



Grimsby Institute of Further & Higher Education

Members' Report and Financial statements

For the year ended 31 July 2018

Key Management Personnel, Board of Governors and Professional Advisors

Key Management Personnel

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

Gill Alton	CEO; Accounting Officer
Debra Gray	Principal and Deputy CEO
Ann Hardy	Principal Scarborough TEC
Don Everitt	Group Director of Finance
Adrian Clarke	Group Director of Corporate Services
Sam Whitaker	Group Director of Strategic Projects (resigned as director on 4 April 2018)
Stephen Butler	Group Director of Human Resources and Payroll
Hugh Callaway	Group Director of Marketing

Board of Governors

A full list of Governors is given on page 15 of these financial statements.

Susan Bailey acted as Clerk to the Corporation throughout the period.

Professional Advisers

Financial Statement and Regularity auditors:

Mazars LLP, Park View House, 58 The Ropewalk, Nottingham NG1 5DW

Internal auditors:

RSM Tenon, Central Square, 29 Wellington Street, Leeds, LS1 4DL

Bankers:

Lloyds Bank, P O Box 72, Bailey Drive, Gillingham Business Park, Kent, ME8 0LS

Bank of Scotland, 600, Gorgie Road, Edinburgh, EH11 2NT

Bank of China, 67-69, Mosley Street, Manchester, M2 3JB

Banco Santander S.A., 44 Merrion Street, Leeds, LS2 8JQ

Solicitors:

Eversheds, Bridgewater Place, Water Lane, Leeds, LS11 5DR

Bates & Mountain, The Old Courthouse, 42, Brighowgate, Grimsby, DN32 0QW

Tax advisers:

Forrester Boyd, 26 South Saint Mary's Gate, Grimsby, DN31 1LW

UNW LLP, Citygate, Saint James Boulevard, Newcastle upon Tyne, NE1 4JE

Members' Report and Financial Statements

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Members' Report

Operating and Financial Review

Nature, Objectives and Strategies

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

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Grimsby Institute of Further & Higher Education (GIFHE). GIFHE is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission

Governors reviewed the mission statement during 2017/18 and adopted a revised mission statement as follows:

"We strive for excellence and innovation in all that we do. We will build on our 'outstanding' recognition and deliver an inspiring experience for learners, staff, employers and stakeholders"

Public Benefit

GIFHE is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on page 16.

In setting and reviewing GIFHE's strategic objectives, the Corporation has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on 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 public benefit.

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce
- Links with Local Enterprise Partnerships (LEPs)

Implementation of the Strategic Plan

In July 2017, GIFHE adopted a revised Strategic Plan for the period August 2017 to July 2018. The Corporation actively monitors the implementation of the Strategic Plan using the agreed measures and evaluates its impact. The plans are reviewed and updated each year. GIFHE's continuing strategic objectives are to:

- Ensure outstanding learner success is our number one priority as demonstrated by our current Ofsted outstanding rating.
- Develop a high performing organisational culture which embraces accountability and ownership.
- Ensure the group is financially strong and able to invest in enhancing the Group Infrastructure and student resources. This year we are financially good improving from satisfactory and the plan is to be outstanding in due course.
- To ensure the offer meets the needs of the local and regional economy.

Operating and Financial Review (continued) Implementation of Strategic Plan (continued)

Financial Objectives

GIFHE's financial objectives for the future are:

- Manage the cash flows and plan for net increases in bank balances of £1m from 19/20 onwards prior to income from assets sales.
- To deliver on the 3-year plan which has an EBITDA of greater than 10% of income by 20/21.
- Ensure staffing to income ratio (excluding subcontracting and capital grant releases) of less than 64%.
- Achieve financial plan for Modal Training

Performance Indicators

Key performance Indicator	Measure/Target	Actual for 2017/18
EBITDA as % of income	6.8%	5.9%
Staff costs as % of income	65.3%	64.7%
Operating cash flow	£1,470k	£4,620k
Cash days in hand	16	43
Borrowing as % of income	14.24%	14.5%
Reliance on ESFA income	62%	63%
Financial Health Score	Good	Good

EBITDA out-turn for 2017/18 was lower than target mainly as a result of significantly lower turnover generated from GIFHE commercial operations which included the logistics company Modal Training Ltd. Lower turnover for 2017/18 has also impacted on other key performance indicators which are linked directly to income. The current ratio, which impacts on the financial health score, has been impacted adversely by the phased purchase price for the acquisition of the new Filey Road campus in Scarborough.

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

GIFHE is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). GIFHE is assessed by the ESFA as having a "Good" financial health grading.

Operating and Financial Review (continued)

FINANCIAL POSITION

Financial Results

The group incurred a deficit before other gains and losses in the year of £67k (2016/17 – deficit of £13,402k) with total comprehensive income of surplus £942k (2016/17 – deficit of £10,172k).

The group has consolidated accumulated reserves of £30,315k (2016/17 £29,569k) and a cash balance of £4,370k (2016/17 £5,800k). The group expects to continue to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions for the group during the year amounted to £4,463k, this was split between buildings £2,272k, equipment £1,154k and assets under construction £1,038k. Assets under construction include the work on the engineering block at the campus in Scarborough and professional fees for the continued phased expansion of The Academy Grimsby (TAG).

Modal Training Ltd produced a deficit in the year of £ 987k (2016/17 - £610k) and therefore did not achieve its budgeted level of performance. There is an active Modal steering group and a new Managing Director with a strong marketing background and therefore there is a major focus on finding Modal's positioning in the marketplace. GIFHE governors and senior managers have considered the impairment of Modal assets but believe that the assets and investment are supported by future trading of this facility and that the company will be able to repay the investment therefore no impairment has been made.

GIFHE has five subsidiary companies of which three are actively trading, with the remainder dormant and/or retained for name protection purposes.

NAME	SURPLUS / (DEFICIT) GENERATED	ACTIVITY
Grimsby College Trading Limited	£144,920	Provision of transport facilities.
Support Staff Services Ltd	(£209,075)	Provision of support staff
Modal Training Ltd	(£987,055)	Provision of Logistics training.
Humber Construction Limited	Dormant	Dormant
Humber Seafood Limited	Dormant	Dormant

The principal activities of Support Staff Services Limited changed in December 2017 to supply of support staff to GIFHE from provision of apprenticeship training.

Treasury Policies and Objectives

Treasury Management is the management of GIFHE'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.

Operating and Financial Review (continued)

GIFHE 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 of the ESFA.

Cash Flows

Net cash inflow from operating activities was £4,620k compared to £1,354k in 2017/18. Loan repayments in year totalled £1,184k and total cash in bank at 31 July 2018 decreased from £5,800k to £1,430k with all of this being on an interest-earning, instant access account.

Liquidity

During 2009/10 GIFHE agreed to a 25-year loan of £7,500k to fund the University Centre and transfer the Yorkshire Coast College (YCC) loan and existing GIFHE loan at improved rates. The £7,500k Santander loan was taken up in 2011/12 and written agreement was received from Santander to use the £7,500k loan on other capital projects. Total loans at 31 July 2018 were £5,625k with £300k of this amount due within one year.

Reserves Policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. As at the balance sheet date, the total unrestricted reserves account stands at £30,315k (2017: £29,569k). It is the Corporation's intention to increase reserves over the life of the revised Strategic Plan and beyond, by the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial Health

The financial health grading is 'Good' improving from 'Satisfactory' in 2016/17. GIFHE has been offered credit facilities of up to £3m for a period of 2 years as a short-term support of operating cash flow. It is of note that due to seasonal fluctuations in cash flow from our main funding bodies that GIFHE has short periods where credit is required often isolated to periods of a few weeks. The first quarter forecast for 2018/19 shows an improvement in operating surplus for GIFHE of nearly £500k, when compared to budgeted operating surplus, to £579K. This also reflects a particular and early in year focus by the senior team on the need to positively manage the outcome for 2018/19 to best ensure a surplus is achieved. This approach of focussed management of this area will be continued. The 3-year financial plan for GIFHE shows an improvement in the financial health grading to 'Outstanding' by July 2021.

Learner Numbers

In 2017/18 GIFHE delivered activity that produced £24,118k in funding body main allocation. GIFHE had approximately 7,156 SFA funded learners 2,800 EFA 16-18 funded learners, 383 EFA 14-16 funded learners, and 583 Community Learning funded learners and 370 ESF funded learners. The number of non-funded learners was 4,659.

Learner achievements

The 2017/18 Group achievement rate is 94.1% which places us in the top decile nationally and maintains the standards held over the previous three years. The Institute was inspected by OFSTED in May 2017 and was rated as 'Outstanding'.

Operating and Financial Review (continued)

Curriculum Developments

The curriculum portfolio and methods of teaching, learning and assessment are under continuous review and development to ensure the offer meets the needs of employers, the community and learners. An annual review is also conducted using sector leading labour market intelligence to ensure that the curriculum meets future skills trends.

Curriculum planning for all components of the Group is robust with high levels of accountability and responsibility. New programmes are regularly developed and programmes which have seen their applicability to the labour market decline are retired.

We also regularly explore leading edge possibilities in emergent technology to ensure our students are prepared not just for the challenges of the moment, but the challenges in the next decade.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. GIFHE incurred no interest charges in respect of late payment for this period.

Responsiveness and Professional Development

GIFHE has many highly successful employer engagement strategies which include the development of Centers of Vocational Excellence, Food and Drink Skills, Cultural and Creative Arts Skills Academy as well as a significant contribution to Employer Responsive and Work Place Delivery provision across a range of sectors.

GIFHE continues to recognize the importance of the professional development of staff in delivering high quality provision to learners and has again invested significantly in development activities and Continuing Professional Development (CPD). GIFHE have created a full suite of CPD spaces called 'Innovate' which develops professional practice, technology enhanced learning and has leading edge technology including one of only six Microsoft Hubs in the country.

In 2016/17 GIFHE was shortlisted for 3 Beacon Awards and was successful in being awarded a Beacon Award for Staff Development.

Future Prospects and Going Concern

After making appropriate enquiries, the Corporation considers that GIFHE has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In coming to this conclusion the Corporation have taken account of the detailed two- year financial plan, including capital investment and associated impacts on cash reserves.

RESOURCES:

GIFHE has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources for the group include fixed assets with a net book value of £66,909k, including buildings with a net book value of £42,868k.

Financial

GIFHE has £30,315k of net assets (including £11,994k pension liability) and long term debt of £5,625k.

Operating and Financial Review (continued)

People

GIFHE employs 734 people (expressed as full time equivalents), of whom 382 are teaching department staff.

Reputation

GIFHE has a good reputation locally and nationally. Maintaining a quality brand is essential for the GIFHE's success at attracting students and external relationships. The Institute was inspected by OFSTED in May 2017 and was rated as 'Outstanding'.

PRINCIPAL RISKS AND UNCERTAINTIES

GIFHE has continued work during the year to monitor and embed the systems of internal control, including financial, operational and risk management which is designed to protect GIFHE's assets and reputation.

Based on the strategic plan the Risk Management Committee (RMC), which comprises membership of the EMT, undertakes a comprehensive review of the risks to which GIFHE is exposed. They identify systems and procedures, including specific preventable actions, which should mitigate any potential impact on GIFHE. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the termly review, the RMC will also consider any risks which may arise as a result of a new area of work being undertaken by GIFHE in a separate monthly review and update.

A risk register is maintained at GIFHE 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 GIFHE and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. The minutes of the RMC are reviewed by Audit Committee and then form part of the Corporation agenda.

This is supported by a risk management network across all curriculum and business support areas to identify, monitor and mitigate operational risks throughout the group.

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

1 Government Funding

GIFHE has a considerable reliance on continued government funding through the ESFA and Higher Education Funding Council for England (HEFCE); in 2017/18, this amounted to 62.55% of GIFHE's revenue down from 66.3% in 2016/17, and while this level of requirement is expected to diminish it will remain a significant contributor.

There are no assurances that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms. Following the Government announcements in 2015 it seems likely that public sector funding cuts, including that affecting the FE sector, will continue for the foreseeable future in order to cut the national debt. GIFHE continues to review all of its activities and making appropriate changes to the way it operates. It is also essential that the Scarborough campuses continue to be operated in an efficient manner and improve their financial performance.

Operating and Financial Review (continued)

GIFHE is aware of some significant issues which may impact on future funding;

- From April 2017, the government has announced that a new employer apprenticeship levy will be introduced to finance growth in apprenticeships. Draft framework values have been issued for consultation which highlight a reduction in capped rates for most 16-18 year-old frameworks in particular. Together with the emphasis on employers negotiating with providers for apprenticeship provision this represents a significant uncertainty for the future direction of apprenticeship income flows into GIFHE.
- Falling demographics within Lincolnshire and North Yorkshire leading to a reduction in available 16 year old learners for the next 2-3 years. Additionally, the government announced in the Comprehensive Spending Review November 2015, its intention to fix the core funding rate for 16-18 years olds for the lifetime of the current parliament (2020). Effectively this represents a funding reduction against the risk of inflation during the remaining period.
- In June 2016, the UK voted in a referendum to leave the EU, while this may not practically occur until 2019 it does create uncertainty directly in the longer term for this current funding source and the wider impact on the UK economy and UK government spending plans.
- The government announced in July 2015 its intention to move towards fewer, often larger, more resilient and efficient providers in the further education sector. All sixth form colleges and further education institutions were included in this process on an area by area basis. GIFHE was included in wave 4 of the Area Based Reviews for both the Greater Lincolnshire and North Yorkshire areas which commenced in October 2016. The North Yorkshire Area Based Review proposed a recommendation that Scarborough TEC and Scarborough Sixth Form College form a Concordat to develop collaborative ways of working and to enhance the educational opportunities in Scarborough and the surrounding areas. The Concordat has a clear action plan and reports progress to the Joint Governing Body which is made up of the Chairs and Vice Chairs of each college plus the two Principals.
- The Greater Lincolnshire Area Based Review supported the proposed Federation between Grimsby Institute Group and the Lincoln College Group. The Federation has launched the Greater Lincolnshire Apprenticeships which is a joint venture designed to increase and broaden the opportunities for learners across the region. The Federation also provides opportunities for the colleges to share best practice and to combine their skills to win joint bids, for example, a recent LEP capital bid to enhance our technological capability has been supported to a full business case.
- In seeking to diversify income away from public funding sources, GIFHE has invested into the creation and launch of a Logistics Training centre (Modal Training Ltd) which commenced trading in January 2017. This new entity utilises state of the art simulators to train employees from commercial enterprises. While market research shows demand for such services within the region, uncertainty as to income growth exists at this early stage. An active Modal Advisory Committee has been introduced, which together with the introduction of a Managing Director with a strong marketing background, has brought a major focus on finding Modal's position in the market.
- GIFHE took over responsibility for operating Yorkshire Coast College in Scarborough from 2010 onwards. Financial performance did not achieved the aims set by GIFHE in 2016/17 and plans are underway to re-launch the college under a new brand and at a new location within the Scarborough area. GIFHE purchased a new property at Filey Road in Scarborough in June 2017 and the majority of the Scarborough provision has been delivered from this new campus from September 2017.

Operating and Financial Review (continued)

The risks are mitigated in a number of ways:

- Continuing rationalisation of the GIFHE estate.
- Funding is derived through a number of direct and indirect contractual arrangements.

By ensuring GIFHE is rigorous in delivering high quality education and training.

- GIFHE will continue to diversify its income streams so that it is less reliant on ESFA derived public funding. Further development of TAG including the recently launched sixth form provision, establishment of Modal Logistics and more employer focused relationships to optimise the opportunities from the Apprenticeship Levy.
- The Governors and Executive Management Team (EMT) continue to evaluate and progress strategic options both as part of the Area Reviews outcome and directly with other providers where it sees strategic benefits. By shaping proposals with other learning providers in the region it operates within, GIFHE believes it will be in a better position overall and will build a stronger and robust future.
- Considerable focus and investment is placed on maintaining and managing key relationships with ESFA/Office for Students (formally HEFCE) to ensure alignment with funding guidance and optimisation of relevant income streams.
- Thorough evaluation of income growth and investment opportunities to ensure that the risks presented by the proposals are fully accounted for and mitigated to an acceptable extent. This includes maintaining an open and regular dialogue with the college's banks to ensure they remain supportive of the college going forward.

2 Tuition Fee Policy

Fee assumptions for adult learner are currently stable at 50% of full funding value in 2016/17. In line with the majority of other colleges, GIFHE will increase tuition fees in accordance with the rising fee assumptions. The risk for GIFHE is that demand falls off as fees increase. This may impact on the growth strategy of GIFHE.

This risk is mitigated in a number of ways:

- By ensuring that GIFHE is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring for the demand for courses as prices change.

3 Maintain adequate funding of pension liabilities

The Hutton report on public sector pensions recommends increased contributions from both employers and particularly employees in order to reduce the growing deficit in public sector pension schemes. GIFHE must ensure that its future finances and profitability will be adequate to meet such requirements.

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

4 Failure to maintain the financial viability of GIFHE

GIFHE's current financial health grade is classified as 'Good' as described previously. This is largely the consequence of the operating deficit and the investment at the year-end in the new Filey Road campus in Scarborough. Notwithstanding that, the continuing challenge to the GIFHE's financial position remains the

Operating and Financial Review (continued)

Failure to maintain the financial viability of GIFHE (continued)

constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Rigorous forecasting and active financial management of operations
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

STAKEHOLDER RELATIONSHIPS

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

- Students
- Education Sector Funding Bodies
- Staff
- Local employers (with specific links)
- Local Authorities
- Government Offices/Local Enterprise Partnerships
- The local community
- Other FE institutions
- Trade unions
- Professional bodies

GIFHE recognises the importance of these relationships and engages in regular communication with them through the group internet site and by meetings.

Equality

GIFHE 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 and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality Policy is published on the intranet site.

GIFHE considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with GIFHE continues. GIFHE's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees. An equalities plan is published each year and monitored by managers and governors.

Disability Statement

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

- GIFHE has Learner Services staff, who provide information, advice and arrange support where necessary for students with disabilities.
- GIFHE reviews access on a regular basis to ensure that all learners are catered for and are able to access all of the facilities equally and makes reasonable adjustments wherever necessary.
- There are significant resources such as the Study Skills Centre which supplies individual help for numeracy/literacy and computer skills. Additional support for course work and exams can also be

Operating and Financial Review (continued)
Disability statement (continued)

arranged. The Dyslexia Unit, the Visually Impaired Unit, help for the hearing and physically impaired, zoom text, hearing induction loop systems, wheelchair accessible desks, large screens for PCs, information in alternative formats (as requested), and counselling services are amongst of the different types of support available

- GIFHE has an admissions policy and Learner Charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- GIFHE has made significant investment in the appointment of specialist lecturers and support staff to support students with learning difficulties and/or disabilities. There are a number of Learner Mentors and Learning Support Practitioners who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Specialist programmes are described in GIFHE prospectuses, and achievements and destinations are recorded and published in the standard GIFHE format.
- Counselling and welfare services are described in the GIFHE Learner Charter, which is issued to students together with the Complaints/Praise and Disciplinary Procedure information 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, there is no relevant audit information of which GIFHE's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the GIFHE's auditors are aware of that information.

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



.....
Mrs. E Stoddart
Chair of the Corporation

11/12/2018

Statement of Corporate Governance and Internal Control

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

GIFHE endeavours to conduct its business:

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

GIFHE is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which GIFHE has applied the principles set out in The English Colleges' Foundation Code of Governance issued by the Association of Colleges. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Corporation, GIFHE complies with/exceeds all the provisions of the Code in so far as they apply to the FE Sector, and it has complied throughout the year ended 31 July 2018 and up to the date of signature of this report.

GIFHE 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's Commission guidance on public benefit and that the required statements appear elsewhere in these financial statements.

The Corporation

The members who served the Corporation during the year 2017-18 were:

Name	Date Appointed	Term of office	End of term of office / resignation	Status of Appointment	Committees served	Meeting Attendance %
Mrs L Ottewell-Key	17.10.15	4 yrs	16.10.19	Staff	Audit	89
Mr P Jackson	13.07.06	4 yrs	14.12.20	Business	Audit, Remuneration	78
Mr R Cannon	22.05.12	4 yrs	25.05.20	Business	STEC, Remuneration	78
Mr D Hilditch	23.10.12	2 yrs	31.12.17	Co-opted	GIFHE	100
Mr I Lindley	20.12.11	4 yrs	19.12.19	Co-opted	GIFHE	75
Mr T Bramley	09.07.13	4 yrs	08.07.21	Business	GIFHE, Remuneration	90
Mr J Lovelle	01.01.14	4 .5 yrs	31.07.18	Business / Co-opted	MAC, Remuneration	100
Mr R Edwards	01.01.14	4 yrs	01.11.21	Business	Audit	78
Mrs J Bowman	01.01.14	4 yrs	01.11.21	Co-opted	GIFHE	50
Mr R Walsh	30.09.12	4 yrs	LOA to 31.8.19	Co-opted	GIFHE	33
Mrs E Stoddart	01.01.15	4 yrs	31.12.22	Business	Audit, MAC, Remuneration	93
Mrs E Parry	30.09.14	4 yrs	01.11.21	Business / Co-opted	MAC, Remuneration	80
Mr K Adegbembo	30.09.14	4 yrs	29.09.22	Co-opted	STEC	100
Ms G Alton	21.03.16	N A	N A	CEO	MAC	100
Ms Wendy Spalding-Siracusa	10.07.18	4 yrs	10.07.22	Business	none	n/a
Prof A Speight	01.01.17	4 yrs	22.05.18	Co-opted / Business	GIFHE	50
Mr L Atkinson	09.05.17	2 yrs	31.07.18	Student co-opted	GIFHE	75
Ms C Robinson	09.05.17	2 yrs	31.07.18	Student co-opted	STEC	100
Ms J Deacon	10.07.18	4 yrs	10.07.22	Co-opted	STEC	n/a
Ms S Burnett	01.01.17	4 yrs	31.12.20	Co-opted	STEC	67
Mr B Davidson	01.01.17	4 yrs	31.12.20	Co-opted	STEC	100
Clr T Fox	01.01.17	4 yrs	31.12.20	Co-opted	STEC	100
Mr D Kelly	09.05.17	4 yrs	23.11.17	Co-opted	STEC	n/a
Ms L Rowley	09.05.17	2 yrs	22.09.17	Staff co-opted	STEC	
Ms T Gyte	01.12.17	4 yrs	01.12.21	Staff co-opted	STEC	100
Ms M Laylor	20.03.18	4 yrs	20.03.22	Co-opted	GIFHE	100
Ms J Wilson	20.03.18	4 yrs	20.03.22	Co-opted	GIFHE	100
Ms J Miller	01.01.17	4 yrs	30.10.17	Co-opted	C & E	n/a
Mr C Tonge	01.01.17	4 yrs	30.10.17	Co-opted	C & E	n/a
Mr M Parker	07.03.17	4 yrs	30.10.17	Co-opted	C & E	n/a
Mr J Baker	07.03.17	4 yrs	30.10.17	Co-opted	C & E	n/a
Ms J Spence	07.03.17	4 yrs	30.10.17	Co-opted	C & E	n/a
Mr S Whitaker	01.01.17	N A	N/A	EXEC Co-opted	C & E	100
Mr H Callaway	21.11.17	N A	N A	EXEC Co-opted	MAC	100
Ms D Gray	01.01.17	N A	N A	EXEC Co-opted	GIFHE	100
Ms A Hardy	01.01.17	N A	N A	EXEC Co-opted	STEC	100
Ms S Bailey acts as Clerk to the Corporation						

Corporation members in bold

STEC	Scarborough TEC
GIFHE	Grimsby Institute of Further & Higher Education
MAC	Modal Advisory Committee
C&E	Commercial & Enterprise Board (replaced with MAC 30.10.18)

The following persons also acted as directors of GIFHE's wholly owned subsidiaries during this year: Ms G Alton, and Mr H R Callaway.

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

The meeting attendance is based upon Corporation and Committee meetings and does not include other formal meetings such as Task and Finish Groups, Chair / Vice Chair Meetings, attendance at events and awards ceremonies. The total average attendance at Corporation / Committee meetings during 2017-18 was 86%.

The Corporation is provided with regular and timely information on the overall financial performance of GIFHE 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 meets on at least five occasions during the year.

The Corporation restructured its governance arrangements during 2016-17 and moved to the operation of a 'Carver' style model of governance to support the implementation of the Group Strategic Plan 2016-19 and to rationalise reporting to governors. The Corporation conducts its business through a number of committees and Local Boards. Each Committee and Local Board has terms of reference, which have been approved by the Corporation. These committees are the Remuneration Committee, the Audit Committee, the Modal Advisory Committee, GIFHE Local Board and Scarborough TEC Local Board. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available either on the Institute's website at www.grimsby.ac.uk or from the Clerk to the Corporation at:

The Grimsby Institute of Further & Higher Education
Nuns Corner
Grimsby
DN34 5BQ

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 GIFHE'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 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.

Statement of Corporate Governance and Internal Control (continued)

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 are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement.

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

Appointments to the Corporation

The Corporation is responsible for the selection and appointment of any new member to the Corporation and Local Boards and for ensuring that appropriate training is provided as required. Members of the Corporation are appointed for a term of office not exceeding 4 years. The Corporation abides by a governor selection policy which is available to view on the Institute's website at www.grimsby.ac.uk or from the Clerk to the Corporation.

Corporation Performance

The Corporation undertakes an assessment of its' own performance annually, the results of which are included within the Groups' Annual Self-Assessment Report. For 2017-18 the Corporation self-assessed its' performance as 'Outstanding' which reflects the Ofsted Inspection Grade awarded for the Groups' effectiveness of Leadership and Management including governance in May 2017.

Remuneration Committee

During the year ending 31 July 2018 GIFHE's Remuneration Committee comprised five members. The Committee's responsibility is to consider and determine on behalf of the Corporation the remuneration and other terms and conditions of senior post holders (including the Accounting Officer).

Details of remuneration for the year ended 31 July 2018 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprised five members as at 31 July 2018, four members of the Corporation (excluding the Accounting Officer) and one co-opted specialist member. 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 GIFHE'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 GIFHE's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of GIFHE management. The Committee also receives and considers reports from the main funding bodies, as they affect GIFHE's business.

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

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

Statement of Corporate Governance and Internal Control (continued)

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

Internal Control

Scope of responsibility

The Corporation is ultimately responsible for the GIFHE'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 CEO, as Accounting Officer, for maintaining a sound system of internal control that supports the achievements of GIFHE's policies, aims and objectives whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum/Financial Agreement between GIFHE and the ESFA. She is also responsible for reporting to the Corporation any material weakness or breakdown 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 GIFHE 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 GIFHE for the year ended 31 July 2018 and up to the date of the approval of the annual report and financial statements.

Capacity to Handle Risk

The Corporation has reviewed the key risks to which GIFHE 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 GIFHE's significant risks that has been in place for the year ending 31 July 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

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

The Executive Management Team (EMT) receive 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 EMT and 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 regular items for consideration of risk and control and receives reports thereon from the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Corporation considered the Annual Report of the Audit Committee and this includes the committee's advice on the effectiveness of

Statement of Corporate Governance and Internal Control (continued)

GIFHE's risk management, control and governance processes, together with significant matters arising from the work of the auditors.

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

The Risk and Control Framework

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

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

GIFHE has an internal audit service, which operates in accordance with requirements of the funding bodies' Audit Code of Practice. The work of the internal audit service is informed by an analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

As a minimum, the Head of Internal Audit (HIA) annually provides the Corporation with a report of internal audit activity in GIFHE. The report includes the HIA's independent opinion on the adequacy and effectiveness of GIFHE's system of risk management, controls and governance process.

Review of Effectiveness


As Accounting Officer, the Chief Executive Officer has responsibility for reviewing the effectiveness of the system of internal control. The Chief Executive 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 GIFHE who have responsibility for the development and maintenance of the internal control framework.
- Comments made by the GIFHE's financial statement auditors, the regularity auditors in their management letters and other reports.

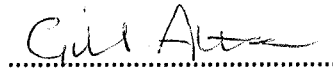
Going Concern

After making appropriate enquiries, the Corporation considers that GIFHE has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In coming to this conclusion the Corporation have taken account of the detailed two-year financial plan, including capital investment and associated impacts on cash reserves. Refer to further details in accounting policy.

Approved by order of the members of the Corporation on 11 December 2018 and signed on its behalf by:



Mrs. E Stoddart
Chair of the Corporation



Mrs. G Alton
Accounting Officer

Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with the funding bodies' terms and conditions of funding, under the financial memorandum in place between GIFHE and the ESFA. 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 our knowledge, we are able to identify any material irregular or improper use of funds by GIFHE, or material irregular or improper use of funds by GIFHE, or material non-compliance with the funding bodies' terms and conditions of funding under GIFHE's financial memorandum.

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



.....
Mrs. E. Stoddart
Chair of the Corporation



.....
Mrs. G Alton
Accounting Officer

11/12/2018

Statement of the Responsibilities of the Members of the Corporation

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

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that GIFHE will continue in operation.

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of GIFHE.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of GIFHE and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard assets of GIFHE and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 11th December 2018 and signed on its behalf by:



.....
Mrs. E. Stoddart

Chair of the Corporation

Independent auditor's report to the Corporation of Grimsby Institute of Further and Higher Education

Opinion

We have audited the financial statements of Grimsby Institute of Further & Higher Education (the 'College') for the year ended 31 July 2018 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheet, the Consolidated Cash Flow Statement 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 applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the College's deficit of expenditure over income 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 Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation 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 Corporation are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent auditor's report to the Corporation of Grimsby Institute of Further and Higher Education (Continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; and
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 22, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation 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 cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

This report is made solely to the Corporation as a body in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed



Mazars LLP
Statutory Auditor, Chartered Accountants
Park View House
58 The Ropewalk
Nottingham NG1 5DW
Date: 11/12/18

Reporting accountant's assurance report on regularity

To the corporation of Grimsby Institute of Further and Higher Education and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 26 September 2018 and further to the requirements of the funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Grimsby Institute of Further & Higher Education during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Grimsby Institute of Further and Higher Education and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

Reporting accountant's assurance report on regularity (continued)

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

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the ESFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed: 

Mazars LLP
Statutory Auditor, Chartered Accountants
Park View House
58 The Ropewalk
Nottingham NG1 5DW

Date: 11/12/18

Consolidated Statement of Comprehensive Income and Expenditure

	Note	Year Ended 31 July 2018	Year Ended 31 July 2017
		Group £'000	GIFHE £'000
INCOME			
Funding body grants	2	26,455	27,202
Tuition fees and education contracts	3	10,264	10,562
Other grants and contracts	4	126	72
Other income	5	4,068	3,175
Endowment and Investment income	6	19	46
Total income		40,932	41,057
EXPENDITURE			
Staff costs	7	26,487	27,156
Other operating expenses	8	10,171	11,777
Depreciation and Amortisation	11	3,718	3,964
Impairment	12	-	10,893
Interest and other finance costs payable	9	625	669
Total expenditure		41,001	54,459
Surplus/(Deficit) before other gains and losses		(69)	(13,402)
Gain on disposal of fixed assets	12	2	-
Surplus/(Deficit) before tax		(67)	(13,402)
Taxation	10	-	-
Surplus/(Deficit) for the year		(67)	(13,402)
Unrealised surplus on revaluation of assets		-	1,051
Actuarial gain in respect of pensions scheme	25	814	2,179
Total Comprehensive Income for the year		747	(10,172)
Represented by:			
Unrestricted comprehensive income		747	(10,172)
		747	(9,607)

The statement of comprehensive income is in respect of continuing activities.

The notes on pages 31 to 54 form part of these financial statements.

Consolidated and GIFHE Statement of Changes in Reserves

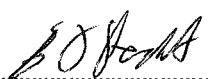
	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 31 July 2016	27,744	11,993	39,737
Deficit from the income and expenditure account	(13,402)	-	(13,402)
Other comprehensive income – Unrealised loss on revaluation	-	(499)	(499)
Other comprehensive income – Restatement-revaluation	-	1,550	1,550
Other comprehensive income- Pensions	2,183	-	2,183
Transfers between revaluation and income and expenditure reserves	1,920	(1,920)	-
Balance at 31 July 2017	18,445	11,124	29,569
Deficit from the income and expenditure account	(67)	-	(67)
Other comprehensive income - Pensions	814	-	814
Transfers between revaluation and income and expenditure reserves	195	(195)	-
Balance at 31 July 2018	19,387	10,929	30,316
	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
GIFHE			
Balance at 31 July 2016	29,273	11,993	41,266
Reserves Transferred from Intercompany	40	-	40
Deficit from the income and expenditure account	(12,837)	-	(12,837)
Other comprehensive income – Unrealised loss on revaluation	-	(499)	(499)
Other comprehensive income-restatement-revaluation	-	1,550	1,550
Other comprehensive income - Pensions	2,183	-	2,183
Transfers between revaluation and income and expenditure reserves	1,920	(1,920)	-
Balance at 31 July 2017	20,579	11,124	31,703
Surplus from the income and expenditure account	984	-	984
Other comprehensive income - Pensions	814	-	814
Transfers between revaluation and income and expenditure reserves	195	(195)	-
Balance at 31 July 2018	22,572	10,929	33,501

The notes on pages 31 to 54 form part of these financial statements.

Balance sheet as at 31 July

	Notes	Group 2018 £'000	GIFHE 2018 £'000	Group 2017 £'000	GIFHE 2017 £'000
Non current assets					
Intangible assets	11	139	136	188	183
Tangible fixed assets	12	66,909	61,910	65,859	60,767
Investments	13	301	301	301	301
		67,349	62,347	66,348	61,251
Current assets					
Stocks	-	47	47	45	45
Trade and other receivables	14	2,229	8,688	1,721	7,100
Cash and cash equivalents	19	4,370	4,363	5,800	5,730
		6,646	13,098	7,566	12,875
Less: Creditors: Amounts falling due within one year	15	(6,868)	(6,814)	(7,719)	(7,420)
Net current (liabilities)/assets		(222)	6,284	(153)	5,455
Total assets less current liabilities		67,127	68,631	66,195	66,706
Creditors: Amounts falling due after more than one year	16	(23,299)	(21,617)	(23,229)	(21,606)
Provisions	18	(1,519)	(1,519)	(2,056)	(2,056)
Pension – Defined benefit obligations	18	(11,994)	(11,994)	(11,341)	(11,341)
Total net assets		30,315	33,501	29,569	31,703
Unrestricted Reserves					
Income and expenditure account		19,386	22,572	18,445	20,579
Revaluation reserve		10,929	10,929	11,124	11,124
Total Unrestricted Reserves		30,315	33,501	29,569	31,703

The financial statements on pages 27 to 54 were approved and authorised for issue by the Corporation on 11th December 2018 and were signed on its behalf by:


.....
Mrs. E Stoddart
Chair of the Corporation


.....
Mrs. G. Alton
Accounting Officer

The notes on pages 31-54 form part of these financial statements.

Consolidated Statement of Cash Flows

	2018	2017
	£'000	£'000
Cash inflow from Operating activities		
(Deficit) for the year	(67)	(13,402)
Adjustment for non-cash items		
Depreciation and amortisation	3,718	3,964
Impairment	-	10,893
(increase)/decrease in stocks	(2)	4
(increase)/decrease in debtors	(508)	54
(decrease)/increase in creditors due within 1 year	(1,078)	62
Increase/(decrease) in creditors due after 1 year	1,334	(1,119)
(decrease)/increase in provisions	(537)	(120)
Pensions costs less contributions payable	1,154	395
Taxation	-	-
Adjustment for investing or financing activities		
Investment income	(19)	(46)
Interest payable	625	669
Loss on sale of fixed assets		-
Net cash flow from operating activities	4,620	1,354
Cash flows from investing activities		
Investment income	19	46
Payments made to acquire fixed assets	(4,469)	(8,622)
Payments made to acquire trading name of Transafe Training	(100)	-
	(4,551)	(8,576)
Cash flows from financing activities		
Interest Paid	(315)	(332)
Repayments of amounts borrowed	(1,184)	(451)
	(1,499)	(783)
Decrease in cash and cash equivalents in the year	(1,430)	(8,005)
Cash and cash equivalents at the beginning of the year	19	5,800
Cash and cash equivalents at the end of the year	19	4,370
		5,800

Notes

(forming part of the financial statements)

Statement of accounting policies and estimation techniques

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

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2017 to 2018 and in accordance with Financial Reporting Standard FRS102 – "The Financial Reporting Standard in the United Kingdom and Republic of Ireland" (FRS102). GIFHE is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

The preparation of the financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying GIFHE's accounting policies.

Basis of Accounting

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

Basis of Consolidation

The consolidated financial statements include the financial statements of GIFHE and its subsidiaries controlled by GIFHE. Control is achieved where GIFHE has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated Statement of Comprehensive income from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS102, the activities of the Student Union have not been consolidated because GIFHE does not control these activities. All financial statements are made up to 31 July 2018.

Going Concern

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

GIFHE currently has £5.6m of loans with £0.3m of these loans repayable within one year and £3.8m of the loans being repayable beyond 5 years or more. The loan relates to the Santander £7.5m facility which is repayable at £0.3m per year over 25 years. GIFHE's 2018/21 three year plan, and in year 2018/19 forecasts indicate that, allowing for the planned development of the STEC campus at Scarborough, and also the expected level of support for the Modal operation, there may be a requirement for a short-term credit facility to support operating cash flow. GIFHE has been offered an appropriate level of facility formalised during November 2018.

There are covenants that apply to the Santander loan. At the balance sheet data, these related to net assets and the ratio of operating surplus to loan servicing costs. Projections indicate significant cover of the covenant requirements.

Notes (continued)

Statement of accounting policies (continued)

After making appropriate enquiries, the Corporation considers that GIFHE has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. In coming to this conclusion the Corporation have taken account of the detailed two year financial plan, including capital investment and associated impacts on cash reserves.

Recognition of Income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is normally adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Grants (including research grants) from non-government sources and discrete funds received from funding bodies during the year are credited to the Statement of Comprehensive Income when GIFHE is entitled to the income and performance related measures have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance and released to income when the conditions have been met.

Capital Grant Funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS102. Other, non-governmental, capital grants are recognised in income when GIFHE is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Agency Arrangements

GIFHE acts as an agent in the collection and payment of certain discretionary support funds. Where GIFHE receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that GIFHE does not have direct control over the future economic benefits derived from these funds. GIFHE has applied this policy to certain funds received during the year from the ESFA (see note 27).

Fee Income

Income from tuition fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors.

Investment Income

All income from short-term deposits is credited to the Statement of Comprehensive Income and Expenditure account in the period in which it is earned.

Notes (continued)

Statement of accounting policies (continued)

Accounting for post-employment Benefits

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

Teachers' Pension Scheme (TPS)

Contributions to the TPS scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with GIFHE in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Local Government Pension Scheme (LGPS)

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

Net interest on the net defined benefit liability is also recognised in the Statement of Comprehensive Income and Expenditure and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs. Actuarial gains and losses are recognised immediately in actuarial gains and losses. Further details of the pension schemes are given in note 25.

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 GIFHE. Any unused benefits are accrued and measured as the additional amount GIFHE expects to pay as a result of the unused entitlement.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to former members of staff is paid by GIFHE annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to GIFHE Income and Expenditure Account in the year that the member of staff retires. In subsequent years the charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the Funding Bodies.

Non-current Assets – Tangible Fixed Assets

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

Notes (continued)

Statement of accounting policies (continued)

Valuation of Land Assets

Land assets are held at fair value. In accordance with FRS102 all land has been revalued by independent professional advisors as at 31st July 2017. Land was revalued on an alternative use basis resulting in an increase in value of £8,643k. The value of buildings was not changed. GIFHE has a policy of revaluing these assets every 4 years.

Land and buildings

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to GIFHE of 40 years.

Buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis. Land and buildings acquired since incorporation are included in the balance sheet at cost.

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

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

On the adoption of FRS102, GIFHE followed the transitional provision to retain the book value of land and buildings which were revalued in 1992, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July 2018. They are not depreciated until they are brought into use.

Subsequent Expenditure on Existing Fixed Assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the Statement of Comprehensive Income and Expenditure account in the period it is incurred, unless it increases the future benefits to GIFHE, in which case it is capitalised and depreciated on the relevant basis.

Long Leasehold

GIFHE has one building on leasehold land that had been amortised to the estimated market value of that building.

Heritage Assets

GIFHE owns one Heritage asset which is the Westwood Campus at Scarborough. Heritage assets are depreciated over their expected useful economic life to GIFHE of 40 years.

Notes (continued)

Statement of accounting policies (continued)

Equipment

Equipment costing less than £1000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the North East Lincolnshire Council is included in the balance sheet at valuation. All other equipment is capitalised at cost.

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

Motor vehicles	-	5 years
Fixtures & Fittings	-	7 years
Computer equipment	-	6 years
Plant	-	5 years
Other equipment	-	5 – 20 years

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

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

Intangible Assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- Software costs 5-6 years
- Goodwill for small acquisitions the goodwill is written off fully in the year of purchase

Borrowing Costs

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

Operating Leases

Operating lease rentals are charged on a straight-line basis over the term of the lease.

Investments

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements. The investment property is accounted for on a valuation basis and was revalued by professional advisors for the year end 31 July 2017 which resulted in a revaluation loss of £499k in 2016/17. The revaluation loss was recognised in Statement of Comprehensive Income and Expenditure.

Stock

Stocks are stated at the lower of their cost and net realisable value. It is determined on a First In First Out (FIFO) basis. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Notes (continued)

Statement of accounting policies (continued)

Cash and cash equivalents

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

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

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. All loans, investments and short term deposits held by GIFHE are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the income and expenditure account in the year in which they arise.

Taxation

GIFHE is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, GIFHE 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.

GIFHE is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

GIFHE's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

Provisions are recognised when GIFHE 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.

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

Notes (continued)

Statement of accounting policies (continued)

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
Determine whether there are indicators of impairment of GIFHE's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit. See impairment judgements below. Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- The present value of the Local Government Pension Scheme defined benefit liability depends on a 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 25, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.
- Investment properties are assessed annually to determine the carrying value of the asset.
- GIFHE changed the accounting policy for land and buildings in 2017 to account for these classes of assets separately. In accordance with FRS102 all land has been revalued by independent professional advisors as at 31st July 2017. Land was revalued on an alternative use basis, the buildings were not changed. GIFHE has a policy of revaluing these assets every 4 years.

Impairment Judgements

The following judgements have been made in the year in relation to impairment

- The Modal business has not performed in line with budget for 2017/18. The impairment of Modal assets has been considered, however GIFHE management believe that this business will recover and repay the investment that has been made. An active Modal Advisory Committee has been introduced, which together with the introduction of a Managing Director with a strong marketing background, has brought a major focus on finding Modal's position in the market. A key element of strategy is to forge links with experienced partners and during the year Modal acquired the business of Transafe Training which will enable products and services to be brought to market more quickly.
- During summer 2017 GIFHE purchased a new main campus site for STEC at Filey Road, Scarborough. The majority of teaching provision from September 2017 has been located at Filey Road. The original sites of Lady Edith Drive and Westwood are now scheduled for sale and were impaired last year. The Lady Edith Drive site was valued for residential development, allowing for demolition costs and appropriate restrictions on value. The Westwood site was valued at an open market basis.

Notes (continued)

2 Funding body grants

	Year Ending 31 July		Year Ending 31 July	
	2018	2018	2017	2017
	Group	GIFHE	Group	GIFHE
	£'000	£'000	£'000	£'000
Recurrent Grants				
Education and Skills Funding Agency - Adult	5,460	5,460	5,557	5,557
Education and Skills Funding Agency – 14-16	2,051	2,051	1,415	1,415
Education and Skills Funding Agency – 16 -18	14,180	14,180	15,545	15,545
Education and Skills Funding Agency - Apprenticeships	2,427	2,427	2,532	2,532
Higher Education funding Agency	835	835	1,242	1,242
Specific Grants				
Skills Funding Agency	212	212	92	92
Releases of government capital grants	1,290	1,290	812	812
HE grant	-	-	7	7
Total	26,455	26,455	27,202	27,202

3 Tuition fees and education contracts

	Year Ending 31 July		Year Ending 31 July	
	2018	2018	2017	2017
	Group	GIFHE	Group	GIFHE
	£'000	£'000	£'000	£'000
Adult education fees	799	756	955	946
Apprenticeship fees and contracts	43	43	19	19
Fees for FE supported loans	650	650	847	847
Fees for HE supported loans	8,333	8,333	7,971	7,971
International students fees	40	40	201	201
Total tuition fees	9,865	9,822	9,993	9,984
Education contracts	399	399	569	569
Total	10,264	10,221	10,562	10,553

Notes (continued)

4 Other grants and contracts

	Year Ending 31 July		Year Ending 31 July	
	2018	2018	2017	2017
	Group	GIFHE	Group	GIFHE
	£'000	£'000	£'000	£'000
Erasmus	45	45	-	-
UK-based charities	81	81	-	-
European Commission			72	72
Total	126	126	72	72

5 Other income

	Year Ending 31 July		Year Ending 31 July	
	2018	2018	2017	2017
	Group	GIFHE	Group	GIFHE
	£'000	£'000	£'000	£'000
Catering and residences	1,008	1,008	898	898
Other income generating activities	768	767	625	606
Other grant income	471	471	177	173
Non-government capital grants	744	611	326	223
Miscellaneous income	1,077	1,127	1,149	1,243
	4,068	3,984	3,175	3,143

6 Investment income

	Year Ending 31 July		Year Ending 31 July	
	2018	2018	2017	2017
	Group	GIFHE	Group	GIFHE
	£'000	£'000	£'000	£'000
Other interest receivable	19	19	46	46
Total	19	19	46	46

Notes (continued)

7 Staff costs

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

	Year Ending 31 July		Year Ending 31 July	
	Number		Number	
	2018	2018	2017	2017
	Group	GIFHE	Group	GIFHE
Teaching staff	382	382	504	504
Non-teaching staff	351	303	328	277
	733	685	832	781

Staff costs for the above persons:

	£'000	£'000	£'000	£'000
Wages and Salaries	19,746	18,330	20,365	19,145
Social Security Costs	1,641	1,522	1,752	1,640
Other Pension Costs	4,078	3,988	3,545	3,386
Payroll sub total	25,465	23,840	25,662	24,171
Fundamental restructuring costs	197	190	467	450
Contracted out staffing services	825	704	1,027	975
Total Staff Costs	26,487	24,734	27,156	25,596

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of GIFHE and are represented by the Executive Management Team. A full list of the Executive Management is provided on Page 2. Staff costs include compensation paid to key management personnel for loss of office.

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

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

	2018	2017
	Number	Number
The number of key management personnel including the Accounting Officer was:	<u>9</u>	<u>9</u>

Notes (continued)

Key management personnel (Continued)

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

	Key management personnel		Other Staff	
	2018 Number	2017 Number	2018 Number	2017 Number
£30,001 to £40,000 p.a.	1	-	-	-
£40,001 to £50,000 p.a.	-	-	-	-
£50,001 to £60,000 p.a.	-	2	2	4
£60,001 to £70,000 p.a.	2	2	4	2
£70,001 to £80,000 p.a.	2	2	-	-
£80,001 to £90,000 p.a.	1	1	-	-
£90,001 to £100,000 p.a.	-	-	-	-
£100,001 to £110,000 p.a.	-	-	-	-
£110,001 to £120,000 p.a.	-	-	-	-
£120,001 to £130,000 p.a.	1	1	-	-
£130,001 to £140,000 p.a.	1	-	-	-
£140,001 to £150,000 p.a.	-	1	-	-
	8	9	6	6

Key management personnel emoluments are made up as follows:

	2018 £'000	2017 £'000
Salaries	658	784
Employers National Insurance	82	98
Benefits in kind	-	-
Pension contributions	102	135
	842	1,017

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid senior post-holder) of:

	2018 £'000	2017 £'000
Salaries	135	150
Employers National Insurance	17	19
Benefits in kind	-	-
Pension contributions	6	25
	158	194

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

Notes (continued)

8. Other operating expenses	2018	2018	2017	2017
	Group	GIFHE	Group	GIFHE
	£'000	£'000	£'000	£'000
Teaching costs	3,769	3,720	3,241	4,280
Non-teaching costs	3,896	5,146	5,272	3,061
Premises costs	2,506	2,506	3,264	5,595
Total	10,171	11,372	11,777	12,936

Other operating expenses include:	2018	2017
Auditors remuneration:	£'000	£'000
Financial Statement audit - GIFHE	31	33
Financial Statement audit - Subsidiaries	8	9
Internal audit	13	30
Other services from external audit	-	1
Other services from internal audit	-	-
Hire of plant and machinery – operating leases	123	161

9 Interest payable and other finance costs – Group and GIFHE

	2018	2017
	£'000	£'000
On bank loans, overdrafts and other loans	315	332
	315	332
Pension finance costs (note 25)	310	337
	625	669

10 Taxation

The members do not believe GIFHE was liable for any corporation tax arising out of its activities during either year. Furthermore, the subsidiary companies did not generate any taxable profits in the year.

Notes (continued)

11 Intangible fixed assets Group

	Software £'000	Goodwill £'000	Total £'000
<i>Cost or valuation</i>			
At 1 August 2017	272	-	272
Additions	6	250	256
At 31 July 2018	278	250	528
<i>Accumulated amortisation</i>			
At 1 August 2017	84	-	84
Charge for year	55	250	305
At 31 July 2018	139	250	389
<i>Net book value</i>			
At 31 July 2018	139	-	139
At 31 July 2017	188	-	188

On 31st July the group acquired the trading name of Transafe Training at a cost of £250,000 of which £100,000 was paid in the year with £150,000 deferred to 2018/19. The cost was fully amortised in the year, in line with the Group's accounting policies.

Intangible fixed assets GIFHE only

	Software £'000
<i>Cost or valuation</i>	
At 1 August 2017	266
Additions	7
At 31 July 2018	273
<i>Accumulated amortisation</i>	
At 1 August 2017	83
Charge for year	54
At 31 July 2018	137
<i>Net book value</i>	
At 31 July 2018	136
At 31 July 2017	183

Notes (continued)

12 Tangible fixed assets Group

Cost or valuation	Freehold Land £'000	Freehold Buildings £'000	Assets Under Construction £'000	Long leasehold £'000	Equipment £'000	Total £'000
At 1 August 2017	16,690	70,720	2,988	441	26,606	117,445
Transfers	(60)	1,230	(2,988)		1,818	-
Additions		2,272	1,038		1,154	4,464
Disposals					(18)	(18)
At 31 July 2018	16,630	74,222	1,038	441	29,560	121,890
Accumulated depreciation						
At 1 August 2017	1,545	30,826		366	18,849	51,586
Transfers	-	(931)			931	-
Charge for year	-	1,459			1,954	3,413
Eliminated in respect of disposals					(18)	(18)
At 31 July 2017	1,545	31,354	-	366	21,716	54,981
Net book value						
At 31 July 2018	15,085	42,867	1,038	75	7,844	66,909
At 31 July 2017	15,145	39,894	2,988	75	7,754	65,859

Tangible fixed assets GIFHE only

Cost or valuation	Freehold Land £'000	Freehold Buildings £'000	Assets Under Construction £'000	Long leasehold £'000	Equipment £'000	Total £'000
At 1 August 2017	16,390	68,310	2,988	441	23,211	111,340
Transfers	(60)	1,230	(2,988)		1,818	-
Additions		2,209	936		1,035	4,180
Disposals						-
At 31 July 2018	16,330	71,747	936	441	26,064	115,520
Accumulated depreciation						
At 1 August 2017	1,545	30,361	-	366	18,301	50,573
Transfers	-	(931)			931	-
Charge for year		1,379			1,657	3,037
Impairment						
Eliminated in respect of disposals						
At 31 July 2018	1,545	30,809		366	20,891	53,610
Net book value						
At 31 July 2018	14,785	40,940	936	75	5,174	61,910
At 31 July 2017	14,845	37,949	2,988	75	4,910	60,767

Notes (continued)

Tangible Fixed Assets (continued)

Valuation

Freehold land is now treated as a separate class of assets and is held at fair value. In 2017 land was revalued on an alternative use basis resulting in an increase in value of £8,642k. The College has a policy of revaluing land every 4 years.

Impairment

The impairment recorded in the 2016/17 Statement of Comprehensive Income and Expenditure was an isolated event, which occurred for a very specific reason, and relates to the two owned properties in Scarborough which were both previously used for educational purposes. The purchase of the new Filey Road campus in Scarborough enables GIFHE to consolidate the educational provision on to one campus and as a result the two original Scarborough properties will no longer be used by the Group. GIFHE's intention is to sell both of the original Scarborough campus sites, Lady Edith Drive and Westwood, which will be fully vacated by the end of 2018.

13 Investments

Total fixed asset investments comprise:

Investment Property	GROUP		GIFHE	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Balance at 1 August	301	800	301	800
Revaluation	-	(499)	-	(499)
Balance at 31 July	301	301	301	301

In the opinion of the Members the value of the investment property has not moved materially from that disclosed in the prior year and carried out by Scotts Property LLP, external Chartered Surveyors, on 23rd November 2017. The basis of the valuation was market value with the assumption of vacant possession and that all restrictive covenants have been removed. In arriving at the valuation market evidence was provided of other similar type properties within the local area.

Interests in subsidiaries

GIFHE owns 100% of the issued ordinary share capital (unless otherwise stated) of the following unlisted companies, all of which are companies incorporated in the United Kingdom and registered in England and Wales.

<u>Company</u>	<u>Principal Activity</u>	<u>Interest Acquired</u>
Grimsby College Trading Limited	Provision of transport services	1995
Modal Training Ltd	Provision of logistics training.	2001
Support Staff Services Ltd (formally Workforce Skills Ltd)	Provision of support staff (formally (formally provision of apprenticeship training)	2012
Humber Construction Limited	Dormant	1995
Humber Seafood Limited	Dormant	1996

The above subsidiaries are included in the consolidated financial statements.

Notes (continued)

14 Trade and other receivables

	2018	2018	2017	2017
	Group	GIFHE	Group	GIFHE
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	828	802	689	681
Amounts due from subsidiary undertakings	-	6,548	-	5,540
Prepayments and accrued income	1,401	1,338	1,032	879
Amounts owed by the ESFA	-	-	-	-
	<u>2,229</u>	<u>8,688</u>	<u>1,721</u>	<u>7,100</u>

Included within amounts due from subsidiary undertakings are amounts due after more than one year of £6,548k (2017 - £5,504k)

15 Creditors: Amounts falling due within one year

	2018	2018	2017	2017
	Group	GIFHE	Group	GIFHE
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (See Note 17)	300	300	300	300
Amounts due for building purchase	1,059	1,059	979	979
Payments received in advance	65	60	302	302
Trade creditors	1,165	1,136	1,230	1,211
Amounts owed to subsidiary undertakings	-	531	-	451
Other taxation and social security	782	779	866	810
Accruals and deferred income	2,649	2,234	2,607	2,255
Deferred income-government capital grants	779	646	1,258	935
Deferred income-government revenue grants	69	69	143	143
Amounts owed to ESFA	-	-	34	34
	<u>6,868</u>	<u>6,814</u>	<u>7,719</u>	<u>7,420</u>

16 Creditors: Amounts falling due after more than one year

	2018	2018	2017	2017
	Group	GIFHE	Group	GIFHE
	£'000	£'000	£'000	£'000
Bank loans (See Note 17)	5,325	5,325	5,625	5,625
Amounts due for building purchase	993	993	1,957	1,957
Deferred income-government capital grants	16,981	15,299	15,647	14,024
	<u>23,299</u>	<u>21,617</u>	<u>23,229</u>	<u>21,606</u>

Notes (continued)

17 Maturity of debt

Bank loans and overdrafts

	2018 Group £'000	2018 GIFHE £'000	2017 Group £'000	2017 GIFHE £'000
Bank loans and overdrafts are repayable as follows:				
Within one year	300	300	300	300
Between one and two years	600	600	600	600
Between two and five years	900	900	900	900
In five years or more	3,825	3,825	4,125	4,125
	<u>5,625</u>	<u>5,625</u>	<u>5,925</u>	<u>5,925</u>

During 2009/10 GIFHE signed a £7.5m unsecured loan with Santander, being £6.5m for the University Centre and £1m to refinance existing loans. The loan at 5.44% was drawn in March 2012 and is repayable over 25 years.

18 Financial Assets and Liabilities – Group

	2018 Group £'000	2018 GIFHE £'000	2017 Group £'000	2017 GIFHE £'000
Financial Assets at measured at amortised cost	5,198	11,712	6,489	11,951
Financial Liabilities measured at amortised cost	11,491	11,042	12,269	12,347

19 Provisions for liabilities

Group

	Defined Benefit obligations £'000	European Grants £'000	Enhanced Pension Provision £'000	Other £'000	Onerous Property Lease £'000	Total £000
At 1 August 2017	11,341	13	1,173	385	485	13,397
Expenditure in year	-	-	(85)	-	(56)	(141)
Transferred (to)/from income and expenditure account	653	(13)	2	(385)	-	257
At 31 July 2018	<u>11,994</u>	<u>-</u>	<u>1,090</u>	<u>-</u>	<u>429</u>	<u>13,283</u>

Provisions relate to the release to the income statement of the following grants no longer subject to possible claw back, European Regional Development Fund/Single Regeneration Budget (ERDF/SRB) capital grant (Business Units - £277k, Maritime Centre £108k). The onerous property lease, in partnership with Boston College, relates to future costs of £429k to the year 2021.

Notes (continued)

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

The principal assumptions for this calculation for are:

	2018	2017
Price inflation	1.3%	1.7%
Discount Rate	2.3%	3.5%

Defined benefit obligations relate to the liabilities under the College's membership of the local Government Pension Scheme. Further details are given in note 25.

20 Cash and cash equivalents

	At 1 August 2017 £'000	Cash Flows £'000	Other Changes £'000	At 31 July 2018 £'000
Cash and cash equivalents	5,800	(1,430)	-	4,370
Overdrafts			-	
Total	5,800	(1,430)	-	4,370

21 Capital commitments

	2018		2017	
	Group £'000	GIFHE £'000	Group £'000	GIFHE £'000
Commitments contracted for at 31 July	3,132	2,815	1,351	753

22 Lease obligations

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

	2018		2017	
Future minimum lease payments due	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Expiring within one year	169	120	162	45
Expiring between two and five years inclusive	608	318	188	66
Expiring in over five years	397	-	148	-
	1,174	438	498	111

23 Contingencies

Pension Liability

During 2010/11 following extensive pension and legal advice it was agreed that GIFHE was not responsible for the LGPS deficit relating to those previous members (non-active and deferred members) of YCC pension scheme at the time of merger

Notes (continued)

on 1 January 2010. This view still has not been confirmed by the actuary of the North Yorkshire LGPS to which the YCC members belong. However, GIFHE professional advisors still concur with their advice in 2010/11 and the estimated deficit relating to the YCC non-active members of £1.7m has not been included as a provision but is again disclosed as a potential liability. In 2012/13 a sum of £3.2m was provided in the combined liabilities of the GIFHE local government pension scheme

to cover YCC actives transferred to GIFHE. A similar amount was included in assets, with a nil impact on the overall scheme balance.

In 2014/15 the liabilities for YCC actives were updated but excluded any assets as any transfer values have not yet been agreed with NYPF.

Restrictive Land Covenants

Land valuations have been based on the assumptions that restrictive covenants do not apply as GIFHE intends to use these assets for the foreseeable future. These covenants will only have an effect if GIFHE makes the decision to no longer use the associated land for educational purposes and therefore no provision has been recognised within the valuation of the land in respect of the covenants.

24 Events after the reporting period

There are no events to report following the reporting date.

25 Defined pension obligations

GIFHE's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). The total pension cost for the year was £4,078k (2017: £3,545k).

Total Pension cost for the year	2018	2017
	£'000	£'000
Teachers' Pension Scheme: contributions paid	1,126	1,264
Local Government Pension Scheme:		
Contributions Paid	1,810	1,895
FRS 102 Charge	<u>1,118</u>	<u>396</u>
Charge to Income and Expenditure Account	2,929	2,291
Enhanced pension charge to Income and Expenditure	13	20
Nest Pension	11	
Account (Staff Costs)	<u>4,078</u>	<u>3,575</u>

Total Pension Cost

Contributions amounting to £306k (2017: £346k) were payable to the scheme at 31 July and are included within creditors.

Teachers' Pension Scheme (TPS)

Introduction

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

Notes (continued)

Pensions and similar obligations (continued)

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the TPS

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

- New employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- Total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay
- the assumed real rate of return is 3% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

A full copy of the valuation report and supporting documentation can be found on the TPS website at the following location:
<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme Changes

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

The pension costs paid to TPS in the year amounted to £1,126k. (2017: £1,264k).

FRS102 (28)

Under the definitions set out in FRS102 (28.11), the TPS is a multi-employer pension plan. GIFHE is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, GIFHE has taken advantage of the exemption on FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. GIFHE has set out above the information available on the plan and the implications for GIFHE in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by East Riding of Yorkshire Local Authority. The total contributions made for the year ended 31 July 2018 were £2,299k of which employer's contributions totalled £1,810k and employees' contributions totalled £489k. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Notes (continued)

Pensions and similar obligations (continued)

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund as 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	31 July 2018	31 July 2017
Inflation assumption (CPI)	2.4%	2.3%
Rate of increase in salaries	2.4%	2.8%
Future pension increases	2.4%	2.3%
Discount rate for scheme liabilities	2.8%	2.6%
Commutation of pensions to lump sums	70%	70%

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

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

Notes (continued)

Pensions and similar obligations (continued)

GIFHE's share of the assets in the plan at the balance sheet were:

	Value at 31 July 2018 £'000	Value at 31 July 2017 £'000
Equity instruments	35,253	33,924
Debt instruments	6,365	6,211
Property	5,876	5,256
Cash	1,469	2,389
Total fair value of plan assets	48,963	47,780
Weighted average expected long term rate of return	2.6%	2.5%
Actual return in plan assets	(359)	8,358
	2018 £'000	2017 £'000
Fair value of plan assets	48,963	47,780
Present value of plan liabilities	(60,956)	(59,121)
Net pensions liability	(11,993)	(11,341)
	2018 £'000	2017 £'000
Amounts included in staff costs		
Current service costs	2,938	2,131
Past service cost	36	-
Total	2,974	2,131
Amounts recognised in investment income		
Net interest costs	(310)	(337)
	(310)	(337)
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	(1,620)	7,352
Experience losses arising on defined benefit obligations		1,051
Changes in demographic assumptions	-	1,199
Changes in financial assumptions	2,432	(7,423)
Amount recognised in Other Comprehensive Income	812	2,179

Notes (continued)

Pensions and similar obligations (continued)

Movement in net defined liability during year

	2018	2017
	£'000	£'000
Net defined liability in scheme at 1 August	(11,341)	(12,791)
Movement in year:		
Current service cost	(2,938)	(2,131)
Employer Contributions	1,820	1,739
Past service cost	(36)	-
Net interest on the defined (liability)	(310)	(337)
Actuarial gain or loss	812	2,179
Net defined liability at 31 July	(11,993)	(11,341)

Asset and Liability Reconciliation

	2018	2017
	£'000	£,000

Changes in the present value of defined benefit obligations

Defined benefit obligations at start of period	59,121	50,787
Current service cost	2,938	2,131
Interest cost	1,571	1,343
Contributions by Scheme participants	476	467
Experience gains and losses on defined benefit obligations		-
Changes in demographic assumptions		(1,199)
Other experience	1	(1,051)
Changes in financial assumptions	(2,433)	7,423
Estimated benefits paid	(754)	(780)
Past service cost	36	-
Defined benefit obligations at end of period	60,956	59,121

	2018	2017
	£'000	£'000

Changes in fair value of plan assets

Fair value of plan assets at start of period	47,780	37,996
Interest on plan assets	1,261	1,006
Return on plan assets	(1,620)	7,352
Employer contributions	1,820	1,739
Contributions by Scheme participants	476	467
Changes in financial assumptions		-
Estimated benefits paid	(754)	(780)
Fair value of plan assets at end of period	48,963	47,780

Scheme Changes

On 26 October, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ('GMP'). The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

Notes (continued)

26 Related Party Transactions

Owing to the nature of GIFHE's operations and the composition of the Corporation (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arm's length and in accordance with the GIFHE's financial regulations and normal procurement procedures. There were no provisions for bad debts or any bad debts written off for related parties during the year.

The total expenses paid to or on behalf of the Governors during the year was £817; 4 Governors (2017 £57; 1 Governor). This represents travel and subsistence and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from GIFHE or its subsidiary companies during the year (2017: None).

Mr J Lovelle, who is a member of the Corporation, is Partner of Lovelle Bacons LLP. Mr T Bramley who is a member of the Corporation, is Chief Executive of Shoreline Housing Partnership Ltd. Mr A Speight, who is a member of the Corporation, is Pro Vice Chancellor of the University of Hull. Ms M Lalor, who is a member of the Corporation, is a board member of Lincs Inspire. R. Walsh who is a member of the Corporation, is Chief Executive of NELC.

Specific Related Parties Transactions between the Group for the year to 31 July 2018 are as stated below:

	Income Transactions	Purchase Transactions
	£k	£k
Lovelle Bacons LLP	-	-
Shoreline Housing Partnership Ltd	-	-
University of Hull	-	558
Lincs Inspire	-	-

Related Parties Debtors and Creditors in the Group Financial Statements as at 31 July 2018

	Debtors	Creditors
	£k	£k
Lovelle Bacons LLP	-	-
Shoreline Housing Partnership Ltd	-	-
University of Hull	-	2,052
Lincs Inspire	-	-

Specific Related Parties Transactions between the Group for the year to 31 July 2018 are as stated below:

Transactions with the funding bodies and the Office for Students (formally HEFCE) are detailed in notes 2 and 27.

27 Amounts Disbursed as Agent

Learner support funds	2018	2017
	£'000	£'000
Balance brought forward	14	113
Funding body grants	784	710
Funding body grants claw-back	(9)	(37)
Disbursed to students	(719)	(742)
Administration fees	(6)	(30)
Balance unspent at 31 July	64	14

Funding body grants are available solely for students; GIFHE acts as paying agent. The grants and related disbursements have therefore been excluded from the income and expenditure account.