, income from Apprenticeships, Higher Education, ESIF and Full Cost did not achieve their growth targets. Apprenticeship income was broadly in-line with the prior year but Higher Education income dropped by £88k compared to 2017. Income from Local Authority High-Needs was the one area that did grow considerably and exceeded budget by +£135k. Core funding streams of 16-18 study programmes and AEB performed well and met budgets. As a result of meeting the AEB allocation, there will be no claw-back of cash by the ESFA in 2018/19 as had occurred in 2017/18.

The College has significant reliance on the education sector funding bodies for its principal funding sources, largely from recurrent grants. In 2017/18 the Education and Skills Funding Agency provided 72% of the College's total income.

Total expenditure in 2018 was £12,151k (2017: £11,777k). The increase of £374k includes £161k of restructuring costs that took place in the second half of the year. There were also £147k of one-off non-pay costs largely relating to professional fees associated with an independent business review and advice on recovery of VAT. The overall pay cost to income ratio (excluding sub-contractor earned income) was 69%.

The College has accumulated reserves of £9,522k (2017: £8,344k) and cash and short-term investment balances of £893k (2017: £460k). Tangible fixed asset additions during the year amounted to £71k.

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 treasury management policy in place. All borrowing requires the authorisation of the Corporation.

Cash Flows, Liquidity and Bank Loans

Cash outflow from operating activities in the year was £141k (2017: inflow of £397k) largely due to the large deficit as well as cash clawbacks by the ESFA of £305k relating to the previous year's performance. There was a net cash inflow of £794k from investing activities which included £703k of net proceeds from the sale of the surplus Waltham House property in Beverley in November 2017 along with a VAT recovery of £157k relating to the building of the new Beverley campus. The outflow of £502k (2017: £489k) from financing activities is the cost of servicing the College's debt, both interest and loan repayments. Overall there was an increase in cash and cash equivalents for the year of £433k increasing the year-end cash position to £893k (2017: £460k).

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

REPORT OF THE GOVERNING BODY (CONTINUED)

Cash Flows, Liquidity and Bank Loans (continued)

The College holds two long-term loan agreements with Barclays Plc. One is dated 1st August 2008 and provides a 25 year long-term facility of £4.5m which was used for the Bridlington campus rebuild project. The interest rate was fixed at the time at a rate of 5.39%. A series of "ratchets" were applied by Barclays in 2014 as a condition of providing additional loans to fund the Beverley campus relocation project. The "ratchets" were +0.25% to July 2018, a further +0.25% to July 2023 plus two further increments, each of +0.25% in the years through to the termination date in 2033. An additional long-term loan of £2.0m was agreed in 2014 to fund the Beverley campus relocation project. That loan has a variable interest rate of 1.8% over LIBOR. The loan repayments are calculated over a notional period of 20 years though the loan matures in May 2020 at which point the facility will have to be renegotiated.

As a further condition of the loans for the Beverley campus relocation project the College granted security in 2014 to Barclays Plc, through legal charges on its sites at St Mary's Walk in Bridlington and Flemingate in Beverley. The Department for Communities and Local Government has taken a second charge, after Barclays, over the Flemingate site as a condition of its ERDF grant.

Reserves Policy

The College recognises that its sources of income are not guaranteed. It is crucial, therefore, to ensure there are sufficient reserves to support the College while other sources of income are secured and fundraising is considered.

The College aims to keep a certain level of financial reserves to ensure that core operations can continue for an appropriate period of time to respond and seek alternative sources of funding.

The College's financial plan is to make an operating surplus on its activities so as to ensure funds and reserves are available for reinvestment.

Funding is determined annually and with significant reductions in government funding in previous years this has exposed the College to falls in income. Though absolute reductions in recurrent funding has now ceased there is an increased proportion of income that has to be earned through fees, loans and charges from individuals and increasing commercial activity with employers. A reserves balance in the region of £5m has been identified in order to supporting the College for a period of not less than 6 months.

As at the balance sheet date the Unrestricted Income and Expenditure reserve stands at £9,522k (2017: £8,344k). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Current and future development and performance

Financial health

The three criteria that determine the College's financial health as per ESFA guidelines are outlined on page 2 under Key Performance indicators. The financial health grade of "inadequate" would have been "satisfactory" if the College had not been obliged to reclassify its debt as short-term. The reclassification arose because the College's bankers declined to issue a covenant waiver letter following the breach of the loan covenants.

The Performance Ratio of EBITDA to income at 4.06% is below the target of 11.9% and scores low with only 40 points. Borrowing as a % of income at 49.89% is over the 40% guideline threshold and scores 30 points. The Current Ratio at 0.23 has been adversely impacted by the required reclassification debt as short-term and scores 0 points. Without the reclassification the Current Ratio would have been 1.30 and would have provided a score of 60 points bringing the total points score to 130 and a grade of "satisfactory".

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

REPORT OF THE GOVERNING BODY (CONTINUED)

Financial health (continued)

The College's plans for the coming year involve improved liquidity with an improved operating performance. These plans serve to improve both the Performance and Current Ratios and move the College to a comfortable "satisfactory" in 2018/19 with longer term plans to move to "Good" in 2019/20.

Student Numbers

In 2017-18 the total number of learners was 5,106 (2017 4,010). This included:-

	2018	2017
16-18 Classroom	1,124	1,072
Apprentices	548	556
Higher Education	206	228
Other Funded Adults	3,228	2,154
Total	5,106	4,010

There was an increase in 16-18 Classroom student numbers of 4.9% indicating that the College continues to be successful in recruiting a greater proportion of learners in this core age-group. The small drop in numbers of Apprentices is due to difficulties experienced around the introduction of the new Apprenticeship reforms, however this is not as high as the average fall in Apprenticeship numbers experienced nationally. The drop in Higher Education volumes is largely due reduced enrolments on programmes that had previously run with a delay in the introduction of new programmes which have started in 2018/19. The growth in other funded learners was largely due to increased working with employers through full cost and European funded programmes.

Student achievements

The College has outstanding student achievements which have continually improved over the last three years. The College's overall achievement rate increased to 89.1%, a 3.6ppt increase on 2016-2017 and well above the national rate of 84.4%. Functional skills achievement rates are outstanding for both 16-18 and Adult outcomes at 83% and 89% respectively, significantly above the national rates. The College continues to demonstrate very high levels of positive progression for its learners with half of learners completing level 3 courses progressing into higher education.

Estates Developments

The College operates from two main campuses in Beverley and Bridlington with a third smaller facility in Hull. The College also owns a site which is surplus to requirements at the Carnaby industrial estate outside of Bridlington. This property had been marketed for sale during 2017/18 but due to the absence of a buyer it was leased from May 2018 to a tenant who has an option to purchase which is exercisable within three years. The surplus property of Waltham House situated at Riverview in Beverley was sold in November 2017 generating net proceeds of £703k.

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

REPORT OF THE GOVERNING BODY (CONTINUED)

Future Prospects and Going Concern

The College has prepared a financial plan through to July 2020 incorporating a detailed budget for 2018/19. The plan took into consideration the College's assessment of the strategic risks faced by the wider Further Education sector as well as local influences both in education and the economy. The plan shows a much improved financial position with a return to profitability and strong cash generation. This plan was approved by the Corporation in July 2018 and during its preparation was subject to a rigorous Independent Business Review undertaken by an independent professional accounting firm who reported their review results to the Corporation as well as to the College's bankers. The report commented favourably on the robustness of the College's budgeting process and noted that modest income growth was being targeted and only where there was evidence to support the growth assumption. The review tested the College's own financial sensitivity analysis and suggested additional sensitivities which were built into the plans. The report recommended that the bank should reset its covenants by 31st July 2018 and that the College should explore options to secure funding to support working capital in the short term. Nevertheless, the bank declined to reset covenants ahead of 31st July 2018 which has obliged the College to reclassify all its loans as short term in these accounts.

The early indications at the start of the new financial year are that the College will meet or exceed its financial targets for 2018/19 and is establishing a strong foundation for further improvements in future years. Recruitment of 16-18 year olds has exceeded targets and will enable a growth in income in 2019/20 through the lagged funding methodology. Recruitment to programmes funded by the Adult Education Budget and Advanced Learner Loans is exceeding plans. Apprenticeship delivery is strong and the College is continuing to work with an increasingly wider range of local employers to meet their skills requirements. Recruitment to Higher Education programmes has been stronger than planned and this will provide for additional fee income in-year above planned levels. The full extent of the planned cost reductions arising from the restructuring that took place in 2017/18 is being realised from the start of the new financial year. As a consequence of improved income and reduced costs there is a return to strong operational cash generation at the beginning of 2018/19 and the College is therefore confident in meeting its financial plans along with its cash-based bank covenants over the horizon of its financial plan.

Members have assessed the financial plan and the accompanying risks and sensitivities and they continue to monitor performance on a frequent basis. Members have a reasonable expectation that the College will be able to continue in operation and meet its liabilities as they fall due over the planned period. The Board therefore believes that the "going concern" assumption is appropriate and should be adopted.

Principal risks and uncertainties

The College has worked to continually develop and embed the systems of internal control, including financial, operational and risk management which are designed to protect the College's assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific actions to mitigate any potential impact on the College. These internal controls are implemented and the subsequent year's appraisal reviews their effectiveness and progress against ongoing risk mitigation actions. In addition to the annual review, the Risk Management Group also considers any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at College level which is reviewed at least annually by the Corporation and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

East Riding College

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REPORT OF THE GOVERNING BODY (CONTINUED)

Principal risks and uncertainties

1. Significant Funding Allocation Variance

The College has considerable reliance on continued government funding through the further education sector funding body and this is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms, particularly in the context of public sector spending constraints.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements.
- Ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining dialogue and managing key relationships with funders and key stakeholders.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Active pursuit of cost efficiencies and income generation opportunities.

2. Maintain adequate funding of pension liabilities.

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

Changes in the factors which impact on the valuations of the local government pension scheme such as market conditions, interest rates and longevity of pensioners affect the College's liability and costs in respect of support staff pensions. With its obligation to participate in the scheme, the College has almost no control over these costs. This risk is mitigated by an agreed deficit recovery plan with the East Riding Pension Fund.

3. Failure to maintain the financial viability of the College.

The College's current financial health grade has been moderated to "Satisfactory" as described above. The continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

Stakeholder relationships

In line with other colleges and with universities, East Riding College has many stakeholders. These include

- Students
- Education sector Governing body
- Staff
- Employers
- Local Enterprise Partnerships (LEPs)
- Local authorities
- Government Offices
- The local community
- Other FE institutions and providers
- Trade unions
- Professional bodies

East Riding College

FINANCIAL STATEMENTS

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REPORT OF THE GOVERNING BODY (CONTINUED)

Stakeholder relationships (continued)

The College recognises the importance of relationships with these stakeholders and engages in regular communication with them.

Equality

The College is fully committed to the active promotion of equality of opportunity in the provision of all its services and to the principle that all learners, members of staff and the community are entitled to equality of opportunity. The College's Equality and Diversity Committee is a sub-committee of the Academic Board and includes representation from learners as well as support and academic staff. The College is compliant with the general and specific duties of the Equality Act 2010. The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned, short listing those who meet the essential criteria. It holds the "Disability Confident" Award. Where an existing employee becomes disabled, every effort is made to ensure that employment in the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. The College monitors relevant data to ensure equality of opportunity for all staff.

Disability statement

The College is an inclusive College. It welcomes learners with additional needs and it will make reasonable adjustments to accommodate the needs of all its learners ensuring that learners with disabilities are not treated less favourably. It recognises that all staff in the College, both academic and support, must ensure that the individual needs of learners are met.

The College is committed to:

- Eliminating discrimination
- Promoting awareness of disability issues to staff and learners
- Consulting with learners with disabilities to ensure that it is responsive to their needs

Safeguarding

The College ensures that it fulfils its statutory duties in this area, the most important of which are:

- Statutory Guidance for Schools and Colleges updated by the Department for Education in September 2016
- Section 175 of the Education Act 2002 which requires that "The governing body of an institution within the further education sector shall make arrangements for ensuring that their functions relating to the conduct of the institution are exercised with a view to safeguarding and promoting the welfare of children receiving education or training at the institution".
- Children's Act 2004 which requires providers of services under the Learning and Skills Act 2000 to make arrangements to safeguard and promote the welfare of children, both in their own functions and in those of any services subcontracted to others.
- The Safeguarding Vulnerable Groups Act 2006.
- Statutory Guidance issued under section 29 of the Counter-Terrorism Act 2015 (Prevent Duty Guidance: for England and Wales, and Prevent Duty Guidance: for Further Education institutions in England and Wales).

Staff and Student Involvement

The College encourages staff and student involvement through membership of the Corporation and there are two staff and two student governors. Learners participate in course team meetings, curriculum area and college focus group meetings and are encouraged to participate in the activities of the Student Association. Staff are kept abreast of developments through regular staff meetings, training events, the delivery of core briefings as well as regular newsletters and updates on governance. Bulletins including an email from the Clerk to the Corporation following scheduled Corporation meetings brief staff on what was discussed and key decisions.

East Riding College

FINANCIAL STATEMENTS

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REPORT OF THE GOVERNING BODY (CONTINUED)

Trade union facility time

Relevant union officials

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College.

Numbers of employees who were relevant union officials during the relevant period	FTE employee number
3	2.5

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	
1-50%	3
51-99%	
100%	

Percentage of pay bill spend on facility time

Total cost of facility time	£8,376 (including on-costs)
Total pay bill	£7,313,000
Percentage of total bill spent on facility time	0.11%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time	0%
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Disclosure of Information to Auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 12/12/2018 and signed on its behalf by:


.....
S Wright - Chair

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2017 to 31 July 2018 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
- having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code 2016. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code 2016 we consider to be relevant to the further education sector and best practice.

In the opinion of the governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2018. The Corporation recognises that, as a body entrusted with public funds and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 14 October 2015.

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 due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

East Riding College

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for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

The Corporation

The members who served the Corporation during the year and up to the date of signature of this report were as follows:

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment*	Committees Served	Attendance
Miss L Archer	01.09.13 Re-appointed 01.08.17	4 years		Business Member	Audit (until 20.03.18); Chair, Quality Standards (from 21.03.18) Search, Governance & Development	83%
Mr D Branton	01.09.04		04.01.18	Principal	Remuneration, Finance & Human Resources; Search, Governance & Development	100%
Mr S Datta	23.04.08 Re-appointed 12.10.11 Re-appointed 01.08.16	4 years		Co-opted Member	Remuneration, Finance & Human Resources; Quality Standards	91%
Ms A Gipson	11.10.17	4 years		Student Member		25%
Miss K Guest *2	28.04.10 Re-appointed 31.07.14	4 years	28.02.18	Business Member	Remuneration, Finance & Human Resources, Chair of Search, Governance & Development	n/a *2
Dr E Hall	01.09.13 Re-appointed 01.08.17	4 years	02.02.18	Business Member	Chair of Quality Standards	100%
Mr K Hall	06.01.14 Re-appointed 01.08.17	4 years		Local Authority Member	Quality Standards (until 11.10.18) Audit (12.10.18)	80%
Mr J Harris	04.01.18	4 years		Business Member	Remuneration, Finance & Human Resources	75%
Mrs K Harold	12.10.16	4 Years		Local Authority Member	Chair, Search, Governance & Development	88%
Mrs L Johnson	04.01.18	4 years		Local Community Member	Search, Governance & Development	100%

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for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

The Corporation (continued)

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment*	Committees Served	Attendance
Ms E Latimer	01.08.15	4 years	31.12.17	Business Member	Quality Standards; Search, Governance and Development	50%
Ms T Murray	01.08.15	4 years		Staff Member		75%
Miss M Nicholson	11.10.17	2 years	23.04.18	Student Member		100%
Ms V Parker	25.04.07 Re-appointed 08.12.10 Re-appointed 10.12.14	4 years		Co-opted Member	Quality Standards	100%
Mr P Robinson	12.10.16	4 Years	02.04.18	Business Member	Remuneration, Finance & Human Resources, Quality Standards from (01.09.17)	88%
Mr W Tariq	01.08.15	4 years		Local Community Member	Remuneration, Finance & Human Resources, Quality Standards from (01.09.17)	86%
Ms S Timms	15.09.14	4 years	31.07.18	Staff member		75%
Mrs V Walker	04.01.18	4 years		Local Community Member	Remuneration, Finance & Human Resources	75%
Mr N Waterhouse	11.07.12 Re-appointed 01.08.16	4 years		Business Member	Chair of Audit; Search, Governance & Development	92%
Mr M Welsh	04.01.18			Principal	Remuneration, Finance & Human Resources; Search, Governance & Development	100%

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

The Corporation (continued)

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment*	Committees Served	Attendance
Mr S Wright	05.10.05 Re-appointed 01.08.13 Re-appointed 01.08.17	4 years		Business Member	Chair of Corporation, Remuneration, Finance & Human Resources	100%

Mrs. J Sunderland acted as clerk to the Corporation throughout the period.

* The categories of membership of business, local authority, local community and co-opted were removed by the 2008 Instrument. Whilst welcoming the flexibility in recruitment that this enabled, the Corporation agreed to retain these titles within the new framework.

*2 An Agreed break taken in year.

Attendance at meetings of the Corporation

The average attendance at Corporation meetings was 84% (2017: 85%) with the average attendance at Committee meetings (including co-opted external members) at 91% (2017: 83%) for the year ending 31 July 2018. Attendance at individual committees was as below:

Search, Governance and Development	95%
Remuneration, Finance & Human Resources	89%
Quality Standards	92%
Audit	88%

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

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

The Corporation conducts its business through a number of committees which meet at least once a term. Each committee has terms of reference, which have been reviewed by the committees and approved by the Corporation. These committees are:

- Search, Governance and Development
- Remuneration, Finance & Human Resources
- Quality Standards
- Audit

Full minutes of all meetings except those deemed to be confidential by the Corporation are available from the Clerk to the Corporation at:

East Riding College
Flemingate Centre
Armstrong Way
Beverley
HU17 0GH

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

The Corporation (continued)

They are also available at the College website:

<https://www.eastridingcollege.ac.uk/about-us/governors-and-senior-managers/governors/meeting-minutes-and-agendas>

Approved minutes – except those deemed to be confidential by the Corporation – are published on the College's website, in accordance with Instrument 8 of Government.

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 College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Chairman and Accounting Officer are separate.

Appointment 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, Governance and Development Committee consisting of five members of the Corporation and a co-opted external member, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Corporation performance

The Corporation carried out a self assessment of its own performance for the year ended 31 July 2018 and graded itself as "Outstanding" on the Ofsted grading system.

Remuneration Finance & Human Resources Committee

Throughout the year ending 31 July 2018, the College's Remuneration, Finance & Human Resources Committee comprised 6 members of the Corporation (plus one Co-opted External Member). The broad role of the committee is to advise the Corporation on the financial health and solvency of the College, the remuneration, pay and conditions of the Principal and other senior post-holders and matters affecting the framework of pay and conditions of all other staff in the College. The committee also advises the Corporation on the College's health and safety policy, structure and management arrangements, and the effectiveness of health and safety systems of control in the College. The committee has delegated authority from the Corporation to approve human resources policies that do not affect this framework.

Details of remuneration for the year are set out in the notes to the financial statements.

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

Audit Committee

The Audit Committee comprises a Chairman, two other members of the Corporation (excluding the Principal, the Chair of Corporation and members of the Remuneration, Finance and Human Resources committee) and one co-opted external member. The Committee operates in accordance with written terms of reference approved by the Corporation, which are compliant with the ESFA's Post 16 Audit Code of Practice.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the ESFA and other funding agencies, as they affect the College's business.

The role of the Committee is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money).

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

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

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

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, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the funding body. 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 East Riding College for the year ended 31 July 2018 and up to the date of approval of the annual report and financial statements.

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

Audit Committee (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 year ending 31 July 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body;
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's 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. His review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors and reporting accountant for regularity assurance, and the appointed funding auditors in their management letters and other reports

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

The principal and senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Corporation assesses risks at each of its scheduled meetings by considering the termly Risk Management Report as submitted by the senior management plus internal audit reports presented through the Audit Committee. An annual report on risk management is considered by the Corporation in the autumn term.

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTD)

Audit Committee (continued)

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

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. At 31 July 2018 the College had loans of £5,369k. The College was in breach of its Net Operational Gearing bank covenant and had breached its Minimum Cash Balances covenant at four of the twelve month-ends during the year; the latest being in April 2018, though had been compliant since then. The College was compliant with its Debt Service Cover covenant and was able to meet all its obligations to its banker in terms of interest and loan repayments. The financial plans are outlined under "Future Prospects and Going Concern" in the Report to the Governing body. They show that the College will continue to be able to service its debt through to at least the horizon of its financial plans which are to July 2020.

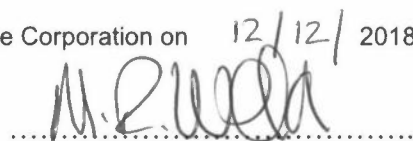
Financial reporting standards have required the College to reclassify all its debt as "short-term" in the Financial Statements at 31st July 2018 as a result of the absence of a covenant waiver letter from the bank. Without this reclassification, the College's financial health as calculated using the ESFA's criteria is graded as "satisfactory".

Having carefully reviewed the plans and considered the risks, members have a reasonable expectation that the College has adequate resources to continue in operational existence and meet its liabilities as they fall due taking into account the current position and principal risks for the foreseeable future and at least to July 2020. For this reason the Board continues to adopt the going concern basis in the preparation of its financial statements.

Approved by order of the members of the Corporation on 12/12/ 2018 and signed on its behalf by:



S Wright
Chair



M Welsh
Accounting Officer

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreements and contracts with ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with ESFA.

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 terms and conditions of funding under the College's grant funding agreements with contracts with the EFSA.

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.



S Wright
Chair



M Welsh
Accounting Officer

Date... 12/12/2018

Date... 12/12/2018

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

STATEMENT OF 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 were followed, subject to any material departure disclosed and explained in the financial statements
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a report of the Governing Body which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

The maintenance and integrity of the College website is the responsibility of the 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 ESFA'S grant funding agreements and contracts 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 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 12/12/ 2018 and signed on its behalf by:



S Wright
Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF EAST RIDING COLLEGE

Opinion

We have audited the financial statements of East Riding College (the "College") and its subsidiary (the "Group") for the year ended 31 July 2018 which comprise the consolidated and college statements of comprehensive income, the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2018 and of the Group's and the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and 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.

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 2017 to 2018 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;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF EAST RIDING COLLEGE – (CONTINUED)

Responsibilities of the Corporation of East Riding College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 19, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 24 July 2017. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
Two Humber Quays
Wellington Street West
HULL
HU1 2BN

Date

17/12/2018

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Group and College	
		2018	2017
	Notes	£'000	£'000
Income			
Funding body grants	2	8,951	8,923
Tuition fees and education contracts	3	1,749	1,761
Other grants and contracts	4	7	13
Other income	5	444	472
Investment income	6	2	3
Donations and Endowments	7	16	118
Total income		11,169	11,290
Expenditure			
Staff costs	8	7,901	7,364
Other operating expenses	9	2,820	2,818
Depreciation and impairment	12	1,090	1,192
Interest and other finance costs	10	340	403
Total expenditure		12,151	11,777
Deficit before other gains and losses		(982)	(487)
Deficit before tax		(982)	(487)
Taxation	11	-	-
Deficit for the year after tax		(982)	(487)
Re-measurement of net defined benefit pension liability	22	2,160	3,092
Other Comprehensive income for the year		2,160	3,092
Total Comprehensive Income for the year		1,178	2,605
Deficit for the year attributable to the Corporation of the College		(982)	(487)
Total Comprehensive Income for the year attributable to the Corporation of the College		1,178	2,605

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

BALANCE SHEETS AT 31 JULY

	Notes	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Fixed assets					
Tangible assets	12	28,456	28,456	30,329	30,329
Investments	13	-	-	-	-
		<u>28,456</u>	<u>28,456</u>	<u>30,329</u>	<u>30,329</u>
Current assets					
Debtors	14	539	539	462	462
Cash at bank and in hand		<u>893</u>	<u>893</u>	<u>460</u>	<u>460</u>
Total current assets		<u>1,432</u>	<u>1,432</u>	<u>922</u>	<u>922</u>
Current liabilities					
Creditors - amounts falling due within one year	15	(6,823)	(6,823)	(7,291)	(7,291)
Net current liabilities		<u>(5,391)</u>	<u>(5,391)</u>	<u>(6,369)</u>	<u>(6,369)</u>
Total assets less current liabilities		<u>23,065</u>	<u>23,065</u>	<u>23,960</u>	<u>23,960</u>
Creditors – amounts falling due after more than one year	16	(11,436)	(11,436)	(11,823)	(11,823)
Provisions for liabilities					
Defined benefit pension scheme	22	(1,456)	(1,456)	(3,127)	(3,127)
Other provisions	18	<u>(651)</u>	<u>(651)</u>	<u>(666)</u>	<u>(666)</u>
Total net assets		<u>9,522</u>	<u>9,522</u>	<u>8,344</u>	<u>8,344</u>
Unrestricted reserves					
Income and expenditure reserve		<u>9,522</u>	<u>9,522</u>	<u>8,344</u>	<u>8,344</u>
Revaluation reserve - Property		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Attributable to the College Corporation and total unrestricted reserves		<u>9,522</u>	<u>9,522</u>	<u>8,344</u>	<u>8,344</u>

The financial statements on pages 22 to 45 were approved and authorised for issue by the Corporation on 12/12/2018 and were signed on its behalf on that date by:

S Wright
Chair

M Welsh
Accounting Officer

East Riding College

FINANCIAL STATEMENTS
for the year ended 31 July 2018

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

Group and College

	Income and expenditure reserves	Revaluation reserve	Revaluation reserve - property	Total
	£'000	£'000	£'000	£'000
Balance at 1 August 2016	4,432	1,023	284	5,739
Deficit for the year	(487)	-	-	(487)
Other comprehensive income	3,092	-	-	3,092
Transfers between revaluation and income and expenditure	1,307	(1,023)	(284)	-
Total comprehensive income	3,912	(1,023)	(284)	2,605
Balance at 31 July 2017	8,344	-	-	8,344
Deficit from the income and expenditure account	(982)	-	-	(982)
Other comprehensive income	2,160	-	-	2,160
Total comprehensive income	1,178	-	-	1,178
Balance at 31 July 2018	9,522	-	-	9,522

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Deficit for the year		(982)	(487)
Adjustment for investing or financing activities			
Depreciation	12	1,090	1,192
Investment income	6	(2)	(3)
Interest payable	10	340	403
(Profit)/loss on sale of fixed assets		(9)	52
Pensions costs less contributions payable		399	139
Donated asset	7	-	(118)
		836	1,178
Operating cash flow before movements in working capital			
(Increase) in debtors	14	(77)	(182)
(Decrease) in creditors due within one year	15	(216)	(429)
(Decrease) in creditors due after one year	16	(387)	(138)
(Decrease) in provisions	18	(15)	(32)
Net cash flow from operating activities		(141)	(397)
Investing activities			
Proceeds from sale of fixed assets		706	16
Investment income	6	2	3
Payments made to acquire tangible fixed assets		(71)	(437)
Capital VAT refund from HMRC		157	-
		794	(418)
Financing activities			
Interest paid	10	(250)	(259)
Repayments of borrowings		(252)	(230)
		(502)	(489)
Increase/(decrease) in cash and cash equivalents in the year		433	(510)
Cash and cash equivalents at beginning of the year		460	970
Cash and cash equivalents at end of the year		893	460

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

General Information

East Riding College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 13. The nature of the College's operations are set out in the Report of the Governing Body.

Basis of accounting

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 2017-18 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.

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

The financial statements are presented in sterling which is also the functional currency of the College.

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Reduced disclosures

In accordance with the 2015 FE HE SORP and FRS 102, the College in its separate financial statements, which are presented alongside the consolidated financial statements, has taken advantage of the disclosure exemptions available to it in respect of presentation of a cash flow statement and financial instruments.

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, East Riding College Limited, Controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2018.

Going Concern

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

At 31 July 2018 the College had loans of £5,369k. The College was in breach of its Net Operational Gearing bank covenant and had breached its Minimum Cash Balances covenant at four of the twelve month-ends during the year; the latest being in April 2018, though had been compliant since then. The College was compliant with its Debt Service Cover covenant and was able to meet all its obligations to its banker in terms of interest and loan repayments. Despite a recommendation in an Independent Business Review undertaken by an independent professional accounting firm that the College's bank covenants be re-set, the College's bankers declined to issue a waiver letter ahead of the 31st July 2018 year end. As a consequence the College has been obliged through accounting standards to reclassify all its debt as short term in these accounts. Nevertheless, the College's forecasts and financial projections show that it will continue to be able to service its debt through to at least the horizon of its financial plans which are to July 2020.

The financial plans are outlined under "Future Prospects and Going Concern" in the Report to the Governing body. The plans include increases in specific areas of income as well as cost reductions. The plans for income growth are underpinned by the excellent quality of provision, outstanding facilities and a strong reputation amongst learners, employers and other stakeholders. The quality of the College's provision was confirmed at the last Ofsted inspection in February 2016 where the College was graded "Good" overall and "Outstanding" for adult learning programmes and for the personal development, behaviour and welfare of students. The most recent self-assessments by the College grade the College as "Outstanding" in the quality of its provision. Recent investments in the College's estate, including the Flemingate campus in Beverley and the mechatronics and clinical skills centres in Bridlington, are attracting higher learner volumes across all age ranges and are bringing in additional work with employers. The apprenticeship reforms have created openings for the College amongst larger levy-paying employers in addition to the SMEs that the College has traditionally served. As well as increasing income the financial plans include cost savings with a reduced management structure implemented in 2017/18 and on-going efficiencies around increasing class sizes and improving space utilisation.

Financial reporting standards have required the College to reclassify all its debt as "short-term" in the Financial Statements as a result of the absence of a covenant waiver letter from the bank. Without this reclassification, the College's financial health as calculated using the ESFA's criteria is graded as "satisfactory".

Having carefully reviewed the plans and considered the risks, members have a reasonable expectation that the College has adequate resources to continue in operational existence and meet its liabilities as they fall due taking into account the current position and principal risks for the foreseeable future and at least to July 2020. For this reason the Board continues to adopt the going concern basis in the preparation of its financial statements.

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Recognition of income

Revenue Grant Funding

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 recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the statement of comprehensive income (outside of permitted tolerance level). The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end and the results of any funding audit. 16-18 Learner Responsive funding is not normally subject to a reconciliation and is therefore not subject to contractual adjustments.

The recurrent grant from HEFCE/OFS represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital Grant Funding

Government capital grants, excluding grants receivable for land purchases, are capitalised and 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.

Fee Income

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.

Investment Income

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.

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds and educational maintenance allowances. Related payments received from the funding body 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.

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Accounting for post-employment benefits

Post-employment benefits to employees of the College are provided by the Teachers Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are multi-employer 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 interest and other finance costs.

Actuarial gains and losses are recognised immediately in other comprehensive income.

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced on-going pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the on-going pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spread sheet provided by the funding body.

Tangible fixed assets

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

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives. Freehold buildings are depreciated over their expected useful economic life to the College of between 40 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 40 and 50 years.

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Land and buildings (continued)

Freehold land is not depreciated as it is considered to have an infinite useful life.

Leasehold Land and buildings

Leasehold buildings are depreciated on a straight line basis over the shorter of their expected useful lives or term of lease. Leasehold buildings are depreciated over their expected useful economic life to the College of between 40 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 40 and 50 years.

Leasehold land is depreciated on a straight line basis over the term of the lease.

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 SOCI over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 2014, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets 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 £500 per individual item is recognised as expenditure in the period of acquisition. All other equipment with a useful economic life of 3 years or more is capitalised at cost. In respect of software, only software relating to the College's core systems is capitalised.

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

Plant	5-10 years
Equipment and fixtures and fittings	5-10 years
Motor vehicles	4 years
Computer equipment	3-5 years
Computer software	3-5 years

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Borrowing Costs

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

Investments

Investment in the subsidiary undertaking is held at cost.

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has no finance leases.

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 accounting cash.

Financial instruments

The College has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the College becomes a party to the contractual provisions of the instrument.

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

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

A financial asset is de-recognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is de-recognised when the obligation specified in the contract is discharged, cancelled or expires.

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 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 partially exempt in respect of Value Added Tax so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature. The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

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

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

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

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

Other key sources of estimation uncertainty

- Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values may vary depending on a number of factors. In 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.

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

- 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 22, 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.

2 Funding Body Grants – Group and College

	2018 £000	2017 £000
Recurrent grants		
Education and Skills Funding Agency – adult	1,515	1,589
Education and Skills Funding Agency – 16-19	5,218	5,195
Education and Skills Funding Agency – apprenticeships	934	947
Higher Education Funding Council/OfS	107	139
Specific grants		
ESF Funding	364	315
East Riding of Yorkshire Council	421	350
Releases of government capital grant	392	388
Total	8,951	8,923

3 Tuition fees and education contracts – Group and College

	2018 £000	2017 £000
Adult education fees	194	228
Apprenticeship fees and contracts	11	12
Fees for FE loan supported courses	340	304
Fees for HE loan supported courses	1,009	1,064
Other	195	153
Total	1,749	1,761

4 Other grants and contracts – Group and College

	2018 £000	2017 £000
Other grants and contracts	7	13

East Riding College

FINANCIAL STATEMENTS for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Other income – Group and College

	2018 £000	2017 £000
Catering	82	102
Release of non-funding body Government Capital Grants	16	15
Other income	346	355
Total	444	472

6 Investment income – Group and College

	2018 £000	2017 £000
Bank interest receivable	2	3

7 Donations – Group and College

	2018 £000	2017 £000
Unrestricted donations	16	118

The college was fortunate during 2017 to have received donations from local/regional employers in respect of technical equipment to support the College's development of its Mechatronics Centre. The value of the donation was determined by reference to the recommended retail price of the equipment provided, which was supplied as new.

8 Staff costs and key management personnel remuneration – Group and College

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

	2018 Number	2017 Number
Teaching and delivery staff, including LSAs and curriculum support staff	127	125
Non-teaching staff	85	89
	212	214
Staff costs for the above persons	2018 £000	2017 £000
Wages and salaries	5,762	5,680
Social security costs	444	490
Other pension costs	1,418	1,192
Payroll sub-total	7,624	7,362
Contracted-out staff	116	2
Restructuring costs - contractual	161	-
- non contractual	-	-
Total staff costs	7,901	7,364

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Staff costs and key management personnel remuneration – Group and College (continued)

Key management personnel, including the Accounting Officer, are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Directorate Team which comprises the Principal, the two Vice Principals and the two other Directors.

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

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	<u>5</u>	<u>5</u>

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

	Key management personnel		Other staff	
	2018 No.	2017 No.	2018 No.	2017 No.
£60,000 to £70,000	2	2	-	-
£70,001 to £80,000	1	1	-	-
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	1	1	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	1	-	-	-
£140,000 +	-	1	-	-
	<u>5</u>	<u>5</u>	<u>-</u>	<u>-</u>

Key management personnel (including the Accounting Officer) total compensation is made up as follows:

	2018 £'000	2017 £'000
Salaries	434	429
Restructuring costs	61	-
Employers National Insurance	55	55
Benefits in kind	6	6
	<u>556</u>	<u>490</u>
Pension contributions	87	81
	<u>643</u>	<u>571</u>
Total emoluments	643	571

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Staff costs and key management personnel remuneration – Group and College (continued)

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

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

	Current Accounting Officer		Former Accounting Officer	
	2018	2017	2018	2017
			£'000	£'000
Salaries	65	-	75	140
Benefits in kind	2	-	-	2
	<u>67</u>	<u>-</u>	<u>75</u>	<u>142</u>
Pension contributions	10	-	12	23

The current accounting officer was appointed with effect from 4 January 2018. The former accounting officer resigned from his post with effect from 4 January 2018.

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

The total expenses paid to or on behalf of the Governors during the year was £494 ; 6 governors (2017: £860; 7 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

9 Other operating expenses – Group and College

	2018 £'000	2017 £'000
Deficit before taxation is stated after charging/(crediting)		
Teaching costs	881	1,000
Non teaching costs	1,280	1,140
Premises costs	<u>659</u>	<u>678</u>
Total	<u>2,820</u>	<u>2,818</u>
	2018 £'000	2017 £'000
Auditors' remuneration		
Financial statements audit and regularity assurance fees	22	21
Internal audit	8	13
Hire of assets under operating leases	63	61
Impairment of tangible fixed assets	-	69
(Profit)/loss of disposal of tangible fixed assets	<u>(9)</u>	<u>52</u>

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Interest and other finance costs – Group and College

	2018 £'000	2017 £'000
Bank loans and overdrafts	250	259
Net interest on defined pension liability (note 22)	90	144
	<u>340</u>	<u>403</u>

11 Taxation – Group and College

The Governors do not believe the College is liable for any corporation tax arising out of its activities during either year.

12 Tangible fixed assets Group and College

	Land and buildings		Equipment	Total
	Freehold £'000	Leasehold £'000	£'000	£'000
Cost or valuation				
At 1 August 2017	18,378	12,730	6,433	37,541
Additions	-	-	71	71
VAT reclaimed	-	(157)	-	(157)
Disposals	(785)	-	(5)	(790)
	<u>17,593</u>	<u>12,573</u>	<u>6,499</u>	<u>36,665</u>
At 31 July 2018				
Depreciation				
At 1 August 2017	2,574	460	4,178	7,212
Charge for the year	270	309	511	1,090
Impairment	-	-	-	-
Disposal	(89)	-	(4)	(93)
	<u>2,755</u>	<u>769</u>	<u>4,685</u>	<u>8,209</u>
At 31 July				
Carrying amount at 31 July 2018	<u>14,838</u>	<u>11,804</u>	<u>1,814</u>	<u>28,456</u>
Carrying amount at 31 July 2017	<u>15,804</u>	<u>12,270</u>	<u>2,255</u>	<u>30,329</u>

If inherited land and buildings had not been revalued they would have been included in the balance sheet at the following amounts:

	Group and College £000
Cost	Nil
Aggregate depreciation based on cost	Nil
Carrying amount based on cost	<u>Nil</u>

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Non-current Investments

	2018 £	2017 £
Investments in subsidiary company	1	1

The College owns 100% of the issued ordinary £1 shares (1 share in total) of East Riding College Limited, a company incorporated in England and Wales in January 2014. The principal business activity of East Riding College Limited is the provision of build and design services. Registered address Flemingate Centre, Armstrong Way, Beverley, East Yorkshire, HU17 0GH.

14 Debtors

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Amounts falling due within one year:				
Trade receivables	65	65	18	18
Amounts owed by subsidiary undertakings	-	-	-	-
Other debtors	195	195	196	196
Prepayments and accrued income	130	130	143	143
Amounts owed by the ESFA	149	149	105	105
Total	539	539	462	462

The financial statements are inclusive of a bad debt provision for £12,000 (2017: £9,000).

15 Creditors: amounts falling due within one year:

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans	5,369	5,369	5,621	5,621
Trade payables	162	162	164	164
Other taxation and social security	113	113	117	117
Accruals and deferred income	780	780	717	717
Government capital grants	399	399	382	382
Amounts owed to the ESFA	-	-	290	290
Total	6,823	6,823	7,291	7,291

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**16 Creditors: amounts falling due after one year
Group and College**

	2018 £'000	2017 £'000
Bank Loan	-	-
Government capital grants	11,436	11,823
	<u>11,436</u>	<u>11,823</u>

At 31 July 2018 and 31 July 2017 the bank loans falling due after one year have been reclassified as creditors falling due within one year. The reclassification is due to the breach of bank covenants with Barclays Plc against which the bank has declined to provide a formal waiver.

**17 Bank loans
Group and College**

Bank loans are repayable as follows:

	2018 £'000	2017 £'000
In one year or less	179	179
Between one and two years	179	179
Between two and five years	537	537
In five years or more	4,474	4,726
Total	<u>5,369</u>	<u>5,621</u>

The College holds two long-term loan agreements with Barclays Plc. One is dated 1st August 2008, which provides a 25 year long-term facility of £4.5m which was used for the Bridlington campus rebuild project. The interest rate was fixed at the time at a rate of 5.39%. A series of "ratchets" were applied by Barclays in 2014 as a condition of providing additional loans to fund the Beverley campus relocation project. Those "ratchets" were +0.25% to July 2018, a further +0.25% to July 2023 plus two further increments, each of 0.25% in the years through to the termination date in 2033. An additional long-term loan of £2.0m was agreed in 2014 to fund the Beverley campus relocation project. That loan has a variable interest rate of 1.8% over LIBOR. The loan repayments are calculated over a notional period of 20 years though the loan matures in May 2020 at which point the facility will have to have been renegotiated.

As a further condition of the loans for the Beverley campus relocation project, the College granted security in 2014 to Barclays Plc. through legal charges on its sites at St Mary's Walk in Bridlington and Flemingate in Beverley. The Department of Communities and Local Government has taken a second charge, after Barclays, over the Flemingate site as a condition of its ERDF grant.

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 Provisions for liabilities

Group and College	Enhanced Pension £'000
At 1 August 2017	666
Amounts utilised	(37)
Additional provision in the year	22
At 31 July 2018	651

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for staff costs from which the College cannot reasonably withdraw at the balance sheet date. The enhanced pension provision has been recalculated in accordance with guidance issued by the ESFA.

The principal assumptions for this calculation are:

	2018	2017
Price inflation	1.30%	1.30%
Discount rate	2.30%	2.30%

19 Capital and financial commitments

Group and College Capital commitments

	2018 £000	2017 £000
Commitments contracted for future capital expenditure not provided	166	-
	166	-

Minimum receipt commitments as follows:-

	2018 £'000	2017 £'000
Future minimum lease receipts receivable		
Not later than one year	80	12
Later than one year and not later than five years	307	-
Group and college as lessor	387	12

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

	2018 £'000	2017 £'000
Payments due		
Not later than one year	165	156
Later than one year and not later than five years	226	348
Total lease payments due	391	504

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Financial investments

Group and College :

	2018 £'000	2017 £'000
Financial assets		
Financial assets measured at amortised cost	260	214
Financial liabilities measured at amortised cost	6,311	6,490

21 Events after the reporting period

There were no significant events after the reporting period.

22 Retirement benefits

The College's employees belong to two principal post employment benefit plants: the Teachers' Pensions Scheme England and Wales (TPS) for academic and related staff and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by East Riding of Yorkshire Council. Both are multi-employer defined-benefit plans.

	2018 £000	2017 £000
Total pension cost for the year		
Teachers' Pension Scheme: contributions paid	445	448
Local Government Pension Scheme		
Contributions paid	552	499
Deficit contributions	-	138
FRS 102 (28) charge	399	139
Charge to the Statement of Comprehensive Income	951	776
Enhanced pension charge to Statement of Comprehensive Income	22	(32)
Total Pension Cost for Year within staff costs	1,418	1,192

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.

Contributions amounting to £ 114,459 (2017 £116,996) were payable to the scheme at 31 July 2018 and are included within creditors.

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Retirement benefits (continued)

Teachers' pension Scheme

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

The Teachers Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- Total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- An employer cost cap of 10.9% of pensionable pay; and
- 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 employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 September 2019.

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

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

The pension cost paid to TPS in the year amounted to £445,000 (2017: £448,000).

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Retirement benefits (continued)

FRS102 (28)

Under the definitions set out in FRS102 (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 FRS102 and has accounted for its contributions to the scheme as if it were a defined contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit plan, with the assets held in separate funds administered by East Riding of Yorkshire Council. The total contributions made for the year ended 31 July 2018 were £697,000, (2017 £780,631) of which employers' contributions totalled £552,000 (2017 £636,840) and employees' contributions totalled £145,000 (2017 £143,791). The agreed contribution rates were 20.5% for employers and range from 5.5% to 12.5% for employees, depending on salary. The employer's rate was fixed at 20.5% for three years ending on 31 March 2017 with an additional lump sum contribution payment of £138,000, giving an average "effective rate" of 27.6%. Following the 2016 triennial valuation future rates for the years ending 31st March have reduced and are as follows: 2018 - 23.7%; 2019 - 23.8% and 2020 - 23.8%.

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Sector Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised

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.

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	2.60%	2.70%
Future pensions increases	2.40%	2.50%
Discount rate	2.80%	2.70%
Inflation assumption (CPI)	2.30%	2.50%
Commutation of pensions to lump sums		
Pre-April 2008 service	30.00%	30.00%
Post-April 2008 service	65.00%	65.00%

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

	At 31 July 2018 years	At 31 July 2017 years
<i>Retiring today</i>		
Males	21.7	21.7
Females	24.2	24.2
<i>Retiring in 20 years</i>		
Males	23.7	23.7
Females	26.4	26.4

East Riding College

FINANCIAL STATEMENTS for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Retirement benefits (continued)

Local Government Pension Scheme (continued)

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

	Fair value at 31 July 2018 £'000	Fair value at 31 July 2017 £'000
Equity instruments	14,026	13,258
Debt instruments	2,533	1,744
Property	2,338	1,919
Cash	584	523
Total fair value of plan assets	19,481	17,444
Actual return on plan assets	1,718	2,061

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

	2018 £'000	2017 £'000
Fair value of plan assets	19,481	17,444
Present value of plan liabilities (funded)	(20,891)	(20,254)
Present value of unfunded liabilities	(46)	(47)
Net pension liability	(1,456)	(3,127)

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

	2018 £'000	2017 £'000
Amounts included in staff costs		
Current service cost	951	776
Amounts included in interest and other finance costs		
Pension finance costs	90	144
Amounts recognised in other comprehensive income		
Return on pension plan assets	1,243	1,697
Experience losses arising on defined benefits obligations	(1)	1,536
Changes in assumptions underlying the present value of plan liabilities	918	(141)
Amounts recognised in other comprehensive income	2,160	3,092

East Riding College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Retirement benefits (continued)

Local Government Pension Scheme (continued)

	2018 £'000	2017 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	20,571	20,941
Current service cost	951	776
Interest cost	565	508
Contributions by scheme participants	145	144
Experience gains on defined benefit obligations	1	(1,536)
Changes in demographic/financial assumptions	(918)	141
Benefits paid	(378)	(403)
Defined benefit obligations at end of period	20,937	20,571
Reconciliation of Assets		
Fair value of plan assets at start of period	17,444	15,005
Interest on plan assets	475	364
Return on plan assets (excluding net interest on the net defined benefit liability)	1,243	1,697
Employer contributions	552	637
Contributions by Scheme participants	145	144
Benefits paid	(378)	(403)
Fair value of plan assets at end of period	19,481	17,444

23 Related party transactions

Key management compensation disclosure is given in note 8.

24 Amounts disbursed as agent

Learner support funds

	2018 £'000	2017 £'000
Funding body grants – bursary support	52	41
Funding body grants – discretionary learner support	440	294
Funding body grants – free school meals	32	19
	524	354
Disbursed to students	(500)	(282)
Administration costs	(22)	(22)
Balance unspent as at 31 July, included in creditors	2	50

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.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF EAST RIDING COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 24 July 2017 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by East Riding College during the period 1 August 2017 to 31 July 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 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.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the "ACoP") issued by the ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the ESFA has other assurance arrangements in place.

We are independent of East Riding College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

Responsibilities of Corporation of East Riding College for regularity

The Corporation of East Riding College is responsible, under the grant funding agreements and contracts with the ESFA and 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. The corporation of East Riding College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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 ACoP.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 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.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

**INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF
EAST RIDING COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE
EDUCATION AND SKILLS FUNDING AGENCY**

Use of our report

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

RSM UK Audit LLP

RSM UK AUDIT LLP

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Date

17/12/2018