

# **HEREWARD COLLEGE**

**Report and Financial Statements  
For the Year Ended 31 July 2017**

# HEREWARD COLLEGE

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<b>Contents</b>	<b>Page</b>
Report of the Governing Body	1
Statement of Corporate Governance and Internal Control	11
Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding	18
Statement of Responsibilities of the Members of the Corporation	19
Independent Auditors' Report to the Corporation of Hereward College	20
Independent Reporting Accountant's Report on Regularity to the Corporation of Hereward College and the Secretary of State for Education acting through the Skills Funding Agency	22
Statement of Comprehensive Income	23
Statement of Changes in Reserves	24
Balance Sheet	25
Statement of Cash Flows	26
Notes to the Financial Statements	27

# HEREWARD COLLEGE

## REPORT OF THE GOVERNING BODY

For the year ended 31 July 2017

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### NATURE, OBJECTIVES AND STRATEGIES

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

#### Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Hereward College. The College is an exempt charity for the purpose of the Charities Act 2011.

#### Vision

The College's Vision is:

*"Each learner's experience at Hereward College will prepare them for the next stage of their life, with outstanding employability skills and much greater control over their own future. Their growing independence and well-being will enable their talents to shine."*

#### Public Benefit Statement

Hereward College is a national general Further Education College located in Coventry attracting residential learners from across England and Wales as well as day learners from the West and East Midlands. The College offers inclusive provision for all learners, with specialist facilities for learners with broad spectrum needs, including physical and sensory impairments, medical conditions, social, emotional and communication difficulties, acquired head injury and associated learning difficulties.

Hereward College is an exempt charity under Part 3 of the Charities Act 2011 and from 1 September 2013 is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. 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.

Our mission statement is:

*"Hereward helps learners to make progress and realise their potential and ambitions. The creativity and skills of staff, working in partnership with the community and employers, ensure learners develop skills for life and work, achieve appropriate qualifications and develop safe and healthy lifestyles that prepare them for the future."*

Learners entering the College join a comprehensive range of academic and vocational programmes designed to provide them with the necessary qualifications for progression to higher education, employment and independence. The College seeks to raise expectations and to empower individuals to achieve their goals in a high quality environment that facilitates every learner to achieve their potential, with a particular focus on those learners with complex learning needs.

The provision has also been developed as a resource for employer training (Hereward Training) in skill areas associated with the core business of the College, particularly in relation to disability and support. Training opportunities are offered for staff in care homes and related services; assistive technology; and behaviour management for teachers and support staff. The College also provides study and assistive technology assessments for external clients to support access to study and employment opportunities.

# HEREWARD COLLEGE

## REPORT OF THE GOVERNING BODY

For the year ended 31 July 2017

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The main purpose of the College provision is to enable learners to *achieve their potential* in terms of academic, vocational and independence skills so that they are better equipped to make a successful transition to adult life:

Enabling learners to *achieve their potential in terms of vocational, independence and employability skills* so that they are prepared for adulthood. During the year the College provided study programmes for learners from pre-entry to level 3, via a range of subjects including art and design, creative media, sport, business studies, ICT, performing arts and music. The curriculum places a major emphasis on learning through practical and functional learning. All learners have maths and English as part of their study programme, or where they have already achieved GCSE grade C, it is embedded into their learning.

Supporting learners to develop good employability and study skills and, where possible, raise aspirations to progress to employment, further study or independent living. The College has been successful in helping many learners progress into employment (including into Supported Internships) who would not previously have considered this to be an option. The increased confidence and skills of learners provide a sound basis to achieve future vocational aspirations and to plan for a successful transition to independence that may not have otherwise been within the reach of many. Learners themselves contribute to the development and identification of new opportunities ensuring the College is a vibrant and motivating learning community.

The most recent Ofsted inspection was in November 2017 when the College was judged to be grade 2 and “Good” in all aspects of its provision. Inspectors recognised the organisation’s key strengths which included effective governance and leadership which has addressed all of the key weaknesses identified in the previous inspection report and that leaders and managers had taken swift and effective action to ensure that the culture of Safeguarding, that protects vulnerable learners, identifies and manages risk and has resulted in an increase in the confidence and skills of staff. The positive inspection result enables the College to focus on developing a robust strategy during 2017/18 that delivers long-term financial viability.

### Strategic Intentions

The College’s Strategic Intentions are:

- 1 Embed the person-centred destination-led structures and develop staff to focus support for learners to raise their aspirations and help them to prepare for adulthood and achieve their goals for health, employment, independent living and being part of the community.
- 2 Deliver exciting, innovative and effective learning, teaching and assessment that actively engages learners, develops their English and maths skills, helps them to make progress and enables them to achieve their goals and qualifications and move on to the next stage of their lives.
- 3 Be pro-active to benefit learners by collaborating and working with partners, including parents and carers, local authorities, health and care agencies, employers and funding agencies, to enable the learners’ goals and ensure the SEND Code of Practice is delivered.
- 4 Maximise the effectiveness of all physical and staffing resources to improve the quality of provision, grow Hereward Training and new services, and maintain the College’s financial health and viability while providing value for money.

Structures have been reviewed to ensure that they are fit for purpose and support the College in meeting the challenges of the Special Education Needs and Disabilities (SEND) reforms, while also recognising the changes that have occurred in the College’s learner profile in recent years. They have been designed to ensure that services are person-centred and destination-led.

# HEREWARD COLLEGE

## REPORT OF THE GOVERNING BODY

For the year ended 31 July 2017

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### Financial objectives

The College's financial objectives are:

- To achieve an annual operating surplus
- To pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to its overall finances
- To generate sufficient levels of income to support the asset base of the College
- To further improve the College's shorter term liquidity
- To fund continued capital investment
- The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date, the Income and Expenditure reserve stands at (£3,496,000) (2016: (£5,972,000)). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses

A series of performance indicators has been agreed to monitor the successful implementation of the financial objectives.

### *Performance Indicators*

The College has developed data dashboards that set and monitor KPIs that are linked with the Strategic Intentions and enable progress to be reviewed and monitored. These are reported to the Corporation using a RAG rating system, with a particular emphasis on action taken to address underperformance. They include the following:

KPI	Target	2016/17
Financial Health	<b>Good</b>	<b>Good</b>
Current Ratio	<b>1.39</b>	<b>1.57</b>
Performance Ratio	<b>7.65%</b>	<b>7.36%</b>
Gearing Ratio	<b>27.21%</b>	<b>28.74%</b>
% of staff completed core training	<b>85%</b>	<b>94%</b>
Overall long retention rates	<b>96%</b>	<b>94%</b>
Overall learner pass rates	<b>98%</b>	<b>95%</b>
Overall learner achievement rates	<b>93%</b>	<b>88%</b>
Learner achievement for English and maths functional skills	<b>90%</b>	<b>87%</b>
Learner attendance rate	<b>92%</b>	<b>90%</b>
% Teachers with specialist teaching qualifications	<b>90%</b>	<b>80%</b>
Sickness absence rate (staff)	<b>4%</b>	<b>3.67%</b>
College accommodation "Good" or above	<b>70%</b>	<b>72%</b>
Inspection grade with Ofsted	<b>Good</b>	<b>Inadequate</b>
Inspection grade with CQC	<b>Outstanding</b>	<b>Good</b>
% retention rate for learners with mentor support	<b>100%</b>	<b>95%</b>

A number of KPIs performed at or above target during the year, including the current ratio, number of staff completing core training, sickness absence rate of staff and the percentage of accommodation that is "Good" or better. Retention and achievement rates however, were below target, although equal to or better than performance in 2015/16. The reasons for the variances have been reviewed and the Corporation is satisfied that there are sufficient robust plans in place to address underperformance in areas of quality and safeguarding.

# HEREWARD COLLEGE

## REPORT OF THE GOVERNING BODY

For the year ended 31 July 2017

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The College is committed to observing the importance of sector measures and indicators where this is possible. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA)). The Finance Record produces a financial health grading. The current rating of Good is considered an acceptable outcome.

### **Financial Results**

In order to ensure ongoing sustainability and the opportunity to develop new services, it is important for the College to be financially sound and effectively managed.

The College generated an operating deficit for the year of £17,000 (2015/16 - £127,000 deficit) before FRS 102 pensions adjustments. The impact of these adjustments was significant and the adjusted deficit for the year before other gains and losses was £635,000 (2015/16 £389,000 deficit).

Total income was £8 million (2015/16 - £7.8 million).

Despite increasing the amount of income generated from other sources, the College has significant reliance on the ESFA and Local Authorities as its principal funding sources. In 2016/17 the ESFA and Local Authority funding accounted for 88.5% of the College's total income compared with 86.3% in 2015/16. Taken together, funding for total learners, whether residential, day provision or internships, accounts for 90% of College income in 2016/17 (2015/16 – 90%)

### **Pension Obligations**

A key element of the overall financial position of the College is the long-term affordability of its pensions' obligations to its employees. FRS 102 calculations within the financial statements are based solely on returns on Government Gilt Edged stock (gilts). At the moment, because market interest rates are at a 300-year low, gilts are showing a very low rate of return. The pension charge calculations within the accounts are based on this calculation. FRS 102 is based on taking the current rate of return, whatever that is, and assuming it will be maintained for thirty years. In a down-turn this can produce what could be an overly pessimistic forecast of pension fund returns and potentially an overstated estimate of pension fund liabilities within the statutory accounts.

Compared to this the West Midland's pension fund actuary calculates employer contribution rates, the calculation using a wider range of assets that better reflect current and future market conditions. These calculations are therefore much more driven by the overall long-term state of the market and the result is that they assume lower levels of contribution from Hereward College are needed to meet the pension fund obligations.

### **Treasury policies and objectives**

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

**HEREWARD COLLEGE**  
**REPORT OF THE GOVERNING BODY**  
For the year ended 31 July 2017

**Five year highlights**

	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Financial Performance</b>					
Turnover (£000)	3,774	3,994	3,314	7,339	3,013
Operating (Deficit)/Surplus (£000)	(403)	(394)	(404)	(339)	(675)
Staff costs as % of income (%)	68.7	69.2	68.1	69.2	74.3
Interest payable (£000)	377	343	376	391	420
<b>Fixed Assets (£000)</b>	12,320	12,494	12,373	11,876	11,389
Cash and investments (£000)	2,633	3,375	3,489	3,559	3,303
Net Current Assets (£000)	1,430	1,315	376	1,084	1,769
Debt (£000)	2,804	2,653	2,523	2,400	2,274
<b>Cash Days</b>	111.3	143.7	131.3	167.5	175.3

**Current and future development and performance**

**Learner numbers and Curriculum**

In 2016/17 the College had 526 learners

- 268 were EFA and local authority or privately funded learners both residential and day
- 234 were Hereward Training learners and employer based
- 24 were Outreach and AEB funded classroom learners

The College curriculum continues to be responsive to learner needs, with provision ranging from Pre-Entry Level to Level 3. The focus is on supporting learners to gain the right balance of skills, experiences and qualifications with which to equip them for their future, be that in employment, further study or increased independence. The College curriculum is designed to meet the requirements of Study Programmes and learners' individual needs, through a strong vocational offer, with the following elements:

- A substantial programme which could be a qualification
- Work-related learning experience
- English and maths
- Enrichment activities
- Tutorial support

**Care Quality Commission (CQC)**

The College is regulated by the Care Quality Commission (CQC) and is inspected annually against key performance standards. The College was last inspected under the revised inspection framework, in October 2016 following the Ofsted visit of the same month. The final report concluded that the College was rated as 'good' overall and for four of the five areas. In the fifth area – "Is the service well-led", the judgement was that it was not consistently well-led and therefore required improvement.

**Future Developments**

During 2015/16 the Area Review process commenced for Coventry and Warwickshire colleges. The recommendation agreed for Hereward College was to "continue to review options for collaboration (by January 2017) to deliver long term financial sustainability."

A subsequent Structure and Prospects Appraisal was undertaken by the FE Commissioner which reported to the Board in February 2017 and recommended that:

- The College continue to operate as a stand-alone College in the short to medium term (18 months to 2 years) and prioritise achieving the quality improvements identified by Ofsted

# HEREWARD COLLEGE

## REPORT OF THE GOVERNING BODY

For the year ended 31 July 2017

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- The College should proceed with the appointment of a permanent Principal
- By February 2018 the College should produce a strategic plan and associated curriculum, finance and estates plans that will address issues of long term financial sustainability

A permanent Principal was appointed and commenced in August 2017. Work has continued during the year focusing on the Post Inspection Action Plan (PIAP) and ensuring that the areas for improvement identified by Ofsted have been targeted and addressed. A further inspection will take place during 2017/18.

### **Resources**

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

The College is continuing to develop its estate to meet the changing needs of the learners that it serves.

The value of fixed assets is shown in the balance sheet as £11.4 million.

### *Financial*

The College has £7.3 million of net assets (excluding £8.5 million pension liability) and long term debt of £5.2 million.

### *People*

The College employed an average of 160 people (expressed as full time equivalents) during 2016/17, of which 26 are teaching staff.

### *Reputation*

The Ofsted inspection impacted adversely on the College's reputation. Significant work was undertaken during the year with parents, students and stakeholders to demonstrate improvement and rebuild trust. Maintaining a quality brand is essential for the College's ongoing success at attracting learners and developing and maintaining external relationships.

### **Principal Risks and Uncertainties**

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

The College's management undertakes a comprehensive review of the risks to which the College is exposed and identifies systems and procedures, including specific preventable actions which should mitigate any potential impact on the College.

The internal controls are then implemented and the subsequent year's appraisal reviews their effectiveness and progress against risk mitigation actions. In addition to the annual review, the College's management also considers any risks which may arise as a result of a new area of work being undertaken by the College.

# HEREWARD COLLEGE

## REPORT OF THE GOVERNING BODY

For the year ended 31 July 2017

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A risk register is maintained at the strategic level which is reviewed at least annually by the Audit Committee 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 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.

In 2016/17, there were nine risks identified as significant. These were:

- Failure to provide effective leadership and management  
*Actions taken in mitigation include:*
  - Strengthening the Board through recruiting new board members
  - Oversight and review of the PIAP including implementing actions in respect of safeguarding
  - Improving the quality of safeguarding reporting, challenge and understanding
- Failure to achieve learner numbers that secure income targets  
*Actions taken in mitigation include:*
  - There is a programme of visits and open days throughout the year
  - There are regular meetings and dialogue with Local Authorities about learners both current and future
  - Relationships with local special schools have been developed and links strengthened
- Failure to meet the needs of the changing learner profile resulting in low retention, pass and achievement rates  
*Actions taken in mitigation include:*
  - There is an annual staff training plan in place
  - Individual student risk assessments are in place for all students
  - A risk assessment of the cohort has been undertaken
  - Timetables have been modified and unstructured time minimised
- Failure to meet safeguarding responsibilities  
*Actions taken in mitigation include:*
  - A Safeguarding Manager was appointed in February 2017
  - A new reporting system for safeguarding concerns is in place
  - The PIAP identifies a series of actions that are required and significant progress has been made which was recognised by Ofsted in their monitoring visit in April 2017
- Failure to engage relevant LA Commissioners, Health and Social Care Agencies, LEP and Combined Authority in delivering their responsibilities  
*Actions taken in mitigation include:*
  - Senior College staff attend a range of regional groups including LA meetings, LEP and Combined Authority
  - Regular meetings are held with Commissioners
- Failure to ensure the ongoing financial viability of the College  
The College is aware of several issues which may impact on future funding, including the devolution of the adult education budget. The College in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda.  
*Actions taken in mitigation include:*
  - Rigorous budget setting procedures
  - Monthly reports to the Corporation on in-year budget monitoring
  - Robust financial controls
  - Exploring ongoing procurement efficiencies
- Failure to diversify income from dependency on high levels of ESFA income  
*Actions taken in mitigation include:*
  - A Business Development Strategy has been approved by the Board that identifies key priorities
  - Income targets have been set within the budget to develop new income streams with monthly reporting to the Board
  - New service models have been developed and costed
- Failure to grow Hereward Training leading to a failure to earn AEB income

# HEREWARD COLLEGE

## REPORT OF THE GOVERNING BODY

For the year ended 31 July 2017

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*Actions taken in mitigation include:*

- Monthly reporting to the Board and Senior Leadership Team
- Participation in the Internal Quality Review Process
- Failure to maintain the profile and reputation of the College

*Actions taken in mitigation include:*

- Membership of local, national and regional networks
- Engaging specialist PR support to provide advice and guidance
- Proactive communications with parents, students and stakeholders

### **External Relationships**

In line with other colleges, Hereward has many stakeholders and partners. These include:

- Students
- Parents and carers
- Staff
- Employers
- Education and Skills Funding Agency
- Local Authorities
- Natspec
- Association of Colleges
- Other FE Institutions
- Special Schools
- Local Enterprise Partnership (LEP)
- NHS
- Trade Unions
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through a variety of mechanisms.

### **Equal opportunities and employment of disabled persons**

Hereward College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief, age, gender reassignment, marriage and civil partnerships and pregnancy and maternity, and strive vigorously to remove conditions which place people at a disadvantage.

The College publishes an Annual Equality Report and has renewed its Equality, Diversity and Inclusion objectives for the period 2015/16 to 2018/19 to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all policies and procedures.

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

The College has committed to the “Mindful Employer” initiative to assist the mental health wellbeing of staff. The College also provides refresher training and training for new starters on Equality, Diversity and Inclusion on an ongoing basis.

# HEREWARD COLLEGE

## REPORT OF THE GOVERNING BODY

For the year ended 31 July 2017

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### *Disability statement*

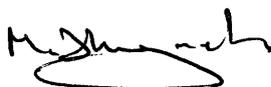
The College seeks to achieve the objectives set down in the Equality Act 2010:

- The structure of the College focusses resources on delivering personalised and learner-centred services
- Accommodation provides full access to all learners. Capital works are always planned to include considerations of access requirements for the spectrum of needs that learners have
- Residential accommodation includes a range of environmental controls, telecare and assistive technology that meet the needs of learners with complex disabilities
- A wide range of specialist aids and adaptations are available across the College, both in a classroom and a care setting that meet individual needs and support learners
- A target has been set for 100% of all teachers to achieve a specialist LLDD teaching qualification. In addition, training and development is provided to all staff to ensure the provision of appropriate support for learners with learning difficulties and/or disabilities and physical disabilities
- Independence Learning Support staff are employed in the classroom, residences and care setting to provide a variety of support for learning that is tailored to meet learner needs in line with individual assessments
- There is a wide range of support staff with specialist skills including physiotherapists, educational psychologists and mentors that support learners in every aspect of their College life
- Counselling and welfare services are described in the student handbook, which is issued to learners at induction

### **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, all relevant audit information has been provided to the College auditors 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 14 December 2017 and signed on its behalf by:



Mr. M. Lynch  
Chairman



Mr. P. Cook  
Accounting Officer & Chief Executive

### **Key Management Personnel**

Paul Cook	Accounting Officer, Principal & Chief Executive (from 1 <sup>st</sup> August 2017)
Sheila Fleming	Accounting Officer, Principal & Chief Executive (retired 17 <sup>th</sup> April 2017)
Geoff Draper	Interim Accounting Officer, Principal & Chief Executive (from 28 <sup>th</sup> November 2016 until 31 <sup>st</sup> July 2017))
Rosie Herbert	Vice Principal Quality and Curriculum
Deb Reynolds	Vice Principal Finance and Resources
Jon Clugston	Vice Principal Student Independence and Progression (resigned 8 <sup>th</sup> April 2017)
Jane Ferguson	Vice Principal Safeguarding and Pastoral Care (from 3 <sup>rd</sup> February 2017)
Yvonne Doherty	Clerk to the Governors

**HEREWARD COLLEGE**  
**REPORT OF THE GOVERNING BODY**  
For the year ended 31 July 2017

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**PROFESSIONAL ADVISERS**

Financial Statements Auditor:  
RSM UK Audit LLP  
St Philips Point  
Temple Row  
Birmingham  
B2 5AF

Solicitors:  
Gowling WLG  
55 Colmore Row  
Birmingham  
B3 2AS

Internal Auditors:  
ICCA Education Training and Skills Ltd.  
The McLaren Building  
46 The Priory Queensway  
Birmingham  
B4 7LR

Bankers:  
Barclays Bank Plc  
PO Box 3333  
One Snow Hill  
Snow Hill Queensway  
Birmingham  
B3 2WN

# HEREWARD COLLEGE

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2017

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The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2016 to 31 July 2017 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 English Colleges' Foundation Code of Governance ("the Foundation Code"); and
- Having due regard to the UK Corporate Governance Code 2014 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 the Foundation Code. The College has not adopted, and therefore does not apply, the UK Corporate Governance Code. However, the College has reported on its Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code that it considers to be relevant to the further education sector and best practice.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

### THE CORPORATION

The Governors (who are also trustees) who served on the Corporation during the year and up to the date of signature of this report were as listed below:

Name	Date of Appointment	Term of Office	Category	Committee membership
Ms. M Ahern	04.10.07 Re-appointed 07.10.10 14.11.13 Term of office expired in October 2016	3 years	Staff	
Mr. B Braithwaite	10.03.16	3 years	Staff	
Mr S Brand	18.05.17	4 years		
Ms. C Cahill	12.11.15 Resigned 21.01.17	3 years		
Mr P Cook	01.08.17	On ceasing as Principal	Staff Principal	In Attendance Search & Governance, Quality and Standards, Remuneration

# HEREWARD COLLEGE

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2017

Mr. R Cottam	01.08.01 Re-appointed: 15.07.04 15.07.07 15.07.10 15.07.13 15.07.16  Stepped down November 17	3 years		Chairman – Board of Governors 01.08.2012; reappointed 01.08.15 Remuneration (Chair from 01.08.12) Search & Governance (Chair from 01.08.12)
Ms J Cox	Appointed 18.05.17 Resigned 22.08.17	4 years		
Mr. D Crossfield	20.10.16  19.09.17	1 year 2016/17 academic year 1 year 2017/18 academic year	Student	
Mr. C Davies	12.11.15 Resigned October 2016	3 years		
Mr G Draper	28.11.16 To 31.07.17		Interim Principal	
Mrs. K Evans	15.01.15	3 years		Quality and Standards Remuneration
Mrs. S Fleming	03.04.11 Retired April 17	On ceasing as Principal		In Attendance Search & Governance, Quality and Standards, Remuneration and Audit
Ms. J Forbes	07.07.05 Re-appointed: 07.07.08 06.07.11 06.07.14 06.07.17	3 years    1 year		Vice-Chairman – 01.08.2012 Reappointed 01.08.15 Audit; Search and Governance, Remuneration Chair of Audit from 19.05.16
Ms. H Hillyard	12.01.12 Reappointed Co-opt	3 years	Co-opted from 12.01.15	Audit from 01.08.12
Mr C Klapatyj	19.09.17	1 year 2017/18 academic year	Student	
Mr. M Lynch	12.07.12 Reappointed 12.07.15	3 years		Quality and Standards from 18.10.12, Remuneration Chair of Quality and Standards from 20.03.14, stood down Dec '16 Search and Governance Committee Chair of Corporation from 08.12.16

# HEREWARD COLLEGE

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2017

Ms L Miervaldis	09.02.17	4 years	Staff	
Mr. J Montgomery	19.05.16	3 years		Audit Committee from 19.05.16
Mrs. J Sims (Previously Goodyer)	14.11.13 Re-appointed 14.11.16	3 years 4 years		Quality and Standards, Chair from Dec '16 Search and Governance
Mr A Sharma	Appointed 16.11.17	4 years		
Ms. J Wragg	20.10.16	1 year 2016/17 Academic year	Student	

Average attendance for 2016/17 was 80%.

The Foundation Code requires disclosure of attendance by individual. However, the Corporation has resolved to publish average attendance data for the Corporation and its Sub Committees as a whole.

Yvonne Doherty is the Clerk to the Corporation.

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 and personnel related matters such as health and safety and environmental issues. The Corporation adopted the Carver model during 2009/10 and has met 9 times during 2016/17.

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

Hereward College  
Bramston Crescent  
Tile Hill Lane  
Coventry  
CV4 9SW

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. After consideration of the

# HEREWARD COLLEGE

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2017

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composition of the Corporation in terms of number and skills, the Corporation revised its membership number with effect from 12 June 2014 to 15, comprising 10 independent members, 2 staff, 2 students and the Accounting Officer.

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

### APPOINTMENTS TO THE CORPORATION

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee comprising four members, 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.

In June 2016 the Search and Governance Committee considered the term of appointment and best practice with regard to the number of terms of office. It recommended to the Corporation that new appointments and re-appointments be for a term of office not exceeding four years. Governors will also not normally serve more than two terms of office (8 years) except where subsequently undertaking a new and more senior role, for example as Chair. This was approved by the Corporation.

### SEARCH AND GOVERNANCE

The Search and Governance Committee comprises four members of the Board with the Accounting Officer in attendance at Committee meetings. The Committee's responsibilities are to make recommendations to the Board, the appointment of new members and policies specific to the operation of the College governance.

Average attendance for 2016/17 was 100%.

### REMUNERATION COMMITTEE

The Remuneration Committee comprises four members of the Board. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of all staff including the Accounting Officer and other senior postholders and to consider and approve any significant staffing changes.

Details of remuneration for the year ended 31 July 2017 are set out in note 6 to the financial statements.

Average attendance for 2016/17 was 100%.

### AUDIT COMMITTEE

The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management control and governance processes.

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

The College's internal auditors monitor 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 undertake periodic follow up reviews to ensure such recommendations have been implemented.

# HEREWARD COLLEGE

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2017

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The Audit Committee also advises the Corporation on the appointment of internal and financial statement auditors and their remuneration for both audit and non-audit work.

Average attendance for 2016/17 was 100%.

### QUALITY AND STANDARDS COMMITTEE

During the year ending 31 July 2017, membership of the College's Quality and Standards Committee comprised three members of the Corporation. Its purpose is to monitor and review the educational character and quality of provision at the College, by setting and monitoring key performance indicators and working with the Senior Leadership Team to drive up standards, actively promote equality and diversity and narrow achievement gaps.

Average attendance for 2016/17 was 100%.

### 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 Hereward College and the Education and Skills Funding Agency. He 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 ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Hereward College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

#### *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 ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

#### *The risk and control framework*

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

# HEREWARD COLLEGE

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2017

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

Hereward 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 Internal Audit Service provider presents the Corporation with a report on internal audit activity in the College. The report includes their independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

### *Review of effectiveness*

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

- The work of the internal auditors
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- Comments made by the College's financial statements auditors and regularity auditors in their audit findings report and other reports

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

The Senior Leadership 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 Leadership 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 Leadership Team and the Audit Committee.

The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its meeting on 14 December 2017, the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering reports from the Senior Leadership Team and internal audit, and taking account of events since 31 July 2017.

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

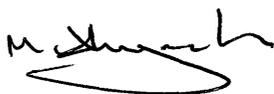
**HEREWARD COLLEGE**  
**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL**  
**For the year ended 31 July 2017**

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*Going Concern*

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

Approved by order of the members of the Corporation on 14 December 2017 and signed on its behalf by:



Mr. M. Lynch  
Chairman



Mr. P. Cook  
Accounting Officer & Chief Executive

# HEREWARD COLLEGE

## GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING for the year ended 31 July 2017

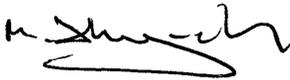
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The Corporation has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with Education and Skills Funding Agency terms and conditions of funding, under the financial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

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education and Skills Funding Agency's terms and conditions of funding under the College's financial memorandum.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Education and Skills Funding Agency.

Approved by order of the members of the Corporation on 14 December 2017 and signed on its behalf by:



Mr. M. Lynch  
Chairman



Mr. P. Cook  
Accounting Officer & Chief Executive

# HEREWARD COLLEGE

## STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

for the year ended 31 July 2017

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

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College requires the Corporation of the College, to prepare financial statements and the Report of the Governing Body for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the annual Accounts Direction issued by the Education and Skills Funding Agency, and applicable United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

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

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

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 Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further and Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 14 December 2017 and signed on its behalf by:



Mr. M. Lynch  
Chairman

# HEREWARD COLLEGE

## INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HEReward COLLEGE

For the year ended 31 July 2017

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### **Opinion**

We have audited the financial statements of Hereward College (the "College") for the year ended 31 July 2017 which comprise the college statement of comprehensive income, the college balance sheet, the college statement of changes in reserves, the college 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as set out in our engagement letter.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 and of 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 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 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 governors are responsible for the 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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **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 2016 to 2017 issued by the Department for Education 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.

# HEREWARD COLLEGE

## INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HEReward COLLEGE

For the year ended 31 July 2017

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### Responsibilities of the Corporation of Hereward 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 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 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.

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Education and Skills Funding Agency and our engagement letter. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter 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

Chartered Accountants  
St Philips Point  
Temple Row  
Birmingham  
B2 5AF

18 December 2017

# HEREWARD COLLEGE

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

## Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Skills Funding Agency, to obtain limited assurance about whether the expenditure disbursed and income received by Hereward College during the period 1 August 2016 to 31 July 2017 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 31 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

## Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. 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 Education and Skills Funding Agency has other assurance arrangements in place.

We are independent of the Hereward 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 Hereward College for regularity

The Corporation of Hereward College is responsible, under the financial memorandum 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 Hereward 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 Post-16 Audit Code of Practice 2016 to 2017.

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 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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 financial memorandum with Skills Funding Agency 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.

This report is made solely to the corporation of Hereward College and the Secretary of State for Education acting through the Department for Education in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Hereward College and the Secretary of State for Education acting through the Department for Education 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 Hereward College and the Secretary of State for Education acting through the Department for Education for our work, for this report, or for the conclusion we have formed.

  
RSM UK AUDIT LLP

Chartered Accountants

St Philips Point

Temple Row

Birmingham, B2 5AF



**HEREWARD COLLEGE**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 July 2017

	Notes	2017 £'000	2016 £'000
<b>INCOME</b>			
Funding body grants	3	3,136	3,511
Tuition fees	4	4,138	3,678
Other income		733	635
Investment income	5	5	15
<b>TOTAL INCOME</b>		<u>8,012</u>	<u>7,839</u>
<b>EXPENDITURE</b>			
Staff costs	6	5,785	5,424
Other operating expenses	7	1,864	1,760
Depreciation	9	578	653
Interest payable and other finance costs	8	420	391
<b>TOTAL EXPENDITURE</b>		<u>8,647</u>	<u>8,228</u>
<b>(Deficit) before tax</b>		<b>(635)</b>	<b>(389)</b>
Taxation		-	-
<b>DEFICIT FOR THE YEAR</b>		<b>(635)</b>	<b>(389)</b>
Remeasurement of net defined benefit pension liability	17	3,053	(4,001)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>2,418</u>	<u>(4,390)</u>

**HEREWARD COLLEGE**  
**STATEMENT OF CHANGES IN RESERVES**  
For the year ended 31 July 2017

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	<b>Income and Expenditure reserve £'000</b>	<b>Revaluation reserve £'000</b>	<b>Total £'000</b>
TOTAL NET LIABILITIES AT 1 AUGUST 2015	(1,640)	2,361	721
Deficit for the year	(389)	-	(389)
Other Comprehensive Income	(4,001)	-	(4,001)
Transfers between revaluation and Income and Expenditure Reserves	58	(58)	-
	<hr/>	<hr/>	<hr/>
COMPREHENSIVE INCOME FOR THE YEAR	(4,332)	(58)	(4,390)
	<hr/>	<hr/>	<hr/>
TOTAL NET LIABILITIES AT 31 JULY 2016	(5,972)	2,303	(3,669)
Deficit for the year	(635)	-	(635)
Other Comprehensive Income	3,053	-	3,053
Transfers between revaluation and Income and Expenditure Reserves	58	(58)	-
	<hr/>	<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,476	(58)	2,418
	<hr/>	<hr/>	<hr/>
TOTAL NET LIABILITIES AT 31 JULY 2017	(3,496)	2,245	(1,251)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# HEREWARD COLLEGE

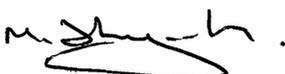
## BALANCE SHEET

As at 31 July 2017

	Notes	2017 £'000	2016 £'000
FIXED ASSETS			
Tangible assets	9	11,389	11,876
		<hr/>	<hr/>
TOTAL FIXED ASSETS		11,389	11,876
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	10	151	254
Short term investment		-	500
Cash at bank and in hand		3,803	3,059
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		3,954	3,813
CREDITORS: amounts falling due within one year	11	(2,685)	(2,729)
		<hr/>	<hr/>
NET CURRENT ASSETS		1,269	1,084
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		12,658	12,960
CREDITORS: amounts falling due after more than one year	12	(5,250)	(5,535)
PROVISIONS FOR LIABILITIES			
Defined benefit pension scheme	14	(8,582)	(11,013)
Other provisions	14	(77)	(81)
		<hr/>	<hr/>
TOTAL NET ASSETS		(1,251)	(3,669)
		<hr/> <hr/>	<hr/> <hr/>
UNRESTRICTED RESERVES			
Income and expenditure reserve		(3,496)	(5,972)
Revaluation reserve		2,245	2,303
		<hr/>	<hr/>
TOTAL RESERVES		(1,251)	(3,669)
		<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 23 to 45 were approved by the governing body and authorised for issue on 14 December 2017 and were signed on its behalf by: -

Mr M Lynch - Chairman



Mr P Cook - Accounting Officer & Chief Executive



# HEREWARD COLLEGE

## STATEMENT OF CASH FLOWS

For the year ended 31 July 2017

	Notes	2017 £'000	2016 £'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations	16	643	518
Taxation paid		-	-
		<u>643</u>	<u>518</u>
<b>NET CASH FROM OPERATION ACTIVITIES</b>			
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of fixed assets		-	1
Investment income		5	15
Payments made to acquire fixed assets	9	(136)	(192)
		<u>(131)</u>	<u>(172)</u>
<b>FINANCING ACTIVITIES</b>			
Interest paid	8	(140)	(148)
Repayments of amounts borrowed		(128)	(128)
		<u>(268)</u>	<u>(276)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS IN THE YEAR</b>			
		244	70
<b>CASH AND CASH EQUIVALENTS AT 1 AUGUST 2016</b>			
		<u>3,559</u>	<u>3,489</u>
<b>CASH AND CASH EQUIVALENTS AT 31 JULY 2017</b>			
		<u><u>3,803</u></u>	<u><u>3,559</u></u>

# HEREWARD COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2017

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### 1 ACCOUNTING POLICIES

#### GENERAL INFORMATION

Hereward 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 (SORP): Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction 2016/17 and in accordance with Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102) and under the historical cost convention modified to include the revaluation of freehold property. 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 principal accounting policies applied in the preparation of these financial statements are set out below.

The 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.

#### BASIS OF CONSOLIDATION

In accordance with FRS 102, the activities of the Student Union have not been consolidated because the College does not control those activities.

#### GOING CONCERN

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying notes. The College currently has £2.2m of loans outstanding with bankers on terms negotiated in 2007. The terms of the existing agreement are for another 19 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

# HEREWARD COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2017

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### RECOGNITION OF INCOME

#### *Grants – government and non-government*

Government revenue grants are accounted for under the accrual model and are recognised where a reliable estimate of the fair value of the asset received or receivable can be made on a systematic basis over the periods in which the related costs for which the grant compensates are recognised.

Funding body recurrent grants are measured in line with best estimates for the year of what is receivable and depend on the particular income stream involved. Any under achievement of the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end. Where this process involves negotiations in respect of over achievement or adjustment to claw back in respect of underachievement, where negotiations are subsequent to the year end, they are not reflected in the income recognised.

16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments and is recognised when receivable.

Grants from non-government sources, including grants relating to assets, are recognised in income when the College has met the performance-related conditions and the grant will be received. Income received in advance of performance related conditions being met is recognised as a liability.

Government capital grants for assets, other than land, are accounted for under the accrual model. The grant income received or receivable will be recognised over the expected useful life of the asset, with any amount of the asset-related grant that is deferred being recognised as deferred income. The deferred income is allocated between creditors due within one year and those due after more than one year.

#### *Other income*

Income from Tuition Fees is recognised in the period for which it is earned and includes all fees payable by learners or their sponsors.

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

### RETIREMENT BENEFITS

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS), which are multi-employer defined benefit plans.

The TPS is an unfunded scheme and the 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 the government actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. 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. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

# HEREWARD COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2017

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### 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 former members of staff is paid by the College annually. An estimate of the expected future costs of any enhancement to the on-going pension of former members of staff is charged in full to the College's income and expenditure account in the year that the staff member retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

### TANGIBLE FIXED ASSETS

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

#### *LAND AND BUILDINGS*

Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

#### *EQUIPMENT*

Equipment costing less than £1,000 per individual item or set of items acquired together is recognised as expenditure in the period of acquisition. All other equipment is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

#### *DEPRECIATION AND RESIDUAL VALUES*

Freehold land is not depreciated. Depreciation on other assets is calculated, using the straight line basis, to write off the cost of each asset to its estimated residual value over its expected useful life, as follows:

- Freehold buildings                      2% per year
- Building Improvements                10% per year
- Fixtures and fittings                    20% per year
- Office equipment                        15% per year
- Computers                                33% per year

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal for the asset as if it were at the age and in the condition expected at the end of its useful life.

Subsequent costs, including replacement parts, are only capitalised when it is probable that such costs will generate future economic benefits. Any replaced parts are then derecognised. All other costs of repairs and maintenance are expenses as incurred.

### IMPAIRMENTS OF FIXED ASSETS

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the 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.

# HEREWARD COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2017

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### LEASED ASSETS

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

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

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

All 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 the 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.

### DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

A financial asset is derecognised 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 derecognised when the obligation specified in the contract is discharged, cancelled or expires.

### TAXATION

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

The College receives no similar exemption in respect of Value Added Tax (VAT). For this reason, the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure and the cost of tangible fixed assets are therefore shown inclusive of VAT with any partial recovery netted off against these figures.

### 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 that reflects the risks specific to the

# HEREWARD COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2017

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liability. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

### AGENCY ARRANGEMENTS

The College acts as an agent in distributing discretionary support funds from the funding bodies. Payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College does not have control of the economic benefit related to the transaction.

## 2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### CRITICAL AREAS OF JUDGEMENT

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

- Determined whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis

### CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

- *Tangible fixed assets*

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

- *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 17, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability

- *Impairment of fixed assets*

The College considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. These will require an estimation of the future cash flow and selection of appropriate discount rates in order to calculate the net present value of those cash flows

**HEREWARD COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2017

<b>3</b>	<b>FUNDING BODY GRANTS</b>	<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
	Recurrent grant - Education and Skills Funding Agency - 16-18	2,750	3,106
	- Education and Skills Funding Agency - Adult	225	249
	Non-recurrent grants	2	4
	Release of government capital grants	159	152
		<u>3,136</u>	<u>3,511</u>

<b>4</b>	<b>TUITION FEES</b>	<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
	Tuition fees	4,138	3,678
		<u>4,138</u>	<u>3,678</u>

<b>5</b>	<b>INVESTMENT INCOME</b>	<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
	Other interest receivable	5	15
		<u>5</u>	<u>15</u>

<b>6</b>	<b>STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION</b>		
	The average number of persons (including key management personnel) employed by the College during the year, expressed as full-time equivalents, was:		
		<b>2017</b>	<b>2016</b>
		<b>Number</b>	<b>Number</b>
	Teaching staff	26	27
	Non-teaching staff	134	138
		<u>160</u>	<u>165</u>

**HEREWARD COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2017

6 **STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION (continued)**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs for the above persons:</b>		
Wages and salaries	4,361	4,300
Social security costs	367	297
Other pension costs	1,057	821
Restructuring costs	-	6
	<u>5,785</u>	<u>5,424</u>

**Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College leadership team which comprises the Principal and the Vice-Principals.

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

	<b>Number</b>	<b>Number</b>
	<b>2017</b>	<b>2016</b>
The number of key management personnel including the Accounting Officer was:	7	5
	<u>7</u>	<u>5</u>

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

	<b>2017</b>	<b>2016</b>
	<b>Number</b>	<b>Number</b>
	<b>key</b>	<b>key</b>
	<b>management</b>	<b>management</b>
	<b>personnel</b>	<b>personnel</b>
£40,001 to £50,000	2	-
£50,001 to £60,000	-	1
£60,001 to £70,000	2	3
£70,001 to £80,000	2	-
£90,001 to £100,000	-	1
£100,000 to £110,000	-	-
	<u>6</u>	<u>5</u>

No other staff had remuneration over £60,000.

**HEREWARD COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2017

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**6 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION (continued)**

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

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	387	327
National insurance	47	35
Pension contributions	48	47
	<hr/>	<hr/>
<b>Total emoluments</b>	<b>482</b>	<b>409</b>
	<hr/> <hr/>	<hr/> <hr/>

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. During the year the role of Accounting Officer was taken up by three employees, as follows:

**1st August 2016 to 5<sup>th</sup> October 2016**

	<b>2017</b>
	<b>£'000</b>
Salary	16
National Insurance	2
Pension Contributions	3
	<hr/>
<b>Total</b>	<b>21</b>
	<hr/> <hr/>

**6<sup>th</sup> October 2016 to 27<sup>th</sup> November 2016**

	<b>2017</b>
	<b>£'000</b>
Salary	10
National Insurance	1
Pension Contributions	1
	<hr/>
<b>Total</b>	<b>12</b>
	<hr/> <hr/>

**HEREWARD COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2017

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**28<sup>th</sup> November 2016 to 31<sup>st</sup> July 2017**

	<b>2017</b>
	<b>£'000</b>
Salary	73
National Insurance	9
Pension Contributions	9
	<hr/>
Total	91
	<hr/> <hr/>

Total amount paid to the Accounting Officer during the year

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Salary	99	91
National Insurance	12	10
Pension Contributions	13	15
	<hr/>	<hr/>
Total	124	116
	<hr/> <hr/>	<hr/> <hr/>

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employer's contributions to the Teachers' Pension Scheme and Local Government Pension Scheme and are paid at the same rate as for other employees.

The emoluments also include amounts payable to the highest paid officer

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Salary	74	91
National Insurance	9	10
Pension Contributions	9	15
	<hr/>	<hr/>
Total	92	116
	<hr/> <hr/>	<hr/> <hr/>

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Compensation paid to the former post-holder	-	-
	<hr/> <hr/>	<hr/> <hr/>

**HEREWARD COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2017

**Governors' remuneration**

The Accounting Officer and the staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the college in respect of their roles as governors.

During the year total expenses of £380 (2016 - £195) were paid to or on behalf of 3 (2016 – 1) governors in respect of travel and subsistence and other out of pocket expenses incurred in the course of their duties.

**7 OTHER OPERATING EXPENSES**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Teaching costs	103	145
Non-teaching costs	1,127	979
Premises costs	634	636
	<hr/>	<hr/>
<b>Total</b>	<b>1,864</b>	<b>1,760</b>
	<hr/> <hr/>	<hr/> <hr/>

**Deficit before taxation is stated after charging/(crediting):**

Auditor's remuneration – financial statements audit	19	18
Other services provided by the external auditors	1	1
Internal auditors' remuneration	13	11
Operating leases – equipment*	6	6
Loss/(profit) on disposal of fixed assets	45	31
	<hr/>	<hr/>

**\*Operating Lease commitments**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
The total future minimum lease payments under non-cancellable operating leases is as follows:		
<b>Payments due</b>		
Not later than one year	6	6
Later than one year and not later than five years	6	12
	<hr/>	<hr/>

**8 INTEREST PAYABLE AND OTHER FINANCE COSTS**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Interest on bank loans	140	148
Net interest on defined benefit pension liability (note 17)	280	243
	<hr/>	<hr/>
<b>Total</b>	<b>420</b>	<b>391</b>
	<hr/> <hr/>	<hr/> <hr/>

**HEREWARD COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2017

9 TANGIBLE FIXED ASSETS

	<b>Freehold land and buildings</b>	<b>Equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>			
At 1 August 2016	16,758	1,263	18,021
Additions	101	35	136
Disposals	(170)	(1)	(171)
	<hr/>	<hr/>	<hr/>
<b>At 31 July 2017</b>	<b>16,689</b>	<b>1,297</b>	<b>17,986</b>
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 August 2016	5,019	1,126	6,145
Charge for year	502	76	578
Disposals	(125)	(1)	(126)
	<hr/>	<hr/>	<hr/>
<b>At 31 July 2017</b>	<b>5,396</b>	<b>1,201</b>	<b>6,597</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>At 31 July 2017</b>	<b>11,293</b>	<b>96</b>	<b>11,389</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>At 1 August 2016</b>	<b>11,739</b>	<b>137</b>	<b>11,876</b>
	<hr/>	<hr/>	<hr/>

Inherited land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by a firm of independent Chartered Surveyors except for residential properties with a value of £130,000 where open market value was available.

Other tangible fixed assets inherited from the Local Education Authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

If inherited fixed assets had not been revalued they would have been included at the following historical cost amounts:

	<b>Freehold land</b>	<b>Equipment</b>	<b>Total</b>
	<b>and buildings</b>	<b>£'000</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cost	-	-	-
Aggregate depreciation based on cost	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Net book value based on cost</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>

**HEREWARD COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2017

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10	DEBTORS		
		<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
	Amounts falling due within one year:		
	Trade debtors	64	116
	Prepayments and accrued income	87	138
		<hr/>	<hr/>
		151	254
		<hr/> <hr/>	<hr/> <hr/>
11	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
		<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
	Bank loans	128	128
	Trade creditors	207	434
	Other taxation and social security	89	93
	Accruals and deferred income	1,592	899
	Deferred Income – government grants (capital)	153	155
	Amounts owed to the ESFA	426	955
	Pension contributions	90	65
		<hr/>	<hr/>
		2,685	2,729
		<hr/> <hr/>	<hr/> <hr/>
12	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
		<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
	Bank loans	2,144	2,272
	Deferred Income – government grants (capital)	3,106	3,263
		<hr/>	<hr/>
		5,250	5,535
		<hr/> <hr/>	<hr/> <hr/>

**HEREWARD COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2017

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13 **BORROWINGS**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Bank loans</b>		
Bank loans are repayable as follows:		
In one year or less (see note 11)	128	128
Between one and two years	128	128
Between two and five years	384	384
In five years or more	1,632	1,760
	<hr/>	<hr/>
Total	2,272	2,400
	<hr/> <hr/>	<hr/> <hr/>

The loans comprise an estate master plan loan for £2,272,000 with Barclays Bank. The loan is charged at a fixed interest rate of 5.95% and with quarterly capital repayments starting in June 2010 and finishing in March 2035. The loan is unsecured.

14 **PROVISIONS FOR LIABILITIES**

	<b>Defined benefit obligations</b>	<b>Enhanced Pensions</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2016	11,013	81	11,094
Expenditure in the period	(509)	(7)	(516)
Additions in year	(1,922)	3	(1,919)
	<hr/>	<hr/>	<hr/>
At 31 July 2016	8,582	77	8,659
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 17.

The enhanced pension provision relates to the cost of staff who have already left the College's employment.

This provision has been recalculated in accordance with guidance issued by the funding bodies.

Principal assumptions for this calculation are:

	<b>2017</b>	<b>2016</b>
Interest Rate	2.3%	2.3%
Inflation Rate	1.3%	1.3%
	<hr/> <hr/>	<hr/> <hr/>

**HEREWARD COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2017

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15 FINANCIAL INSTRUMENTS

The College has the following financial instruments:

	2017 £'000	2016 £'000
<b>Financial assets:</b>		
Debt instruments measured at amortised cost	64	116
	<u>        </u>	<u>        </u>
<b>Financial liabilities:</b>		
Financial liabilities measured at amortised cost	4,587	4,753
	<u>        </u>	<u>        </u>

16 NOTES TO STATEMENT OF CASHFLOWS

	2017 £'000	2016 £'000
<b>Deficit after tax for the year</b>	(635)	(389)
<b>Adjustment for:</b>		
Depreciation	578	653
Loss on disposal of assets	45	31
Interest payable	140	148
Investment income	(5)	(15)
Pensions costs less contributions payable	639	362
Decrease in provisions	(4)	-
	<u>        </u>	<u>        </u>
<b>Operating cash flow before movements in working capital</b>	758	790
Decrease in creditors	(218)	(171)
Decrease/(Increase) in debtors	103	(101)
	<u>        </u>	<u>        </u>
<b>Cash generated from operations</b>	643	518
	<u>        </u>	<u>        </u>

# HEREWARD COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2017

### 17 RETIREMENT BENEFITS

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

#### Total pension cost for the year

	2017 £'000	2016 £'000
Local Government Pension Scheme:		
Employers contributions paid	509	529
FRS 102 charge	342	119
	<hr/>	<hr/>
Charge to the Statement of Comprehensive Income	851	648
Enhanced pension charge to Statement of Comprehensive Income	4	7
Teachers' Pension Scheme: Employer's contributions paid	202	166
	<hr/>	<hr/>
<b>Total pension cost for year within staff costs</b>	<b>1,057</b>	<b>821</b>
	<hr/> <hr/>	<hr/> <hr/>

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

Contributions amounting to £90,580 (2016: £64,820) were payable to the scheme at 31 July and are included within creditors.

#### TEACHERS' PENSION SCHEME

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. The TPS is an unfunded scheme and members contribute on a 'pay as-you-go' basis, and along with employers' contributions, are credited to the Exchequer.

#### Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are assumptions about the value of future costs, design of benefits and many other factors.

The latest actuarial review 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 in June 2014. The key results of the valuation and the subsequent consultation are:

- Total liabilities of the Scheme (pensions currently in payment and the estimated costs of future benefits) amounted to £191.5 billion
- Value of the notional assets (estimated future contributions together with the proceeds from the national investments held at the valuation date) was £176.6 billion
- Assumed real rate of return is 3.0% in excess of prices and 2.0% in excess of earnings
- Rate of real earnings growth is assumed to be 2.75%
- Assumed nominal rate of return is 5.06%
- Notional past service deficit of £14.9 billion

# HEREWARD COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 July 2017

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#### 17 RETIREMENT BENEFITS (continued)

The TPS valuation for 2012 determined an employer rate of 16.48% (including a 0.08% administration fee) which was payable from September 2015. The employer contribution rate will be payable until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £202,000 (2016: £166,000). The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined pension plan so it is accounted for as a defined contribution plan.

#### LOCAL GOVERNMENT PENSION SCHEME

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2017 was £686,000 (2016: £701,000) of which employers contributions totalled £509,000 (2016: £529,000) and employees contributions totalled £177,000 (2016: £172,000).

The agreed contribution rates for future years are 15.1% for employers and range from 5.5% to 12.5% for employees depending on salary.

#### Principal Actuarial Assumptions

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

	2017	2016
Inflation assumption (CPI)	2.70%	2.00%
Rate of increase in salaries	4.20%	3.75%
Rate of increase for pensions	2.70%	2.00%
Discount rate for scheme liabilities	2.70%	2.60%

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	2017	2016
	Years	Years
Retiring today		
Males	21.8	23.0
Females	24.3	25.7
Retiring in 20 years		
Males	23.9	25.3
Females	26.6	28.1

**HEREWARD COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2017

17 RETIREMENT BENEFITS (continued)

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

	<b>Fair value of assets at 31 July 2017 £'000</b>	<b>Fair value of assets at 31 July 2016 £'000</b>
Equities	13,243	10,103
Government Bonds	1,531	1,181
Other bonds	806	1,457
Property	1,530	1,355
Cash/liquidity	1,041	1,093
Other	2,780	1,836
	<hr/>	<hr/>
Total Fair Value of Assets	20,931	17,025
	<hr/>	<hr/>
Actual Return on plan assets	3,074	1,735
	<hr/>	<hr/>
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Analysis of the amount recognised in the Statement of Comprehensive Income</b>		
Current service cost	(851)	(648)
Past Service cost	-	-
	<hr/>	<hr/>
	(851)	(648)
	<hr/>	<hr/>
<b>Amounts included in interest payable</b>		
Net interest on the net defined benefit pension liability	(280)	(243)
	<hr/>	<hr/>
Total operating charge	(1,131)	(891)
	<hr/>	<hr/>
<b>Amount recognised in Other Comprehensive Income</b>		
Return on pension plan assets	2,628	1,161
Administration charges	(8)	(9)
Changes in assumptions underlying the present value of plan liabilities	(3,061)	(5,153)
Changes in demographic assumptions	767	-
Experience loss/(gain) on defined benefit obligations	2,181	-
Other actuarial gains/(losses)	546	-
	<hr/>	<hr/>
<b>Amount recognised in Other Comprehensive Income</b>	3,053	(4,001)
	<hr/>	<hr/>

**HEREWARD COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2017

17 RETIREMENT BENEFITS (continued)

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
<b>Opening defined benefit obligation</b>	28,038	21,568
Current Service cost	851	648
Interest cost	726	817
Contributions by scheme participants	177	172
Change in financial assumptions	3,061	5,153
Change in demographic assumptions	(767)	-
Experience loss/gain on defined benefit obligation	(2,181)	-
Past service costs, including curtailments	-	-
Benefits paid	(392)	(320)
	<u>29,513</u>	<u>28,038</u>
<b>Closing defined benefit obligation</b>	<u>29,513</u>	<u>28,038</u>
<b>Changes in the fair value of plan assets are as follows:</b>		
<b>Opening scheme assets</b>	17,025	14,918
Interest on plan assets	446	574
Return on plan assets	2,628	1,161
Employer contributions	509	529
Contributions by scheme participants	177	172
Benefits paid	(392)	(320)
Administration expenses	(8)	(9)
Other actuarial gains/(losses)	546	-
	<u>20,931</u>	<u>17,025</u>
<b>Closing scheme assets</b>	<u>20,931</u>	<u>17,025</u>

18 CAPITAL COMMITMENTS

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Contracts for future capital expenditure not provided	-	-
	<u>-</u>	<u>-</u>

19 RELATED PARTY TRANSACTIONS

Transactions with key management personnel are detailed in note 6.

20 AMOUNTS DISBURSED AS AGENT

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Discretionary Support Funds</b>		
Funding Body Grants – hardship support	52	68
Disbursed to learners	(43)	(47)
	<u>9</u>	<u>21</u>
Balance unspent as at 31 July, included in creditors	<u>9</u>	<u>21</u>

**HEREWARD COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 July 2017**

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20 AMOUNTS DISBURSED AS AGENT (continued)

Funding body grants are available solely for learners. 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.

