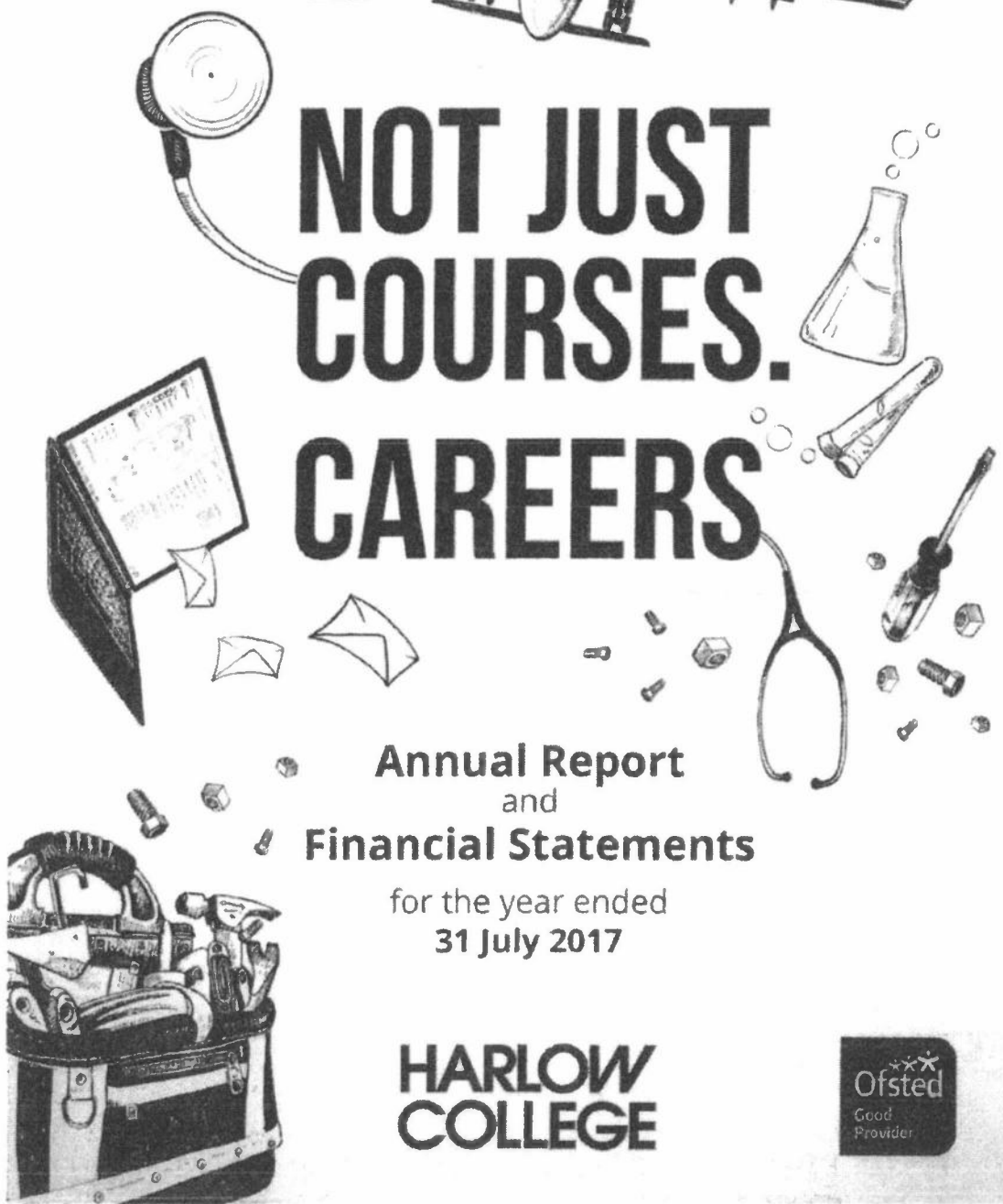


NOT JUST COURSES. CAREERS



**Annual Report
and
Financial Statements**
for the year ended
31 July 2017

**HARLOW
COLLEGE**



HARLOW COLLEGE

Annual Report and Financial Statements for the year ended 31 July 2017 Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Executive Team and were represented by the following in 2016/17:

Karen Spencer – Principal, Chief Executive and Accounting officer
Michael Stokes – Deputy Principal
Louise Turner – Deputy Principal
Will Alanson – Vice Principal
Sallyann Abdelmoula – Assistant Principal
Rebecca Jones – Assistant Principal
Ann King – Assistant Principal
Sally Appleby – Executive Director of HR Services
Deanne Morgan – Executive Director of Financial Services
Ben Nicholls – Executive Director of IT & Facilities Infrastructure
Paul Whitehead – Executive Director of Information, Data & Support

Board of Governors

A full list of Governors is given on page 23 to 24 of these financial statements.
Mrs Debbie Sheridan acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

RSM UK Audit LLP
Marlborough House
Victoria Road South
Chelmsford
Essex CM1 1LN

Internal auditors:

Scrutton Bland
Fitzroy House
Crown Street
Ipswich
Suffolk
IP1 3LG

Bankers:

Clydesdale Bank PLC
88 Wood Street
London
EC2V 7QQ

Solicitors:

Eversheds LLP
Bridgewater place
Water Lane
Leeds
LS11 5DR

Burness Paul LLP
50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

HARLOW COLLEGE
Annual Report and Financial Statements for the year ended 31 July 2017

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Annual Report and Financial Statements for the year ended 31 July 2017 Members' Report

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Harlow College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission

Harlow College is an inspirational provider which delivers peoples' futures in terms of exceptional student success, enrichment and progression into work or further study. It is an expansive organisation where students and staff develop their confidence and their creativity, and are provided with innovative ways of learning.

Public Benefit

Harlow College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 23 and 24.

In setting and reviewing the College'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 the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

The College is the main post-16 provider for vocational education in Harlow. The mainstream College work is delivered on a single site and offers courses in many subject areas over a wide range of levels. Specialisms include Engineering, Journalism, Media and Digital Technology and Science, Health and Care. Most learners are from Essex and Hertfordshire.

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

- We have **outstanding student progress** and achievement, performing in the top 1% of colleges in the country for student attainment and value added.
- Our students get **higher grades on average** compared to their peers studying elsewhere, so we have strong value added.
- We're **award-winning** – the Association of Colleges has awarded us Beacon status for Innovation in Teaching and Learning, as well as for Leadership of Improvement.
- Our students have been recognised for their skills through gaining **prestigious awards** such as Apprentice of the Year.
- We provide **strong pastoral care and support**, encouraging and valuing everyone. We pride ourselves on an environment that's safe and secure.



Annual Report and Financial Statements for the year ended 31 July 2017 Members' Report

- We're a great stepping stone to employment or Higher Education and can provide **employability, study and communication skills** to succeed.
- Our **Alumni are recognised for outstanding achievements** in their fields. They include: Alan Rusbridger (Pulitzer Prize Winning Journalist), Piers Morgan (journalist and television presenter), Nihal Arthanayake (musician and broadcaster), Jaime Winstone (actress) and Top Gear's Jeremy Clarkson.
- We have strong links with the Local Enterprise Partnership (LEP)

Information Advice and Guidance is effective and strong support and care systems are in place to ensure that the majority of learners happily start on the right course and then stay, with a positive attitude towards succeeding.

Well-established and highly effective partnerships support College provision. Good partnerships with national and local employers and local agencies inform the curriculum and contribute significantly to the design of new curricula, accommodation and resources to match industry standards.

The College provides vocational and employability courses, closely linked to employment opportunities, for over three thousand adults. Success rates for these courses are very high and many develop their mathematics and English skills, and also progress to employment and other meaningful destinations. This is particularly notable as the majority of these learners are either on benefits or unemployed.

Strategic Plan

Over the past years (2013-2016) we have succeeded in:

- Providing a **14-21 plus Campus** providing learning opportunities and qualification pathways for meaningful careers within our community
- Building **self-confident students** who can fulfil their aspirations, preparing them for later life, multiple careers and for a changing world
- Achieving **recognition for Innovation** in Learning, Teaching, Assessment and Support
- **Extending our partnerships** with employers, the community and other skills providers within our LEP, contributing to economic growth and prosperity
- **Expanding our successful model** of Education within our region where there are identified skills shortages
- **Maintaining organisational flexibility** that allows for quick responses to a changing environment.

Vision 2020 – Not just courses. Careers. (2017-2020)

Harlow College is recognised for providing education of the highest quality to its local community. In the next phase of development we are committed to ensuring that we change and transform the lives of young people and adults in our community. We want all of our learners to achieve their ambitions, contribute significantly to the productivity of the economy and have happy and purposeful lives.



Annual Report and Financial Statements for the year ended 31 July 2017 Members' Report

We intend to continue to build on key partnerships we have established with employers, business, community groups, schools, colleges and universities – we pride ourselves on our enterprising approach, ensuring that we develop the skills needed for our thriving innovation corridor.

At the core of our strategy are our values:

- Students at the heart
- Be your best, be your future
- Work hard, work together
- Be innovative and enterprising

Students at the heart

- **Personalised curriculum**

Our students, whatever their age, background or mode of study will have access to a personalised curriculum that develops more than a qualification.

We will build on our successful learning, teaching and assessment strategy to ensure that students are equipped with the digital skills, work-readiness skills, and the English and mathematics required to be successful.

We will develop our students to be independent learners and thinkers, equipping them with the flexibility and resilience they will require for an unknown future.

We will continue to work with employers and community partners, to develop work-readiness programmes for young people and adults.

Our curriculum will be designed to meet industry standards and wherever possible provide students and apprentices with the professional status required in their sector.

- **Support**

We are committed to ensuring the highest quality 'end-to-end' support for our students, employers and our community. We are committed to maintaining the Matrix Standard and providing excellent support and customer service.

We will work effectively with local schools and other colleges within Essex to provide impartial information, advice and guidance, and undertake joint marketing campaigns.

Our STAR Agency (Student Talent and Recruitment Agency) will be a key vehicle for supporting information, advice, guidance, supporting work experience and destinations.

We will ensure our support stretches 'beyond College' offering the opportunity for our alumni to return whenever they require advice on their next steps in life.



Annual Report and Financial Statements for the year ended 31 July 2017 Members' Report

Be your best, be your future

We want everyone to reach their full potential, to do this we will:

- Set aspirational targets that ensure the highest outcomes in terms of progress and value added
- Invest in the highest quality learning, teaching and assessment (LTA) building on our successful LTA strategy
- State what we mean by Excellent learning, teaching and assessment, rather than merely following a government defined framework
- Provide a head-start to our students through our extra curricula and work experience programme, that builds their confidence and 'human' skills
- Ensure all our learners have meaningful, positive destinations
- Build on our successful Ofsted Inspection of 2016 ("Good"), with the aim of being Outstanding
- Nurture teachers to ensure they have strong industry links, a grasp of the skills required by the workplace and are confident with digital technologies
- Invest in our staff, who are our greatest resource, through continued support for our professional development and well-being programmes
- Be seen as a regional centre of excellence for the delivery of technical education and apprenticeships
- Be recognised through the achievement of national awards, for example Beacon awards for our student achievements
- Continue investment in our infrastructure to simulate the workplace and provide industry standard equipment and facilities

Work hard, work together

Strong and successful partnerships are critical to our future success. The following key projects lay the foundations for our continued partnership work and the next phase of development:

- University Centre Harlow in partnership with Anglia Ruskin University

We will jointly re-shape this partnership to focus on high quality technical routes that bridge the gap between levels 3, 4, 5 and 6. Our aim is to be a key provider of Advanced, Higher and Degree Apprenticeships, building on the strength of our existing Foundation degrees.

- Harlow Advanced Manufacturing and Engineering Centre (HAMEC)

The HAMEC opened in March 2017 which cemented our technical partnership with DMG Mori (the largest machine tooling supplier in the world) since January 2017. This



Annual Report and Financial Statements for the year ended 31 July 2017 Members' Report

partnership will provide access to Engineering and Manufacturing businesses across the South East of England, placing us as a lead hub for training the engineers of the future.

- **Stansted Airport College**

Stansted Airport College is a partnership between Harlow College and London Stansted Airport and will be the first of its kind at any airport in the Country. A new purpose-built, industry-standard facility on Stansted's Airport campus is planned to open in September 2018 with courses offered in the disciplines of aviation, engineering, business, retail, hospitality and events. This will assist in securing the supply of skills needed for the fastest growing airport in the UK and developing the London, Stansted, Cambridge Innovation Corridor (LSCC). This is an innovative partnership with the Manchester Airport Group (owners of Stansted Airport), the South East Local Enterprise Partnership, Essex County Council and Uttlesford District Council.

- **Health Services Training Centre**

Hospital training facilities on our Harlow campus, to provide clear routes for students to progress into health, science, support and medical roles.

- **Public Health England**

We will launch a work-readiness and apprenticeship programme that supports local young people and adults into roles and jobs created by the arrival of Public Health England in Harlow.

- **Supporting adults back into work**

We will continue our regional work with job centres supporting adults back into work in a flexible and pro-active way.

None of these projects would be possible without the support of our students, staff and wider community. We will ensure we engage with schools, parents, employers and other stakeholders to ensure we are working at the highest levels. We are also indebted to wider key partners, including Harlow Council, Uttlesford Council, Essex County Council, SELEP and Clydesdale Bank.

Be innovative and enterprising

Einstein famously said "we cannot solve our problems with the same thinking that created them". This means that as a College we need to change, innovate and prepare our students for a future we do not know. We will continue:

- the development of our employer sponsored work-readiness programmes to ensure meaningful technical routes into careers
- continue the roll-out of iPads and new technologies to support the development of the digital skills required by our economy and work in a more efficient way
- establish new types of partnerships that bring industry and the further education sector closer to each other, for example, our UCH partnership, the Stansted Technical and Professional Centre, the HAMEC and our Health Services Training Centre



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- be a core member of the LSCC group and the Harlow Enterprise Zone, supporting our innovation corridor to attract new business through the supply of high quality skills

We have shaped our plan around 5 core objectives

- Excellence
- Efficiency and effectiveness
- Environment
- E-technology and
- Enterprise

These are reviewed at executive group on a monthly basis through a dashboard. Key objectives and performance for 2016/17 are shown below:

	Key objectives	Target	Performance
Excellence	• Teaching, Learning & Assessment	90% graded good or better	93%
	• Retention	94%	92.81%
	• Attendance	90%	90%
Efficiency & Effectiveness	• Finance	Income £21m Surplus £218k Full Time Learner Numbers 2,430	£22m £741k 2,358
	• HR	Average sickness absence <8.4 days	3.82days
	• Staffing	Staff Costs % to income <65%	65%
Environment	• Buildings	Advice Centre refurbishment	Postponed to December 2017 due to lease
	• Investment	Open new i-Hub centre (LEP funding)	Completed July 2017
Enterprise	• HAMEC	New building complete	Launched March 2017
	• Health partnership	Relocation and income generation	Legal agreements in process
	• Stansted	Secure £7.3m investment	Funding secured from LEP, Essex County Council & Uttlesford District Council
	• Apprenticeship development	Application & submission for Register of Training Providers	Successful application



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Financial Strategic Priorities

The College's financial objectives are:

1. ESFA financial health rating of good
2. To develop a finance strategy that builds our reserves over the period of the plan
3. To maintain a level of cash in relation to total income in excess of thirty days

The College's financial performance indicators are:

	2016/17 Target	2016/17 Achieved	2017/18 Target
Income	£21m	£22m	£21m
Surplus	£218k	£741k	£300k
EBITDA	8%	11%	9%
Borrowing as a % of income	<40%	36%	<35%
Staff Costs as a % of income	<65%	65%	<67%
Team (delivery) staffing as a % of income	40%	39%	40%

The College consistently achieves income of approximately £1m in 16-18 Apprenticeship income. The College planned reduction of work with partners and the partners target was added to the College's target.

The income level has increased mainly due to the release of £590k grant income to match against revenue costs associated with the preliminary stage of the Stansted Airport College development.

High Needs Funding - The College has historically under-claimed for students requiring high levels or additional support, particularly for those being taught within our supported studies area of the college. During 2015/16 the college carried out a detailed review of the quality of high needs provision. This review has had a significant benefit in 2016/17 in terms of the College now being funded for provision that was previously not funded.

HE Income has been a challenging area in terms of recruiting students. The College has re-aligned its academy structure to provide more direct pathways for learners progressing from Level 3 to Levels 4, 5 and 6 academic and professional studies, which has seen an increase in HE fees not associated with the franchise with Anglia Ruskin University.

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. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having a "Good" financial health grading. The current rating of Good is considered an acceptable outcome.



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Other Performance Measures

Harlow College students continue to be very successful with students achieving high grades. Harlow College has maintained its generation of a surplus proving that the teaching and learning strategy is sustainable. The most recent Ofsted Inspection of the College dates from January 2016 when Ofsted concluded that Harlow College is a good College. The College's current self-assessment report for 2016/17 rates the College as 'Good'.

FINANCIAL POSITION

Financial Results

The College generated an operating surplus in 2016/17 of £741k (in 2015/16 surplus of £382k) with total comprehensive income of £1,983k (2015/16 loss £2,649k). The total comprehensive is stated after the actuarial gain in respect of pension schemes of £1,242k (2015/16 actuarial loss £3,031k).

The College has accumulated reserves of £13,121k (2015/16 £11,771k) before pension deficits including the Enhanced Pension Provision and revaluation reserve and has closing cash balances of £1,665k. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund to support the strategic plan and create funding for future improvements and developments.

Tangible and intangible fixed asset additions during the year amounted to £4,192k. This was split between land and buildings including enhancements of £2,112k, equipment £1,994k and for software and goodwill £86k. £3,134k was spent on the Harlow Advance Manufacturing and Engineering Centre. The £590k spent on the Stansted Airport College project was treated as revenue expenditure and planning permission and contracts did not take place until after 31 July 2017. The Stansted Airport College is due for completion September 2018.

The College relies extensively on the education sector funding bodies for its principal funding source. In 2016/17 this represented 83% (2015/16 85%) of the College's total income.

The College has five subsidiary companies: Harlow College Commercial Services Limited, Harlow College Training Limited, Harlow College Facilities Limited, East Harlow Contracts Limited and East Harlow Leasing Limited. There has been no trading by the subsidiaries during the year. Harlow College Facilities Limited owns a 50% shareholding in both East Harlow Contracts Limited and East Harlow Leasing Limited and the joint arrangement is known as "Joint Tenants". Joint Tenants owns the leasehold interest due to end November 2017 in the property which is then assigned to the College. East Harlow Contracts Limited, East Harlow Leasing Limited and Joint Tenants ceased trading 31 July 2016 and will be dormant for the foreseeable future. Harlow College Facilities has been dormant throughout the period.

Treasury Policies and Objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management policy in place. All borrowing requires the authorisation of the Corporation.

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.



Annual Report and Financial Statements for the year ended 31 July 2017 Members' Report

Cash Flow and Liquidity

At £3.373 million (2015/6 £4.527 million), net cash flow from operating activities was reasonably strong.

During the year the College took out a secured loan of £3million in order to help finance the HAMEC on its main site. The balance of the £7.5million capital cost was met by Local Enterprise Partnership funding and Essex County Council.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded.

Reserves Policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, and ensures that there are adequate reserves to support the College's core activities. The College currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve stands at £1,376k (2015/16: £713k deficit). The movement in the reserve is mainly due to the Local Government Pension Scheme (LGPS) deficit £9,990k (2015/16 deficit £10,799k). The total pension actuarial gain during 2016/17 is £1,242k (2015/16 £3,031k actuarial loss). The LGPS deficit is not an immediate liability, it would be met in the form of incremental employer contributions over an agreed time period. It is the Corporation's intention to increase income and expenditure reserves by the generation of annual operating surpluses.

CURRENT, FUTURE DEVELOPMENT AND PERFORMANCE

Financial health

The Skills Funding Agency, in their letter to the Principal 10 March 2017, confirmed the conclusion that the College's financial health grade for 2015/16, based on the outturn forecast, was Good and that the College's underlying financial health grade was Good. The College has maintained a financial health grade of Good for three financial years. The projections and assumptions approved by governors in the Financial Forecast 2017-2019 indicate that the College will continue to maintain Good financial health 16/17, 17/18 and 18/19 and that bank covenants will be met.

Recommendations agreed by the Greater Essex Area Review steering group in February 2017 were for the College to remain as a stand-alone institution, with a focus on developing a campus at Stansted that will better meet employer and learner need. The initial financial assessment by the steering group indicated that the College is in a strong position with the financial resilience needed to remain stand-alone.

Acquisition

During the year the College acquired a private training provider – Academy of Learning (AOL). AOL was a privately owned Harlow based training provider with over 17 years of experience, that operated throughout Essex, Bedfordshire, Cambridgeshire, Hertfordshire and London. The College intends to continue and build on this specialist provision which included leadership and management, coaching qualifications and bespoke courses for businesses.



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Students

Type of provision	2015/16 Number of Learners	2016/17 Number of Learners	2016/17 Target
16 to 19 Study Programmes	2,422	2,358	2,430
Apprenticeships	864	762	740
Adult learning programmes	2,481	2,762	2,480
Traineeships	5	16	30
Provision for learners with high needs	45	112	117
Higher Education (HNC/D)	13	47	199
Higher Education (Anglian Ruskin)	201	155	
Advance Learner Loans	59	108	110

Although the number of 16 to 19 learners dropped there was a rise in the number of full time learners - the College will continue to capitalise on this growth area. Apprenticeships are an area of growth development for the College – the College intends to increase this area. The College has grown traineeships in the College's second year and the College intends to grow this offer in 2017/18.

With regard to Higher Education (HE) the College has re-aligned its academy structure to bring together the Further Education and HE teams who shared a curriculum specialism. This brought about a number of improvements including providing more direct pathways for internal learners progressing from Level 3 to Levels 4, 5 and 6 academic and professional studies to improve prospects for students and future years recruitment. During 2016/17 The HE learners were following a range of Access, higher level (4-6) and professional pathways, which included Anglia Ruskin University validated pathways, HNC/D students, Access students, NCTJ students, Higher Apprentices and ILM students.

The College continues to establish its own HE provision with a presence on the UCAS admission system for 2017/18 with access to a wider network of potential external students.

Projects

The College successfully secured funding and participated in the Prevent project funded by the Home Office to address far right extremism and to prevent people becoming terrorists or supporting terrorism. The Counter Terrorism and Security Act 2015, requires certain institutions (including local government, the police, prisons, schools and HE/FE institutions) to have due regard to the need to prevent people from being drawn into terrorism. The Prevent project was a collaboration with Luton 6th Form College and included co-created Theatre productions at both colleges, Prezi and PowerPoint presentations, YouTube videos, Kahoot quizzes and interactive



**Annual Report and Financial Statements for the year ended 31 July 2017
Members' Report**

tutorial exercises. The theme for the project was tackling right-wing extremism, a difficult and emotive topic.

We have submitted a bid to Sport England to build on our previous successful Sports Maker project. Our new project is focused on getting the hard to reach to have more active lives.

We continue to be a strong centre for the National Citizenship Service and really value the experience young people gain from being part of citizenship projects.

The College intends to continue different project work for the benefit of the community, which also enables the College to receive alternative sources of income.

The Success of Our Students

Outcomes for our learners are good and above national averages for pass rates, retention and achievement.

All learners	14/15	15/16	16/17	National Rate
Starts	8,230	9,696	10,721	-
Achievement %	83.09%	84.09%	83.08%	82.30%
Retention %	93.72%	93.30%	92.81%	91.80%
Pass%	88.66%	90.16%	89.62%	89.60%

In 2016/17 there is a decline in all the above indicators due to several factors. The majority of our Level 3 learners are enrolled on two-year qualifications, however this impacted the retention rate in 2016/17 from students who move into employment and other training during the two years. The College has increased the number of English as a Second Language (ESOL) programmes and the circumstances of these students often means that they are transient geographically. The College is also working with an increasing number of vulnerable young people, who bring a range of significant personal challenges.

The Pathways and Destinations Our Students Take When They Finish Their Courses

The progress of our learners to higher level courses and to employment remains a strong focus.

Destination	Percentage of 2014/15 students	Percentage of 2015/16 students
Apprenticeships	5%	5%
Employment	22%	23%
Further Education	34%	40%
Higher Education	23%	15%
Unknown	7%	11%
Other	8%	4%

Destination data for 2016/17 will be available January 2018.



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Progression to Higher Education is good from level 3 programmes; however the trend in the number of students making the decision not to go to University continues mainly due to financial concerns.

Adult Learning Programs

19+ overall Excluding English & Maths	2014/15	2015/16	2016/17
Starts	3,656	3,353	5,756
Achievements %	92.31%	93.68%	91.17%
Retention %	97.10%	97.79%	98.99%
Pass %	95.07%	95.82%	92.43%

In 2016/17 the College worked with nearly 6,000 adult enrolments, adults who are largely studying vocational and employability programs through the job centre. Many of these adults present with complex needs for example, from long term unemployment, mental health issues and substance abuse. Whilst the majority of the programs are intensive, retention and pass rates are outstanding which reflects the skill of the staff in contextualising the learning for different industries.

Developments

A new Advance Manufacturing and Engineering Centre was completed in December 2016 with the launch in March 2017. It is a multi-million pound facility with the latest technology, machinery and equipment tailored to the Apprenticeship and training needs of local hi-tech employers, preparing young people to find future employment in the manufacturing and engineering sectors. It focus' on five key areas:

- New technologies including industry standard CAD/CAM software
- Manufacturing techniques including 5 axis CNC machinery
- Modern quality control and inspection techniques including laser inspection and testing technology
- Electrical, electronic and mechanical maintenance of manufacturing and engineering plant including Programmable Logic for Controllers (PLC's)
- Business feasibility studies to support lean and continuous improvement principles

The College has excellent links with employers - giving access to work placements and Apprenticeships. Apprenticeship numbers continue to grow and a high number of employers return to take on further apprentices.

Harlow College has entered into a lease agreement with Stansted Airport for the establishment of a Professional and Technical Centre focused on Airport Industries. The centre will be located on the airport, with construction beginning October 2017. This will meet a much needed Skills gap in geographical areas where there is no further education provision. The centre will support the growth of the airport and will focus on three broad disciplines of Engineering, Business and Service Industries. The Centre is due to open September 2018.

The College has embedded significant curriculum and staffing changes for our High Needs learners, to ensure that all High Needs learners undertake a bespoke learning journey. An effective partnership with the main local authority provider has enabled a five day week provision to be funded and introduced.



Annual Report and Financial Statements for the year ended 31 July 2017 Members' Report

Outstanding progress has been made with regard to the College's digital strategy. The College has fully embraced the use of iPads and implementation of the Core 5. The Core 5 is a focused approach to implementing 5 core applications which has underpinned individual innovation and creativity and approved effective in securing some great success in the classroom. The College has been recognised for its innovative approaches to new technologies for improving Learning Teaching and Assessment and has been invited to become an Apple Distinguished School. The results will be published Autumn 2017. The application process is tough and has a tight timescale, but if we were successful we would be the first FE College in the UK to gain this very prestigious award.

The College continues to offer directly funded Higher National Diplomas/Certificates (HND/Cs) which will be a growth area for the College. The College has also begun some early work to support the delivery of degree apprenticeships with Anglia Ruskin University.

The College continues to assist the government in tackling the challenge of unemployment through specific programmes and projects aimed at the unemployed. The College works with Job Centre Plus across Greater Essex, South Suffolk and North London providing 19+ classroom-based provision. This provision is a mixture of employability programmes and sector-based work academies.

The College is well placed to deliver high quality education and training for West Essex. West Essex is a growing area for development sitting in the London Stansted Cambridge Corridor innovation zone. Harlow and Uttlesford have been identified for significant infrastructure developments, this includes up to 30,000 new homes, Cross-rail 2 development, Harlow Enterprise Zone and the expansion of Stansted Airport (currently the fastest growing airport in the UK and the largest single employment site in East of England region). In addition, Public Health England has announced its relocation to Harlow bringing up to 10,000 new jobs in Medical Sciences and allied industries.

The College curriculum is reviewed annually during which strong use is made of local labour market information, changing demographics and employer feedback. The curriculum is closely aligned with the South East Local Enterprise Partnership and Employment and Skills Board's priorities.

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 an agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period the College paid 80% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

Planning permission for the Stansted Airport College was granted in August 2017. The new centre is currently on target to open in September 2018.

The College received £1m VAT refund regarding zero rating building projects that occurred during 2015-17.



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Plans for 2017-18 onwards

The College is a going concern and has adopted this basis of accounting in preparing the accounts. The College believes that it will be able to continue in operation and meet its liabilities for the foreseeable future. The 2017/18 student recruitment numbers are on target for securing Funding Body income for 2017/18 and 2018/19. The College continues to look outward and forward to other avenues of funding. Published recommendations agreed by the Greater Essex Area Review steering group in February 2017 were for the College to remain as a stand-alone institution, with a focus on developing a campus at Stansted that will better meet employer and learner need. The initial financial assessment by the steering group indicated that the College is in a strong position with the financial resilience needed to remain stand-alone.

Harlow College is committed to continued self-assessment and improvement. It has embraced fully the new requirements for students on 16-18 study programmes in relation to enabling students without a grade C in GCSE English and mathematics to achieve the grade and for all students to be fully prepared for employment or higher level study.

The College is committed to apprenticeships and will continue to work with employers across England. The College will extend and grow its provision for the unemployed across the region, and work to secure progression and/or job outcomes for them. It is planned that HE numbers will continue to grow and to build on the College's reputation within the community and the region.

RESOURCES

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

Financial

The College has £14 million of net assets (2015/16 £12 million) including £11.745 million pension liabilities (2015/16 £12.484 million), long term debt of £7 million (2015/16 £4 million), long term capital grant funding of £12 million (2015/16 £11 million).

People

During the year the College employed on average 349 people (in 2015/16 this figure was 340) expressed as full time equivalents, of whom 223 are teaching staff (in 2015/16 this figure was 218).

Physical Resources

Tangible resources include the main College site, consisting of land space and several buildings.

The majority of teaching and training is delivered from Harlow College's main site, a central location close to Harlow's principal shopping centre and a short walk away from Harlow's bus station and main railway station. The College has an adult training centre in Harlow Town Centre. The main campus has modern facilities for performing arts, visual arts, construction, science and motor vehicle maintenance. Over one thousand computers are available for the students and trainees. In addition, in pursuance of the e-learning initiative the College has made provision for all 16-18 full-time students to have access to a portable computerised device. This will enable students to develop their digital skills, encourage more independent and creative approaches to learning and streamline assessment processes.

Training is provided across the region in partners' premises and in rented accommodation.



**Annual Report and Financial Statements for the year ended 31 July 2017
Members' Report**

Reputation

Harlow College has a reputation for achieving very high success rates and value added within further education. The College was inspected by Ofsted in January 2016 and graded as Good.

PRINCIPAL RISKS & UNCERTAINTIES

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

Based on the Strategic Plan the College has undertaken a comprehensive review of the risks to which the College is exposed which is regularly reviewed by the Audit Committee. A risk matrix is maintained by the College which is reviewed monthly by management and regularly by the Audit Committee. The matrix identifies the key risks and specific control measures to mitigate any potential impact on the College.

Outlined below are the principal risk factors that may affect the College (as identified in the College's risk register). Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

Key risks identified:

Risk	Risk Control Measure
Failure to grow College apprenticeship provision, particularly at a higher level, and to procure future funding. Poor planning from Government impedes our ability to meet demand.	Significant changes by Government at the last minute to funding tenders have increased this risk. Apprenticeship monitoring meetings conducted monthly by Heads of Academy to ensure new business converts to timely starts which are against profile. Pipeline and performance data reports now presented to the Executive. New marketing strategy in place. Review of structures to support the provision. In the 1st quarter, 16-18 apprenticeship starts have increased by 29%. An apprenticeship sales strategy and a formula for progression into apprenticeships to be developed. Dedicated Assistant Principal for apprenticeships. Apprenticeship workshops held weekly. Targeting of local key levy paying employers.
Competition in the local area from other colleges, universities, training providers or school sixth forms impacts on student and apprenticeship numbers and provision.	Executive to be proactive in identifying market competition and informing marketing/business development so that suitable action can be taken to mitigate the risk of that specific competitor. On-going marketing campaigns will keep the profile of the College high. On-going investment in the A-level offer critical as this improves overall applications. Additional marketing campaigns and open events planned. Further development of the 'work readiness' programme. Continued investment in high quality resources. Plan for Free School in Harlow to be monitored. Meeting with Regional Skills Commissioner and Head of Education at ECC. Executive are now doing school assemblies to a wider range of schools, including outside of Harlow. A bus service to Harlow College has been initiated from Uttlesford.



**Annual Report and Financial Statements for the year ended 31 July 2017
Members' Report**

<p>Risks of failure of the Sir Charles Kao UTC. Impact on College reputation and links with local schools as situated on the Harlow Campus. Impact on College 6th form provision. Risk from BMAT sponsoring the UTC in terms of change in nature. Risk of not paying monies linked to the lease to the College and the use of the building if the UTC closes.</p>	<p>Attendance of Principal at local Heads C3 meeting to build links with Harlow Schools as well as the West Essex Association of Secondary Headteachers and the wider community (e.g. Uttlesford). Risk posed to the College if the UTC to become part of a multi-academy trust. Two plans to be developed - one for the UTC joining BMAT and one for the UTC moving - latest discussion with BMAT is a request to move the UTC from 2019 and the college to make an offer for the building to the EFA/DfE. Lease agreement reviewed by Eversheds and costs reviewed by internal auditors. Baker Dearing Trust meeting records and agreement to pay relevant lease costs.</p>
<p>Failure to improve the quality of GCSE English teaching, learning and assessment.</p>	<p>New central English & Maths team in place for teaching GCSE and a new Academy Manager focusing just on English GCSE. Reports on student diagnostics and attendance in place. Regularly monitoring through quality reviews and Academy meetings. ProMonitor reports with teams risk assessed and reviewed by Head of Academy. Timetables for delivery reviewed by Deputy Principal. Different delivery model developed and GCSE staff now sit within the A-Levels team, therefore delivery will be centralised. New online learning platform being used and the College is moving away from controlled English assessments to the new GCSE.</p>
<p>The College fails to implement its policies and procedures and thereby fails to meet its legal duties with regard to safeguarding and PREVENT. Nationally and locally - increased risks in terms of knife crime/violent behaviour amongst students. Risk to College reputation</p>	<p>Safeguarding training is undertaken and refreshed as required. All staff required to have safeguarding training at the appropriate level. Revise and reissue Guidelines in avoiding false accusations. Reinforce Public Interest Disclosure Policy (Whistleblowing). Security measures (including fencing access and pedestrian routes etc.) have been planned to better safeguard the campus (including 14-19 learners and vulnerable adults). Continue relationship with PREVENT and special branch team. Measures taken to secure campus from lone wolf attacks through lock-down. Knife crime awareness built into poster and tutorial campaigns.</p>
<p>Government selects a funding policy for further education which runs counter to Harlow College's strategic direction. For example, it imposes cuts in further education budget which would be hard for the College to absorb without impact on student success and other performance measures. There are also significant changes to apprenticeship funding.</p>	<p>There are no wholly effective measures the College is able to put in place for this risk. However the College will seek to limit the impact of the risk by a) assuming that government policy could change at any time (and adversely impact on the college strategic direction). Funding allocations for 16-18 year olds are set and the College will model cuts of between 5-10% for future years into the stress-testing of its business plan. The College went into the Area Review with the premise of being a stand-alone institution and its primary focus will be on the Stansted project and work with PAH. The College needs to effectively meet SFA targets for apprenticeships by maintaining its approach to flexibility in staffing. It will model the new Apprenticeship levy funding. It needs to grow new income streams, for example full-cost, project work and its own HNC/HND provision where there is demand. It will seek to maximise any natural wastage in its</p>



**Annual Report and Financial Statements for the year ended 31 July 2017
Members' Report**

	staffing base and reduce non-pay costs. Robust processes will be in place for when the apprenticeship levy is introduced. A dedicated apprenticeship sales strategy is being developed. ESF bids submitted - 2 x lead organisation, 1 x support.
Failure to meet HE recruitment targets. The College and Anglian Ruskin University (ARU) are re-shaping their HE partnership, with a focus on Higher/Degree Apprenticeships.	Regular reporting of HE recruitment. ARU representation on Governing Body. On-going support for current programmes ending from ARU. Replacement of some programmes with HND/C.

STAKEHOLDER RELATIONSHIPS

In line with other Colleges and Universities, Harlow College has many stakeholders. These include:

- Our students and trainees
- Education sector funding bodies
- FE Commissioner
- Our staff
- Local employers
- The local authorities responsible for the areas we serve in particular – Harlow District Council, Uttlesford District Council and both Essex and Hertfordshire County Councils
- Government offices / Regional Development Agencies / LEPs
- Local community groups and employers (including Princess Alexandra Hospital and Stansted (Manchester Airport Group))
- Other FE institutions
- Trade Unions
- Professional bodies
- Anglia Ruskin University

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



Annual Report and Financial Statements for the year ended 31 July 2017 Members' Report

EQUALITY AND DIVERSITY

Harlow College is committed to ensuring equality of opportunity for all who learn and work here. We respect and positively value differences in race, belief, gender, sexual orientation, disability, class and age. We will strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry.

We want to create a supportive and inclusive environment where everyone can reach their full potential and have a real choice to participate in and contribute to our activities and processes, without prejudice and discrimination. We are committed to a culture where respect and understanding is fostered and the diversity of people's backgrounds and circumstances will be positively valued.

The College is made up of a wide range of people with diverse backgrounds and circumstances, which we value and regard as a great asset. We are aware that some groups experience discrimination that has a negative effect on their quality of life. Legislation protects the rights of individuals and groups to ensure that discrimination is prevented and that they are given equal access to employment, education and other services. Those most often affected are disabled people, women, young and older people, lesbians, gay men, bisexual and transgendered people, people of faith or of no faith, black and minority ethnic people, part-time workers, and people with caring responsibilities.

Implementation of our Equality and Diversity Policy and our Equality Scheme and Action Plan, 'Putting people at the heart of the College community' help us to achieve this vision. Having greater equality and diversity brings many benefits to the College achieving greater efficiency and better performance from staff and will attract the best students and staff. This vision helps us to more effectively address the needs of different groups in our community.

How we implement and monitor our effectiveness

The College has developed a clear set of equality and diversity measures to assess the impact of its policy and practice and benchmark College performance against comparable external outcomes. These include:

- Carrying out Equality Impact Assessments on all of our policies, practices and processes
- Having in place an Equality and Diversity Steering Group
- Working from a four-year Equality Action Plan (reviewed annually)
- Annual 'focus project' on a specific area of E&D
- Consulting with our students, staff and stakeholders
- Representation from our Student Ambassadors
- Producing an Equality and Diversity Annual Report for our Corporation

EQUAL OPPORTUNITIES STATEMENT

Harlow College commits itself to the active promotion of equal opportunities in all areas of the college's life and work.

Our Vision

The College recognises the barriers faced by people with disability in accessing and achieving in further education. Our vision is to create an accessible and supportive environment for staff and students. We aim to provide equality of opportunity and freedom from discrimination on the grounds of age, colour, creed, disability, ethnic origin, gender, marital status, nationality, race or sexual orientation, in line with the Equality Act 2010 and Children and Families Act 2014.



**Annual Report and Financial Statements for the year ended 31 July 2017
Members' Report**

DISCLOSURE OF INFORMATION TO THE AUDITOR

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditor is 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 auditor is aware of that information.

Approved by order of the members of the Corporation on 7th December 2017 and signed on its behalf by:

Signature:

A handwritten signature in black ink that reads "P. Taylor".

Paul Taylor, Chair



Financial Statements year ended 31 July 2017
Statement of corporate governance and internal control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2016 to 31st July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 2 July 2015

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

The Corporation

The members who are also trustees who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below.

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Sotirios Adamopoulos	Elected 22.10.2014	4 years		Teaching Staff	Standards	60% (3/5)
Neil Allen	Reappointed 22.03.2016	4 years	22.11.2016	Governor	Audit	0% (0/1)
Paul Bartlett	Reappointed 16.07.14	4 years		Governor	Vice-Chair of Corporation, Chair of Audit Remuneration	100% (5/5)



Financial Statements year ended 31 July 2017
Statement of corporate governance and internal control

Julian Bedford	Appointed 22.10.2015	4 years		Governor	Resources	60% (3/5)
Jon Bouffler	Appointed 14.07.2016	4 years		Governor	Standards & Curriculum	60% (3/5)
Jo Breen	Reappointed 01.05.2017	4 years		Governor	Resources	80% (4/5)
Chris Chatt	Elected 21.03.2017	4 years		Support Staff	Audit	100% (2/2)
Chris Christofides	Reappointed 13.12.2015	4 years		Governor	Chair of Standards & Curriculum, Remuneration	100% (5/5)
Martin Coleman	Reappointed 14.07.2016	4 months	Term ended 19.10.2016	Governor	Resources, Search & Gov	100% (1/1)
Anthony Durcan	Appointed 11.12.2014	4 years		Governor	Audit	40% (2/5)
Eddie Johnson	Reappointed 15.12.2014	4 years		Governor	Chair of Resources, Remuneration	80% (4/5)
Luke Jones	Re-elected 1.8.2016	1 year	Term ended 31.7.2017	Student Governor	Standards & Curriculum	100% (4/4)
Liz Laycock	Appointed 19.05.2016	4 years		Governor	Standards & Curriculum	100% (5/5)
Ray Levy	Appointed 19.10.2016	4 years		Governor	Audit	100% (5/5)
Myrtle Prodger	Reappointed 12.12.2013	4 years		Governor	Vice-Chair of Corporation, Chair of Search & Gov, Standards & Curriculum, Remuneration	100% (5/5)
Brian Spencer	Reappointed 18.05.2015	4 years		Governor	Resources	80% (4/5)
Karen Spencer	01.09.2013	Ex Officio		Principal	Resources, Search & Gov, Standards	80% (4/5)
Paul Taylor	Reappointed 05.04.2017	4 years		Governor	Chair of Corporation, Resources, Remuneration	100% (5/5)
Paul Whitehead	Elected 21.03.2013	4 years	Term ended 20.03.2017	Support Staff	Audit	67% (2/3)
Teri Woodward	Elected 1.8.2016	1 year	Term ended 31.7.2017	Student Governor	College Committees	75% (3/4)

Deborah Sheridan acts as Clerk to the Corporation.

In addition, Governors attended Corporation committee and working group meetings, College working group meetings, governor training and strategic planning events, academy Learning Walks, College functions and other meetings in the College.



Financial Statements year ended 31 July 2017
Statement of corporate governance and internal control

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

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

The Corporation conducts its business through a number of Committees. Each Committee has terms of reference, which have been approved by the Corporation. These Committees are Resources, Remuneration, Search and Governance, Standards and Curriculum and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the website www.harlow-college.ac.uk or from the Clerk to the Corporation at:

Harlow College
Velizy Avenue
Harlow
Essex
CM20 3EZ

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, consisting of three members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years. Governors may serve for more than two terms, with reappointment taking place after consideration is given to college need and performance.



Financial Statements year ended 31 July 2017

Statement of corporate governance and internal control

Corporation performance

The Corporation is committed to the vision set out in its current strategic plan, underpinned by core values, which is to provide transformational opportunities through delivering exceptional student success, enrichment and progression into work or further study. The Corporation has continued to take a strong focus on the progress, success and destinations of the learners at Harlow College in order that they can reach sustainable careers. In January 2016, Ofsted judged that Governors know the college well, challenge senior leaders effectively and are well informed about the performance and direction of the college.

On 1 November 2017, the Corporation carried out a self-assessment of its own performance for the year ended 31st July 2017 and graded itself as "Good" on the Ofsted scale. The self-assessment concluded that some of the key strengths are:

- Provision for adults on short vocational and employability courses is outstanding and makes a real impact on the lives of people who are long-term unemployed.
- Digital learning is strength of the college and impacts positively on student success and on students' readiness for employment and further study.
- Provision for learners with high need funding is excellent and includes bespoke learning for those progressing on Preparation for Adulthood pathways towards employment, further study, good health and community involvement.

Remuneration Committee

Throughout the year ending 31 July 2017, the Remuneration Committee comprised five members of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation regarding the salaries, conditions of service and benefits of the Accounting Officer and other senior post-holders, as well as those of the Clerk. The Committee met on 18 March 2017.

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

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets four times per year, at least once per term and provides a forum for reporting by the internal auditor and the reporting accountant for regularity and financial statements auditor, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE Funding Bodies as they affect Harlow College's business.

The Committee considers the risk register each time it meets.



Financial Statements year ended 31 July 2017

Statement of corporate governance and internal control

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

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

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

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Harlow College's 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 Harlow College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which Harlow College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.



Financial Statements year ended 31 July 2017

Statement of corporate governance and internal control

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the 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.

Harlow College has an internal audit service, which operated in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. The report includes the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

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 Group, consisting of the Principal, Deputy Principals and Executive members receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Group and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Group and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its meeting on 7 December 2017, the Corporation carried out the annual assessment of internal control for the year ended 31 July



Financial Statements year ended 31 July 2017
Statement of corporate governance and internal control

2017 by considering the Audit Committee's annual report and making enquiries of the Committee, the auditors and the executive team, and taking account of events since 31 July 2017.

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

Going concern

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

The Skills Funding Agency, in their letter to the Principal 10 March 2017, confirmed the conclusion that the College's financial health grade for 2015/16, based on the outturn forecast, was Good and that the College's underlying financial health grade was Good. The projections and assumptions approved by governors in the Financial Forecast 2017-2019 indicate that the College will maintain Good financial health for 16/17, 17/18 and 18/19 and that bank covenants will be met. The College has also undertaken a sensitivity analysis that models scenarios related to changes in income and expenditure. Again, this analysis has been used to test that the College maintains 'Good' financial health.

Recommendations agreed by the Greater Essex Area Review steering group in February 2017 were for the College to remain as a stand-alone institution, with a focus on developing a campus at Stansted that will better meet employer and learner need. The initial financial assessment by the steering group indicated that the College is in a strong position with the financial resilience needed to remain stand-alone. The steering group assessed that the College is meeting most of the financial benchmarks currently and forecasts to meet the current ratio benchmark by 2020. The assessment of 'stand-alone' college options resulting from an area review assumes both financial sustainability and that colleges achieve and maintain a quality grade of 'good' or 'outstanding'.

Approved by order of the members of the Corporation on 7th December 2017 and signed on its behalf by:

A handwritten signature in dark ink, appearing to read "P. Taylor".

Paul Taylor, Chair

A handwritten signature in dark ink, appearing to read "K. Spencer".

Karen Spencer, Accounting Officer

HARLOW COLLEGE
Financial Statements year ended 31 July 2017

Statement of Regularity, Propriety and Compliance

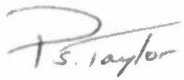
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the financial memorandum. As part of our consideration we have had due regard to the requirements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

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



Karen Spencer, Accounting Officer



Paul Taylor, Chair

HARLOW COLLEGE
Financial Statements year ended 31 July 2017

Statement of Responsibilities of the Members of the Corporation

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

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

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

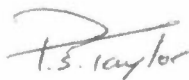
- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and to ensure that the financial statements are prepared in accordance with the other relevant accounting standards. The Corporation is responsible for taking steps in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 7th December 2017 and signed on its behalf by:



Paul Taylor, Chair



Financial Statements year ended 31 July 2017

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HARLOW COLLEGE

Opinion

We have audited the financial statements of Harlow College (the "College") for the year ended 31 July 2017 which comprise the College statement of comprehensive income, the College balance sheet, the College statement of changes in reserves, the College statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as set out in our engagement letter dated 13 October 2017.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 and of the College's surplus/ deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The governors are responsible for the other information. The other information comprises the information included in the Members' report, Statement of Corporate Governance and Internal Control, Statement on Regularity, Propriety and Compliance 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.



Financial Statements year ended 31 July 2017

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the college's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

Responsibilities of the Corporation of Harlow College

As explained more fully in the Statement of the Corporation's Responsibilities on page 31, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum prepared by the Skills Funding Agency and our engagement letter dated 13 October 2017. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 13 October 2017 to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford
Essex
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Date: 11 December 2017



Statements of Total Comprehensive Income

	Notes	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000
INCOME			
Funding body grants	2	18,115	17,555
Tuition fees and education contracts	3	1,831	1,631
Other income	4	1,930	1,612
Investment income	5	4	7
Total income		21,880	20,805
EXPENDITURE			
Staff costs	6	14,331	14,331
Other operating expenses	7	4,531	4,171
Depreciation and amortisation	9,10	1,456	1,166
Interest and other finance costs	8	821	755
Total expenditure		21,139	20,423
Surplus before other gains and losses		741	382
Actuarial gain / (loss) in respect of pensions schemes		1,242	(3,031)
Total Comprehensive Income for the year		1,983	(2,649)



Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1st August 2015	1,830	12,650	14,480
Surplus from the income and expenditure account	382	-	382
Other comprehensive income	(3,031)	-	(3,031)
Transfers between revaluation and income and expenditure reserves	106	(106)	-
	<u>(2,543)</u>	<u>(106)</u>	<u>(2,649)</u>
Balance at 31st July 2016	(713)	12,544	11,831
Surplus from the income and expenditure account	741	-	741
Other comprehensive income	1,242	-	1,242
Transfers between revaluation and income and expenditure reserves	106	(106)	-
Total comprehensive income for the year	<u>2,089</u>	<u>(106)</u>	<u>1,983</u>
Balance at 31st July 2017	<u><u>1,376</u></u>	<u><u>12,438</u></u>	<u><u>13,814</u></u>



Balance sheet as at 31 July

	Notes	2017 £'000	2016 £'000
Fixed assets			
Tangible fixed assets	9	43,242	37,584
Intangible fixed assets	10	194	166
		<u>43,436</u>	<u>37,750</u>
Current assets			
Stocks		23	23
Trade and other receivables	12	2,478	4,773
Cash and cash equivalents		1,665	534
		<u>4,166</u>	<u>5,330</u>
Less: Creditors – amounts falling due within one year	13	(3,513)	(3,848)
Net current assets		<u>653</u>	<u>1,482</u>
Total assets less current liabilities		44,089	39,232
Less: Creditors – amounts falling due after more than one year	14	(18,530)	(14,917)
Provisions			
Defined benefit obligations	20	(9,990)	(10,799)
Other provisions	17	(1,755)	(1,685)
Total net assets		<u>13,814</u>	<u>11,831</u>
Unrestricted reserves			
Income and expenditure account		1,376	(713)
Revaluation reserve		12,438	12,544
Total unrestricted reserves		<u>13,814</u>	<u>11,831</u>

The financial statements on pages 34 to 65 were approved and authorised for issue by the Corporation on 7th December 2017 and were signed on its behalf on that date by:

Paul Taylor
Chair

Karen Spencer
Accounting Officer



Statement of Cash Flows

	Notes	2017 £'000	2016 £'000
Cash inflow from operating activities			
Surplus for the year		741	328
Adjustment for non cash items			
Depreciation and amortisation	9,10	1,456	1,255
Pensions costs less contributions payable		433	332
Investment income	5	(4)	(7)
Interest payable	8	523	452
Increase in stocks		-	(3)
(Decrease) in debtors	12	(655)	(1,105)
(Decrease)/increase in creditors due within one year	13	(278)	2
Increase in creditors due after one year	14	1,088	3,344
Decrease in enhanced pension provision	17	70	(70)
		<u>3,374</u>	<u>4,528</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Investment income		4	7
Payments made to acquire fixed assets		(3,674)	(4,574)
		<u>(3,670)</u>	<u>(4,567)</u>
Cash flows from financing activities			
Interest paid		(374)	(358)
Interest element of finance lease rental payments		(149)	(94)
New secured loans		3,000	-
Repayments of amounts borrowed		(607)	(698)
Capital element of finance lease rental payments		(443)	(404)
		<u>1,427</u>	<u>(1,554)</u>
Increase/(Decrease) in cash and cash equivalents in the year			
		<u>1,131</u>	<u>(1,593)</u>
Cash and cash equivalents at beginning of the year		534	2,127
Cash and cash equivalents at end of the year		1,665	534



Financial Statements for the year ended 31 July 2017

Notes to the Accounts

1. 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.

Harlow College is a Corporation established under the Further and Higher Education Act 1992 as a general college of further education. The address of the College's principal place of business is Harlow College, Velizy Avenue, Harlow, Essex CM20 3EZ and the nature of the College's operations are set out in the Member's report.

Basis of preparation

The financial statements include the college only. The college has six dormant subsidiary undertakings as detailed in note 11 to the financial statements. The results of the subsidiaries are not considered to be material to the group and therefore the college has taken advantage of the exemption from preparing consolidated financial statements.

As a result of the decision of the Corporation taken in the year to wind up the group structure, the property previously owned by the college's subsidiary undertakings has been presented on the balance sheet of the college. The college occupied the property, which is situated on the college's campus, under the terms of a tenancy arrangement that expired in November 2017. The Corporation had taken the decision not to renew these leases and allow ownership to revert to the college by law. The Corporation is of the view that the balance sheet as at 31 July 2017 present a true and fair view of the substance of the arrangement.

In accordance with FRS102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2017.

Basis of accounting

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

Basis of consolidation

In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2017.



Financial Statements for the year ended 31 July 2017 Notes to the Accounts

Going concern

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

The College currently has £7.056m of loans outstanding with bankers on terms negotiated in 2017. The terms of the existing agreements are for up to another 10 years. The College had a new £3m loan to fund the new Harlow Advance Manufacturing and Engineering Centre, which converted to a formal loan in May 2017. The College's forecasts and financial projections indicate that it will now be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the statement of total 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 HEFCE and HE income from Anglia Ruskin University represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

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

Capital grant funding

Government capital grants 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



Financial Statements for the year ended 31 July 2017

Notes to the Accounts

FRS 102. Other non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Fee income

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

Investment Income

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

Agency arrangements

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

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded.

Teacher's Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a projected unit 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 statement of comprehensive income in the periods during which services are rendered by employees.

Essex Local Government Pension Scheme (LGPS)

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

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the



Financial Statements for the year ended 31 July 2017

Notes to the Accounts

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.

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college 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 the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Non-current Assets - Tangible fixed assets

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

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Land and buildings including those inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost. 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 reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost.

Freehold buildings are depreciated on a straight line basis over their expected useful life to the College of between 10 and 52 years. Freehold land is not depreciated as it is considered to have an infinite useful life.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of buildings, land was revalued at the date of transition to FRS102, as deemed cost but not to adopt a policy of revaluations of these properties in the future.



Financial Statements for the year ended 31 July 2017 Notes to the Accounts

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £500 per individual item is recognised as expenditure in the period of acquisition, with the exception of some computer hardware items costing less than £500 which have been capitalised. All other equipment is capitalised at cost.

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

- motor vehicles and general equipment – between 5 and 10 years straight-line basis
- computer equipment – between 3 and 5 years on a straight-line basis
- furniture, fixtures and fittings – between 3 and 10 years straight-line basis.

Intangible fixed assets and goodwill

Intangible fixed assets includes software which is measured at cost less accumulated amortisation. It is amortised over 3 to 5 years straight-line basis. Purchased Goodwill arising in respect of a trading company acquisition is amortised over 10 years.

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the



Financial Statements for the year ended 31 July 2017

Notes to the Accounts

lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

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

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

Financial liabilities

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

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

Taxation

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



Financial Statements for the year ended 31 July 2017 Notes to the Accounts

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 0.1% of the 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.

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

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.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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



Financial Statements for the year ended 31 July 2017
Notes to the Accounts

- *Local Government Pension Scheme and Enhanced Pension Provision*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

The enhanced pension provision (disclosed in note 17) 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.

- *Stansted Airport College*

The Stansted Airport College project progressed during 2016/17, with planning permission granted 4 August 2017. As planning permission was granted post year end, the accumulated costs during 2016/17 were treated as revenue expenditure. The revenue expenditure was matched by government grant funding realised in 2016/17.

Notes to the Accounts (continued)

2 Funding council grants

	Year ended 31 July 2017	Year ended 31 July 2016
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency - adult	4,202	4,165
Education and Skills Funding Agency - 16-18	11,122	11,806
Education and Skills Funding Agency - apprenticeships	1,614	1,254
Higher Education Funding Council	12	57
Specific Grants	-	
Skills Funding Agency	156	54
Releases of government capital grants	1,009	219
Total	<u>18,115</u>	<u>17,555</u>

The releases of government grants includes a one off release of £590k for revenue costs associated with the preliminary stages of the £8m Stansted Airport College project, planning permission was granted August 2017 and construction began in October 2017.

The income shown above includes that earned by the College in its capacity as a provider and as a consortium lead. All other income claimed from the Education Skills Funding Agency and payable to the consortium partners has been excluded from these accounts. Total income claimed in the year under this arrangement and the related payments was as follows:

	Year ended 31 July 2017	Year ended 31 July 2016
	£'000	£'000
Funding Body Income	18,297	17,865
Payments to College partners	(182)	(310)
Total	<u>18,115</u>	<u>17,555</u>

3 Tuition fees and education contracts

	Year ended 31 July 2017	Year ended 31 July 2016
	£'000	£'000
Adult education fees	185	167
Apprenticeship fees and contracts	22	-
Fees for FE loan supported courses	337	208
Fees for HE loan supported courses	242	112
Education contracts	1,045	1,144
Total	<u>1,831</u>	<u>1,631</u>

Included within the above amounts are tuition fees funded by bursaries of £337k (2016: £208k).



Notes to the Accounts (continued)

4 Other income

	Year 2017	Year 2016
	£'000	£'000
Catering	399	338
Other income generating activities	620	969
Other grant income (High Needs)	889	276
Miscellaneous income	22	29
	<hr/>	<hr/>
Total	<u>1,930</u>	<u>1,612</u>

High Needs funding is from local authorities to provide support packages for learners with special educational needs and disabilities.

5 Investment income

	Year 2017	Year 2016
	£'000	£'000
Other interest receivable	<hr/> 4	<hr/> 7
	<hr/> 4	<hr/> 7



Notes to the Accounts (continued)

6 Staff costs - College

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

	2017 No.	2016 No.
Teaching staff	223	218
Non teaching staff	<u>126</u>	<u>122</u>
	349	340
Staff costs for the above persons		
	2016 £'000	2016 £'000
Wages and salaries	11,058	11,149
Social security costs	1,077	942
Other pension costs	<u>1,961</u>	<u>1,711</u>
Payroll sub total	14,096	13,802
Contracted out staffing services	<u>105</u>	<u>253</u>
	14,201	14,055
Exceptional restructuring costs - contractual	73	215
non contractual	57	61
	<u>14,331</u>	<u>14,331</u>

The non contractual element is considered by the College to be value for money as the costs of full consultation were avoided. The statutory processes followed by the College were to minimise financial cost, financial risk, negative impact on staff morale and maintain the operational performance of the College.

Notes to the Accounts (continued)

6 Staff costs - College (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Team which comprises the Principal, Deputy Principals, Vice Principals, Assistant Principals and Executive Directors.

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

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	11	11
	<u>11</u>	<u>11</u>

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

	Key Management Personnel		Other staff	
	2017 No.	2016 No.	2017 No.	2016 No.
£50,001 to £60,000	6	6	14	15
£60,001 to £70,000	2	2	0	0
£70,001 to £80,000	-	-	0	0
£80,001 to £90,000	2	2	0	0
£120,001 to £130,000	1	1	0	0
	<u>11</u>	<u>11</u>	<u>14</u>	<u>15</u>

No other staff (non key management personnel) were remunerated over £60,000.
There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

Notes to the Accounts (continued)

6 Staff costs - College (continued)

Key management personnel compensation is made up as follows:

	2017 £'000	2016 £'000
Salaries - gross of salary sacrifice and waived emoluments	776	759
Employers National Insurance	95	79
Benefits in kind	<u>2</u>	<u>2</u>
	873	840
Pension contributions	<u>125</u>	<u>113</u>
Total emoluments	<u>998</u>	<u>953</u>

The above emoluments includes nil severance payments for key management personnel (2016: £48k). The above emoluments also include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2017 £'000	2016 £'000
Salaries	126	121
Benefits in kind	<u>2</u>	<u>2</u>
	128	123
Pension contributions	<u>21</u>	<u>20</u>
Total	<u>149</u>	<u>143</u>

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses (one claim of £35.75 (2015/16 Nil)) incurred in the course of their duties.

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

The salaries of senior post-holders are dealt with by the Corporation's Remuneration Committee. This committee approved specific pay increases for these staff, effective from 1 April 2017, which it considered to be appropriate based on comparisons with sector benchmarks derived from the Association of Colleges (AoC) report on its annual survey of senior staff salaries. No bonuses or other salary enhancements were awarded to any of these staff.

Notes to the Accounts (continued)

7 Other operating expenses

	2017	2016
	£'000	£'000
Teaching costs	699	687
Non teaching costs	2,226	2,271
Premises costs	<u>1,606</u>	<u>1,213</u>
Total	<u>4,531</u>	<u>4,171</u>

Within premises costs is one off expenditure of £593k for the initial stages of the Stansted Airport College project. The expenditure is matched by government grant funded income of £590k released in the year. Planning permission for the Stansted Airport College was granted 3rd August 2017.

Other operating expenses includes the following charges:	2017	2016
	£'000	£'000
Auditors' remuneration (Including irrecoverable VAT):		
Financial statements audit	36	41
Internal audit	29	32
Other services provided by the financial statements auditor		
VAT Services	10	11
Corporation Tax Services	14	6
Lease Service Charge	11	11
Operating Lease expense	<u>61</u>	<u>18</u>

8 Interest payable

	2017	2016
	£'000	£'000
On bank loans, overdrafts and other loans:	<u>374</u>	<u>358</u>
	374	358
On finance leases	149	94
Pension finance costs (note 20)	263	263
Enhanced pension provision interest	<u>35</u>	<u>40</u>
Total	<u>821</u>	<u>755</u>

Notes to the Accounts (continued)

9 Tangible fixed assets

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2016	39,751	103	6,295	4,050	50,199
Transfer of assets from the Group to the College	4,707	-	8	-	4,715
Additions	-	-	1,994	2,112	4,106
Transfer of assets in the course of construction	6,162	-	-	(6,162)	-
At 31 July 2017	50,620	103	8,297	-	59,020
Depreciation					
At 1 August 2016	8,221	103	4,291	-	12,615
Transfer of assets from the Group to the College	1,763	-	2	-	1,765
Charge for the year	860	-	538	-	1,398
At 31 July 2017	10,844	103	4,831	-	15,778
Net book value at 31 July 2017	39,776	-	3,466	-	43,242
Net book value at 31 July 2016	31,530	-	2,004	4,050	37,584

Value of land included above not depreciated totals £9.5m (2016: £9.5m).

Assets in the course of construction refers to the Harlow Advanced Manufacturing and Engineering Centre which came into use January 2017. After construction the College received a £1m VAT refund relating to zero-rating the building, which has reduced the value of additions in the year.

In September 2011 the College occupied University Centre Harlow a block of accommodation that Anglia Ruskin University built and paid for during 2010-11 on Harlow College land. In November 2011 the College entered into an underlease for this accommodation. The lease is at peppercorn rent. There are substantial obligations e.g. those relating to maintenance and restrictions on the use of this teaching block.

There is a 125 year lease agreement (from January 2015) between the College and the UTC for use of the College land. The College remains the freeholder of the land.

Clydesdale bank has a fixed and floating charge over the Harlow College land and buildings.

The net book value of tangible fixed assets includes an amount of £702k (2016: £718k) in respect of equipment held under finance leases. The depreciation charge on these assets for the year was £312k (2016: £355k).

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

	£'000
Cost	43,717
Aggregate depreciation based on cost	(12,913)
Net book value based on cost	30,804

Land was valued at 31 July 2016 by Lambert Smith Hampton a firm of independent chartered surveyors. The date of transition for the revaluation is 31 July 2014.

Notes to the Accounts (continued)

10 Intangible fixed assets

	Software £'000	Goodwill £'000	Total £'000
Cost or valuation			
At 1 August 2016	646	-	646
Additions	23	63	86
At 31 July 2017	669	63	732
Amortisation			
At 1 August 2016	480	-	480
Charge for the year	57	1	58
At 31 July 2017	537	1	538
Net book value at 31 July 2017	132	62	194
Net book value at 31 July 2016	166	-	166

11 Non current Investments

			College 2017 £	College 2016 £
Investments in subsidiary companies	Principal Activity	College ownership		
Harlow College Facilities	Dormant	100%	100	100
Harlow College Training	Dormant	100%	100	100
East Harlow Contracts Limited	Dormant	100%	-	-
East Harlow Leasing Limited	Dormant	100%	-	-
Joint Tenants	Dormant	100%	-	-
Harlow College Commercial Services	Dormant	100%	100	100
Total			300	300

The College owns 100% of the issued ordinary £1 shares of the above companies, companies incorporated in England and Wales. Harlow College Facilities (principal activity: for education) owns 50% ordinary shares in East Harlow Contracts Limited (principal activity: letting and operating of own or leased real estate) and 50% ordinary shares in East Harlow Leasing Limited (principal activity: construction of commercial buildings). East Harlow Contracts Limited and East Harlow Leasing Limited each own 50% ordinary shares of each other. East Harlow Contracts Limited and East Harlow Leasing Limited have a joint arrangement: Joint Tenants.

Notes to the Accounts (continued)

12 Trade and other receivables

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade receivables	66	237
Subsidiary undertakings	94	3,039
Prepayments and accrued income	2,133	1,388
Amounts owed by the ESFA	185	109
Total	<u>2,478</u>	<u>4,773</u>

Within Trade Receivables is a bad debt provision of £4k (2016: £8k)
Accrued income includes a £1m VAT claim for zero rated construction work received in October 2017.

13 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank loans	595	578
Obligations under finance leases	356	430
Trade payables	431	1,062
Other taxation and social security	517	555
Accruals and deferred income	879	759
Deferred income - government capital grants	475	335
Amounts owed to the ESFA	260	129
Total	<u>3,513</u>	<u>3,848</u>

14 Creditors: amounts falling due after one year

	2017 £'000	2016 £'000
Bank loans	6,461	4,085
Obligations under finance leases	345	196
Deferred income - government capital grants	11,724	10,625
Other taxation (Lennartz)	-	11
Total	<u>18,530</u>	<u>14,917</u>

Notes to the Accounts (continued)

15 Maturity of debt

(a) Bank loans

Bank loans are repayable as follows:

	2017 £'000	2016 £'000
In one year or less	595	578
Between one and two years	476	419
Between two and five years	4,170	1,559
In five years or more	1,815	2,107
Total	<u>7,056</u>	<u>4,663</u>

A bank loan to replace the existing loan for phase 1 of the College's accommodation strategy totalling £2,070,540 was drawn-down on the 17 December 2007. The loan is subject to a loan rate of 7.78%. The outstanding balance on this bank loan is nil (2016: £150,740).

Two bank loans for phase 2 of the College's accommodation strategy totalling £1,947,000 were drawn-down on the 31 July 2003. The loans are subject to loan rates of 6.76% (fixed) and 2.09% (variable rate) on the original loan values of £1,460,000 and £487,000 respectively. The outstanding balance on the bank loans, totalling £141,450 (2016: £310,263) for phase 2 of the College's accommodation strategy is repayable by instalments between 1 August 2007 and 29 June 2018 and is secured on a portion of freehold land and buildings of the college.

As part of the College's phase 4 accommodation strategy the college has arranged a facility for a drawdown of two loans totalling £4,566,000. The loans are subject to fixed loan rates of 8.07% and 8.29% on loan values of £3,044,000 and £1,522,000 respectively. The outstanding balance on the bank loans, totalling £3,087,452 (2016: £3,290,600) for phase 4 of the college's accommodation strategy is repayable by instalments between 1 December 2007 and 30 July 2027 and is secured on a portion of freehold land and buildings of the college.

To refurbish and improve an older building on the campus a £1,000,000 loan was taken out December 2014. The loan is subject to a variable loan rate of 2.75% margin + LIBOR. The outstanding balance of £855,939 (2016: £911,432) is repayable by instalments between December 2014 and November 2019, with a final lump sum balance due in November 2019.

A further bank loan for the HAMEC of £3,000,000 was drawn down in May 2017. The loan is subject to a variable loan rate of 2.75% margin + LIBOR. The outstanding balance of £2,971,189 (2016: nil) is repayable by instalments between May 2017 and May 2021, with a final lump sum balance due in May 2021.

Clydesdale bank has a fixed and floating charge over the Harlow College land and buildings.



Notes to the Accounts (continued)

15 Maturity of debt

(b) Finance leases

The net finance lease obligations to which the institution is committed are:

	2017 £'000	2016 £'000
In one year or less	358	430
Between two and five years	341	196
In five years or more	-	-
Total	<u>699</u>	<u>626</u>

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

Notes to the Accounts (continued)

16 Financial Instruments

The carrying amount of the Group's financial instruments at 31 July were:

	2017 £'000	2016 £'000
Financial assets:		
Debt instruments measured at amortised cost	1,367	3,385
Total	<u>1,367</u>	<u>3,385</u>
Financial liabilities:		
Measured at amortised cost	9,322	7,665
Total	<u>9,322</u>	<u>7,665</u>

17 Provisions

	Defined benefit Obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2016	10,799	1,685	12,484
Expenditure in the period	(569)	(115)	(684)
Transferred from income and expenditure account	(240)	185	(55)
At 31 July 2017	<u>9,990</u>	<u>1,755</u>	<u>11,745</u>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 20.

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

	2017	2016
Interest rate	2.6%	2.3%
Inflation rate	2.6%	1.3%



Notes to the Accounts (continued)

18 Capital commitments

	2017 £'000	2016 £'000
Commitments contracted for at 31 July	<u>60</u>	<u>4,529</u>

19 Lease Obligations

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

	2017 £'000	2016 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	61	41
Later than one year and not later than five years	131	143
later than five years	37	39
	<u>229</u>	<u>223</u>

From May 2015 the College is leasing for five years of a premises in the local town for the delivery of adult courses. From August 2016 the College is leasing two pieces of land both on a twenty-five year lease.

Notes to the Accounts (continued)

20 Defined benefit obligations

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

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

Total pension cost for the year	2017 £'000	2016 £'000
Teachers Pension Scheme: contributions paid	931	880
Local Government Pension Scheme:		
Contributions paid	569	612
FRS 102 (28) charge	<u>461</u>	<u>219</u>
Charge to the Statement of Comprehensive Income	1,030	831
Enhanced pension charge to Statement of Comprehensive Income	(28)	5
Total Pension Cost for Year within staff costs	<u>1,933</u>	<u>1,716</u>

Contributions amounting to £146,258 (2016:£140,790) were payable to the Teachers' Pension Scheme and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions 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.

Notes to the Accounts (continued)

20 Defined benefit obligations (continued)

Valuation of the Teachers' Pension Scheme

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

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

The new employer contribution rate for the TPS was implemented 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 April 2019.

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

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

The pension costs paid to TPS in the year amounted to £1,076,865 (2016: £1,113,499)

Notes to the Accounts (continued)

20 Defined benefit obligations (continued)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Essex County Council. The total contributions made for the year ended 31 July 2017 were £755,000, of which employer's contributions totalled £569,000 and employees' contributions totalled £186,000. The agreed contribution rates for future years is 16.4% to March 2018 and 16.8% from April 2018 for employers plus an agreed deficit contribution of £139,487 (2016: £149,959). The contribution rates for employees range from 5.5% to 12.5% depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	4.10%	3.90%
Future pensions increases	2.60%	2.10%
Discount rate for scheme liabilities	2.70%	2.50%
Inflation assumption (CPI)	2.60%	2.10%
Commutation of pensions to lump sums	50%	60%

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

	At 31 July 2017	At 31 July 2016
	years	years
<i>Retiring today</i>		
Males	22.20	22.90
Females	24.70	25.30
<i>Retiring in 20 years</i>		
Males	24.30	25.20
Females	27.00	27.70

Notes to the Accounts (continued)

20 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Employer Asset Share at 31 July 2017	Fair Value at 31 July 2017 £'000	Employer Asset Share at 31 July 2016	Fair Value at 31 July 2016 £'000
Equities	65%	15,469	69.00%	13,885
Bonds	10%	2,404	8.00%	1,638
Property	10%	2,299	11.00%	2,242
Cash	3%	733	3.00%	613
Other	12%	2,816	9.00%	1,874
Total fair value of plan assets		23,721		20,252

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

	Enhanced £'000	LGPS £'000	Total 2017 £'000	2016 £'000
Fair value of plan assets	-	23,721	23,721	20,252
Present value of plan liabilities	(1,755)	(33,566)	(35,321)	(32,582)
Present value of unfunded liabilities	-	(145)	(145)	(154)
Net pensions (liability) (Note 17)	(1,755)	(9,990)	(11,745)	(12,484)

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	883	677
Total	883	677

Amounts included in interest expenditure

Net interest expenditure	(263)	(263)
Administrative expenses	(5)	(9)
	(268)	(272)

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	2,868	928
Experience losses arising on defined benefit obligations	(536)	1
Changes in assumptions underlying the present value of plan liabilities	(941)	(3,955)
Amount recognised in Other Comprehensive Income	1,391	(3,026)

Notes to the Accounts (continued)

20 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2017 £'000	2016 £'000
(Deficit) in scheme at 1 August	(10,799)	(7,436)
Movement in year:		
Current service cost	(883)	(677)
Employer contributions	569	612
Net interest on the defined (liability)/asset	(263)	(263)
Administrative costs	(5)	(9)
Benefit changes, gain/(loss) on curtailment and gain/(loss) in settlement	1,391	(3,026)
Total	<u>(9,990)</u>	<u>(10,799)</u>

Changes in the present value of defined benefit obligations

	2017 £'000	2016 £'000
Defined benefit obligations at start of period	31,051	25,969
Current Service cost	883	677
Interest cost	771	951
Contributions by Scheme participants	186	169
Experience gains and losses on defined benefit obligations	536	(1)
Changes in financial assumptions	941	3,955
Estimated benefits paid	(657)	(669)
Defined benefit obligations at end of period	<u>33,711</u>	<u>31,051</u>

Reconciliation of Assets

Fair value of plan assets at start of period	20,252	18,533
Interest on plan assets	508	688
Return on plan assets	2,868	928
Administration expenses	(5)	(9)
Employer contributions	569	612
Contributions by Scheme participants	186	169
Estimated benefits paid	(657)	(669)
Assets at end of period	<u>23,721</u>	<u>20,252</u>



Notes to the Accounts (continued)

21 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £35.75 (2016: nil). This represents travel and subsistence expenses, courses and other incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or payments from the College or its Subsidiaries (2016: none).

Declarations of Interest - Governors

Cllr Eddie Johnson and Cllr Anthony Durcan served as Essex County Councillors during the financial year. During the year Harlow College had a number of financial transactions with Essex County Council. Amounts paid to Essex County Council of £10k (2016: £4k) which included room hire and for outdoor activities. Amounts paid by Essex County Council of £997k (2016: £275k) which included payments for High Needs. Essex County Council - the year end creditor balance amounted to £Nil (2016: £1k). The year-end debtor balance amounted to £5k (2016: £Nil).

Cllr Eddie Johnson and Cllr Anthony Durcan are members of Harlow District Council. During the year Harlow College had a number of financial transactions with Harlow District Council. £90k (2016: £120k) was paid to Harlow District Council mainly in respect of national non-domestic rates. Amounts paid by Harlow District Council of £2k (2016: £Nil) which included payments for employer contributions to Apprenticeship training. The year-end creditor balance amounted to £100k (2016: £67k). The year end debtor balance amounted to £1k (2016: £Nil)

Jon Bouffier is Director of Learning Development Services for Anglia Ruskin University. Anglia Ruskin University has built a University Centre on land it has leased from Harlow College for a peppercorn rent. Anglia Ruskin University paid Harlow College £1,004k (2016: £1,144k) for the tuition of those of its students who were studying on the Harlow College campus. Harlow College paid Anglia Ruskin £202k (2016: £273k). The year-end balance amounted to Nil.

Jo Breen is employed by Raytheon Systems Ltd. Amounts paid by Raytheon Systems Ltd £500 (2016: £Nil) which was an employer contribution to Apprenticeship training. The year-end debtor balance amounted to £Nil.

Karen Spencer is Director of Gateway Qualifications Ltd. Liz Laycock is a trustee of Gateway Qualifications Ltd. £242k was paid to Gateway Qualifications in respect of exam and qualification fees. The year-end creditor balance amounted to £24k (2016: £24k).

Karen Spencer was a Board member of Association of Colleges in the Eastern Region (ACER) until September 2017. £12k (2016: £5k) was paid to ACER in respect of membership fees and training courses. The year-end creditor balance is £Nil (2016: £Nil)

Karen Spencer is a trustee on the Harlow Arts Trust. £4k (2016: £200) was paid to Harlow Arts Trust in respect of a sculpture. The year-end creditor balance is £Nil. (2016: £Nil)



21 Related party transactions (continued)

Karen Spencer was governor of the Sir Charles Kao UTC until January 2017. £2k (2016: £Nil) was paid to the UTC for the teaching of students in 2015/16. Amounts paid by Sir Charles Kao UTC £82k (2016: £178k) for various service charges, rent and contracted services provided by Harlow College. The year-end debtor balance was £3k (2016: £63k).

There is a lease agreement between the College and the UTC for use of the College land and shared facilities. The College remains the freeholder of the land.

Declarations of Interest - Key Management Personnel

Deborah Sheridan was a trustee of the Young Concern Trust to December 2016. During the year Harlow College paid the trust £20k (2016: £20k) for counselling services. The year-end balance was £Nil (2016: £2k).

22 Amounts disbursed as agent

Learner support funds	2017	2016
	£'000	£'000
Funding body grants – bursary support	476	623
Funding body grants – discretionary learner support	<u>82</u>	<u>121</u>
	558	744
Disbursed to students	(457)	(691)
Administration costs	(26)	(31)
Balance unspent as at 31 July, included in creditors	<u><u>75</u></u>	<u><u>22</u></u>

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



Financial Statements year ended 31 July 2017

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF HARLOW COLLEGE AND THE SECRETARY OF FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 13 October 2017 and further to the requirements of the financial memorandum with the Skills Funding Agency, to obtain limited assurance about whether the expenditure disbursed and income received by Harlow College during the period 1 August 2016 to 31 July 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2016 to 2017 issued by the Department for Education. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Education and Skills Funding Agency has other assurance arrangements in place.

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

Responsibilities of Corporation of Harlow College for regularity

The Corporation of Harlow College is responsible, under the financial memorandum with the Skills Funding Agency and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of Harlow College is also responsible for preparing the Governing body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice 2016 to 2017.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.



Financial Statements year ended 31 July 2017

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

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

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

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11 December 2017