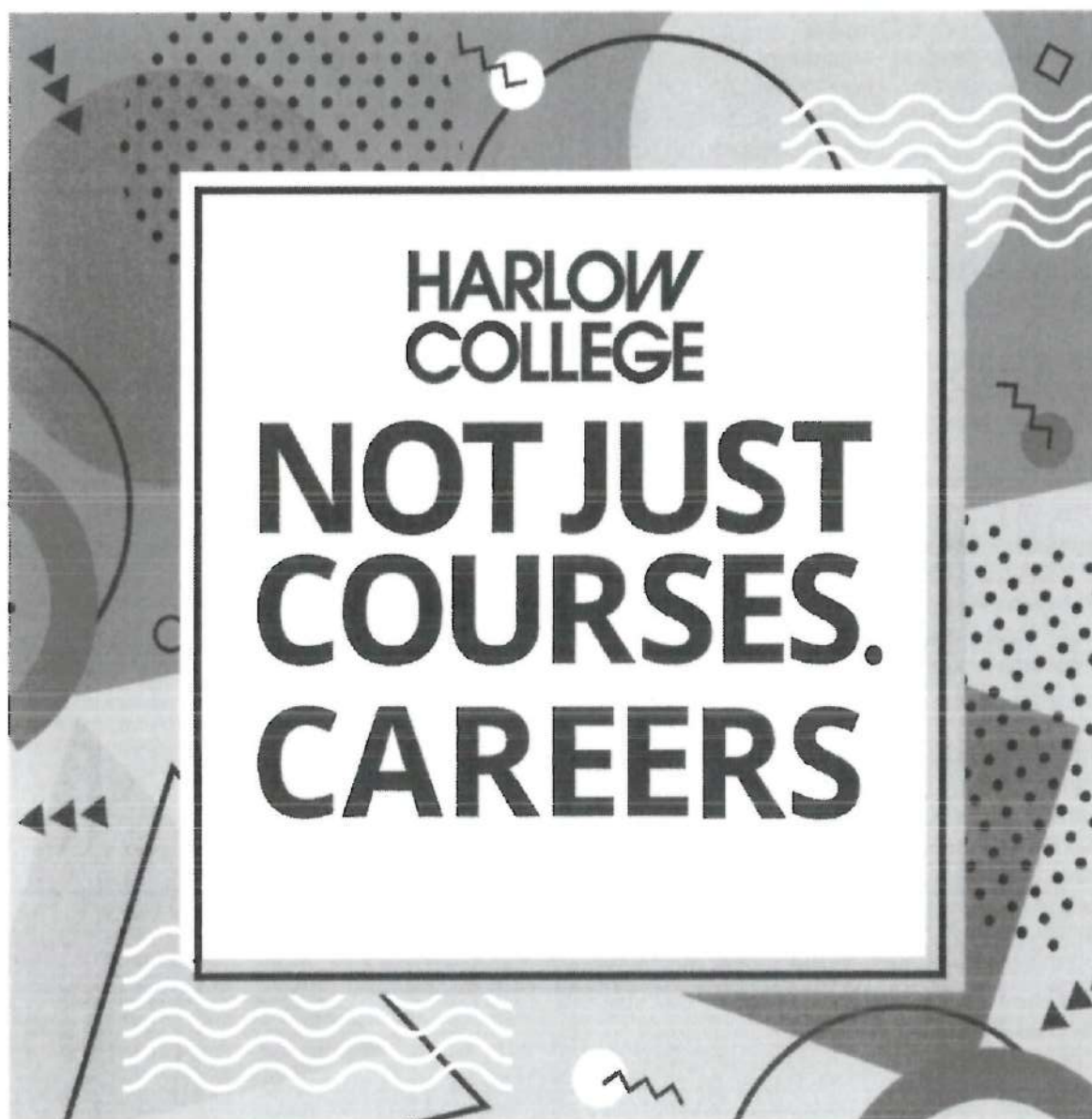


**Annual Report and Financial Statements**  
**Year ended 31 July 2018**



## **HARLOW COLLEGE**

### **Annual Report and Financial Statements for the year ended 31 July 2018**

#### **Key Management Personnel, Board of Governors and Professional advisers**

##### **Key management personnel**

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

Karen Spencer – Principal, Chief Executive and Accounting officer  
Michael Stokes – Deputy Principal  
Louise Turner – Deputy Principal  
Will Allanson – Vice Principal  
Sallyann Abdelmoula – Assistant Principal  
Rebecca Jones – Assistant Principal  
Ann King – Assistant Principal  
Wendy Martin – Assistant Principal  
Julian Sample – 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 24 to 25 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 2018**

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## **Annual Report and Financial Statements for the year ended 31 July 2018 Members' Report**

### **OBJECTIVES AND STRATEGIES**

The governing body present their annual report together with the financial statements and auditor's report for Harlow College for the year ended 31 July 2018.

#### **Legal status**

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

The College had 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 was no trading by the subsidiaries during the year. Harlow College Facilities Limited owned a 50% shareholding in both East Harlow Contracts Limited and East Harlow Leasing Limited and the joint arrangement was known as "Joint Tenants". Joint Tenants owned the leasehold interest that ended November 2017 in the property which is now assigned to the College. East Harlow Contracts Limited, East Harlow Leasing Limited and Joint Tenants ceased trading 31 July 2016. Harlow College Facilities has been dormant throughout the period. All five subsidiaries were struck off Companies House 7<sup>th</sup> August 2018.

#### **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.

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 nearly three thousand adults.

#### **Strategic Plan: 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.

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.



## **Annual Report and Financial Statements for the year ended 31 July 2018**

### **Members' Report**

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 have access to a personalised curriculum that develops more than a qualification.

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

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

Our curriculum is 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 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) is a key vehicle for supporting information, advice, guidance, supporting work experience and destinations.

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

#### **Be your best, be your future**

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

- 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

## Annual Report and Financial Statements for the year ended 31 July 2018

### Members' Report

- 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:

- Stansted Airport College (STAC) is a partnership between Harlow College and London Stansted Airport and is the first of its kind at any airport in the Country. Construction commenced August 2017 for a new purpose-built, industry-standard facility on Stansted Airport. STAC opened to just under 300 students in September 2018 with courses designed to bridge the skills gap in STEM (Science, Technology, Engineering and Maths) subjects as well as specific airport areas such as aviation, aircraft and airport engineering, logistics, business, retail, asset management, hospitality and customer service. 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). The development will provide skilled on-site workers and training opportunities for young people and adults in the regional community. This is an innovative partnership with the Manchester Airport Group (owners of Stansted Airport), the South East Local Enterprise Partnership (SELEP), Essex County Council and Uttlesford District Council.
- The College also sourced support and funding from the Savoy Educational Trust (whose main aim is to advance and develop education, training and qualifications within the hospitality industry). The funding was used to purchase specialist catering equipment at





## **Annual Report and Financial Statements for the year ended 31 July 2018**

### **Members' Report**

STAC for an industry standard integrated skills and professional kitchen to simulate a work place.

- Princess Alexandra Hospital have moved their training and development department to our campus and we are in early discussions with Public Health England regarding establishing a presence on the Campus.
- The College is continuing with its refurbishment of a town centre location in order to relocate the hair and beauty department, to provide industry standard experience for our students.
- 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.
- 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 continue:

- the development of our employer sponsored work-readiness programmes to ensure meaningful technical routes into careers
- 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 PAHT (Princess Alexandra Hospital Trust) partnership (in promoting opportunities within the trust to our students, with a view to progression into apprenticeships and jobs), Stansted Academy, STAC, HAMEC (Harlow Advance Manufacturing and Engineering Centre) and our Health Services Training Centre
- 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

### **RESOURCES**

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

#### *Financial*





## **Annual Report and Financial Statements for the year ended 31 July 2018**

### **Members' Report**

The College has £18 million of net assets (2016/17 £14 million) including £9.564 million pension liabilities (2016/17 £11.745 million), long term debt of £6 million (2016/17 £7m), long term capital grant funding of £17 million (2016/17 £12 million).

#### *Tangible 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 "Bright Futures" in Harlow Town Centre. The main campus has modern facilities for engineering, performing arts, visual arts, construction, science and motor vehicle maintenance. Over four thousand computers/devices 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 tablet/device. This will enable students to develop their digital skills, encourage more independent and creative approaches to learning and streamline assessment processes.

#### *People*

During the year the College employed on average 354 people (in 2016/17 349) expressed as full time equivalents, of whom 226 are teaching staff (in 2016/17 this figure was 223).

The College enrolled over six thousand students. The College's student population included 2,362 16-18 year olds, 812 apprentices, 126 higher educational and 2,795 adult learners.

#### *Reputational*

We are graded Good by Ofsted and have won awards for our innovative approach to learning. We are the first college in the UK to be given Apple Distinguished School status for our pioneering approach to the use of new technology. Our students get great results, for example, our A Level students secured a 99% pass rate. In our Level 2 BTEC courses, where exams have been introduced for the first time, Applied Science learners gained a 100% pass rate.

#### **Stakeholders**

The College has many stakeholders including:

- Our current, future and past students and trainees
- Our staff
- Trade Unions
- Local community groups and employers (including Princess Alexandra Hospital and Stansted (Manchester Airport Group))
- Professional bodies
- Other FE institutions
- Anglia Ruskin University
- The local councils – Harlow District Council, Uttlesford District Council and both Essex and Hertfordshire County Councils

## **Annual Report and Financial Statements for the year ended 31 July 2018**

### **Members' Report**

- Government offices / Regional Development Agencies / LEPs
- Education sector funding bodies
- FE Commissioner

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

## **FINANCIAL PERFORMANCE**

### **Financial Results**

The College generated an operating surplus in 2017/18 of £1,225k (in 2016/17 surplus of £741k) with total comprehensive income of £4,167k (2016/17 £1,983k). This larger than normal surplus is mainly due to a gift of land (non-cash donation) with a commercial value of £3m from Stansted Airport for the location of Stansted Airport College on a 99 year lease. This land has been included in the accounts to the value of £1,663k based on educational use. The total comprehensive is stated after the actuarial gain in respect of pension schemes of £2,942k (2016/17 £1,242k).

Although the position of LGPS pension deficit £7,875k (2016/17 £9,990) has improved it has cost the College more to service this pension £1,228k (2016/17 £883k) which is included in staff costs and reflected in the operating deficit.

### **Developments**

Tangible and intangible fixed asset additions during the year amounted to £8,807k. This was split between land and buildings including enhancements of £243k, equipment £438k, software and goodwill £33k and £8,093k on Stansted Airport College, which includes a gift of land (commercial value £3m) from Stansted Airport (Manchester Airport Group) on a 99 year lease with an educational value of the value of £1,663k. Stansted Airport College opened September 2018.

### **Reserves**

The College has accumulated reserves of £15,213k (2016/17 £13,121k) before pension deficits including the Enhanced Pension Provision and revaluation reserve and has closing cash balances of £2,883k. 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.

### **Sources of income**

The College relies extensively on the education sector funding bodies for its principal funding source. In 2017/18 this represented 78% (2016/17 83%) of the College's total income.

## **FUTURE PROSPECTS**

### **Developments**

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 and an area with a global reputation for scientific research. Harlow and



## **Annual Report and Financial Statements for the year ended 31 July 2018**

### **Members' Report**

Uttlesford have been identified for significant infrastructure developments, this includes up to 30,000 new homes, Crossrail 2 development, Harlow Enterprise Zone (including Harlow Science Park focusing on all areas of science, technology, research and innovation) and the expansion of Stansted Airport (currently the fastest growing airport in the UK). In addition, Public Health England's £400 million national science hub will be built in Harlow bringing up to 10,000 new jobs in Medical Sciences and allied industries.

As part of the developments outlined above in the area, the College will be working with Public Health England to support developments of construction training centres based on housing developments sites to increase home building and create a mobile training hub.

Harlow College is working with The Ministry of Building Innovation (MOBI) and Places for People (a not for profit development company), to launch an innovation hub in Harlow. The prime purpose of the hub will be to develop a set of different skills amongst young people to meet the demands of engineered housing, particularly the planned housing growth in Essex. (130,000+ new homes over the next 20 years, plus the new garden town on the edge of Harlow in East Hertfordshire.) This project is funded by a Building Innovation Grant (restricted funds), Essex County Council is the source of the grant. The aim of the project will be to develop a suite of courses in Advanced Home Construction. These will primarily be aimed at Levels 3 to 5, focusing on the technical skills required for construction (at level 3), the engineering, design and project management skills (at levels 4 and 5, working with Pearson and MOBI on the HNC/D curriculum).

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.

The College continues to embed 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.

Outstanding progress has been made with regard to the College's digital strategy. The College has fully embraced the use of iPads and core applications. The core applications have underpinned individual innovation and creativity and proved effective in securing some great success in the classroom.

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.

Harlow Advanced Manufacturing and Engineering Centre (HAMEC) had its first full financial year of operation. The HAMEC is a state of the art facility developing aspiring young engineers and operations/maintenance engineers with hands-on experience and real cutting-edge technical skills. It is also providing upskilling, reskilling and professional development for those in employment. This area is benefiting from Pre-Apprenticeship programmes which enable both learners and employers the opportunity of extended work placements prior to embarking on the full apprenticeship.





## **Annual Report and Financial Statements for the year ended 31 July 2018**

### **Members' Report**

Harlow College is committed to continued self-assessment and improvement. It continues to embrace fully the new requirements for students on 16-18 study programmes in relation to enabling students without a grade 4 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 has excellent links with employers - giving access to work placements and apprenticeships. 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. Apprenticeship numbers have grown and a high number of employers return to take on further apprentices.

The Stansted Airport Employment and Skills Academy, based at Enterprise House next to the main terminal, is a one stop shop for finding out about on-site vacancies. The service operates as part of Manchester Airports Group in partnership with Harlow College, also offers tailored aviation training programs and apprenticeship schemes to help jobseekers to secure a job with one of more than 200 on-site employers - Stansted Airport is the biggest single-site employer in the region.

It is planned that HE numbers will continue to grow and to build on the College's reputation within the community and the region.

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.

During Autumn 2018 the College submitted an expression of interest to the SELEP Capital programmes to run through 2019 to 2021. The submission is focused on Digital Technologies and Health & Care and would include refurbishing our oldest two buildings J and K.

### **Financial Plan**

The governors approved a financial plan for the period 2017/18 to 2019/20 in July 2018 which sets objectives for the period to 2020. The projections and assumptions approved by governors in the financial plan indicate that the College will continue to maintain Good financial health and that bank covenants will be met. The Education and Skills Funding Agency, in their letter to the Principal 15 October 2018, based on the financial plan confirmed the conclusion that the College's financial health grade for 2017/18 was Good and for 2018/19 Good. The College has maintained a financial health grade of Good for four financial years.

### **Treasury Policies and Objectives**

The College has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities. All borrowing requires the authorisation of the Corporation.

### **Cash Flow and Liquidity**

At £9,749 million (2016/17 £3.374 million), net cash flow from operating activities was very strong due to accumulating funding for the College's Stansted Airport College capital project.

## **Annual Report and Financial Statements for the year ended 31 July 2018**

### **Members' Report**

In February 2018 the College reviewed three of its variable loans and took the opportunity of historically low interest rates in the form of a swap cover fixed rate until July 2027. The £8m investment in Stansted Airport College is being met by £3.5 million from Local Enterprise Partnership funding, £3.5 million Essex County Council, £300,000 Uttlesford Council and £50,000 Savoy Trust.

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 £5,649k (2016/17: £1,376k). The movement in the reserve is mainly due to the Local Government Pension Scheme (LGPS) deficit £7,875k (2016/17 deficit £9,990k). The total LGPS pension actuarial gain during 2017/18 is £2,942k (2016/17 £1,242k actuarial gain). 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.

#### **Going concern**

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 2018/19 student recruitment numbers are on target for securing Funding Body income for 2018/19 and 2019/20. The College continues to look outward and forward to other avenues of funding.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

#### **Risk Management**

The College has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk Management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement of Corporate Governance.

A risk register is maintained at the College level which is reviewed each time the Audit Committee meet. The risk register identifies the key risks, the likelihood of those risks occurring, the potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The main risks affecting the College are outlined below along with action taken to minimise them. 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:**



## Annual Report and Financial Statements for the year ended 31 July 2018 Members' Report

- (1) *Failure to secure new high needs funding going forwards with changes to processes with the Local Authorities. Local Authorities appear to be trying to reduce costs by setting hourly funding rates and what they will fund.*

*Control measure:*

Develop robust process for interview, offer and costings for HNS. Strong links with Local Authorities established. Regular updates at Executive meetings. Reviewed recording mechanism and working on streamlining reporting processes. New data monitoring meetings with VP, AP and delivery teams to ensure accurate reporting of HNF. Regular meetings with Local Authorities. Monitoring cost of delivery and working within available funding. College-wide training sessions delivered. Communicating expectations with LAs on commissioning to planned places. Local Authorities advised of increased place numbers for STAC. Future-proofing planned places by consulting on increased numbers and changes in HNF trends.

- (2) *Instability of funding processes and contract management and failure to procure future funding. Poor planning from Government impedes our ability to meet demand..*

*Control measure:*

Contracts are managed through monitoring of predicted year end outturn against contract value. This informs any requirement for procurement or growth. All teams have financial targets across all funding streams. Executive members monitor future trends and changes to funding.

- (3) *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.*

*Control measure:*

Safeguarding training is undertaken and refreshed annually in compliance with statutory requirements. Governors trained and briefed annually. All staff required to have safeguarding training at the appropriate level. Reinforce Public Interest Disclosure Policy (Whistleblowing). Security measures (including fencing access and pedestrian routes etc.) have been planned to better safeguard the FE/UTC campuses (including 14-19 learners and vulnerable adults). Continue relationship with PREVENT Eastern Region via membership of the Multi Agency Group (MAG) chaired by Essex County Council and with special branch team. Measures taken to secure campus from lone-wolf attacks through enhanced Disaster Recovery Policy and 'Stay Put' advice to campus. Knife crime awareness built into poster and tutorial campaigns - knife arch stationed in reception for a morning to support awareness-raising. College-wide training sessions delivered. New dedicated software package has been purchased to manage safeguarding concerns.

- (4) *Not recruiting to the 19+ AEB target*

*Control measure:*

Academy profile and income monitored monthly by Deputy Principal. Part time offer for term 1, term 2 and term 3 in place across the rest of campus. Maths/English & traineeship offer. Joint Essex marketing of 19+ loan funding. Taking over Stansted Academy. An adult offer is being developed across campus to diversify income across the College

- (5) *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*



## Annual Report and Financial Statements for the year ended 31 July 2018

### Members' Report

*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.*

**Control measure:**

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). The College needs to effectively meet ESFA 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 staffing base and reduce non-pay costs. A dedicated apprenticeship sales strategy.

- (6) *Competition in the local area from other colleges, universities, training providers or school sixth forms impacts on student and apprenticeship numbers and provision.*

**Control measure:**

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 a specific competitor. On-going marketing campaigns and open events will keep the profile of the College high. On-going investment in the A-level offer critical as this improves overall applications. Executive to represent the College at local Harlow school events, including school assemblies to a wider range of schools, including those outside of Harlow. Further development of the 'work readiness' programme. Plan for Free School in Harlow to be monitored. Meeting with Regional Skills Commissioner and Head of Education at Essex County Council. A bus service to Harlow College has increased the number of students from Uttlesford. New development at Stansted has expanded geographical coverage.

- (7) *Failure to achieve strong outcomes for students in respect of government performance measures.*

**Control measure:**

Key performance measures are set out in the college KPIs and the college QIP. These measures are used to monitor performance at team level throughout the year. These measures are regularly reported to governors in Standards Committee meetings and to the whole governing body. The College SAR which addresses each of these measures is shared with Ofsted on an annual basis. Principalship leading on themed performance review meetings throughout the year which are complementary to quality and apprenticeship meetings.

- (8) *Teachers' and Local Government Pension Scheme Pension – significant increase in pension liability (risk to cumulative reserves), increase of deficit contributions (risk to year end surplus) and increase in employer contributions (increase in staff costs and risk to year end surplus).*

**Control measure:**

The key assumptions on the pension calculations are reviewed and challenged. Key finance personnel are keeping up to date with pension news. The LGPS service cost has a significant impact on the accounting surplus. This service costs is a non-cash item and does not impact the financial health. However, the risk is that it has a future cash impact, following the valuation (January 2020) cash payments to the fund could be increased to further reduce the pension deficit, which would impact the financial health. TPS employer rates are expected to increase from September 2019.

## Annual Report and Financial Statements for the year ended 31 July 2018 Members' Report

### KEY PERFORMANCE INDICATORS

The following areas for development have formed the focus for 2017/18

- a. Teaching, learning and assessment
- b. English and maths
- c. Work readiness
- d. Finance
- e. Stansted Airport College
- f. Celebration and well-being

These focus areas led to the GO FOR IT strategy:

Strategic Objective	Target	Target	Performance
<b>G</b>  Grow and/or Diversify	Income target Surplus   High Needs £1.5m Secure Stansted Airport College revenue	£21.157m £200k   £1.5m £1.8m	£22.919m Surplus £1.225m (includes £1.2m of LGPS current service costs and gift of land from Stansted Airport) £1.6m Secured with "letter of comfort" for 18/19 & 19/20
<b>O</b>  To be Outstanding	Attendance 16-18 retention/pass rates Attendance English Attendance Maths Student satisfaction Positive Destinations	90% 90%/92% 85% 85% 8.2 95%	92% 90%/85.7% 78% 70% 8.3 91%
<b>F</b>  To maintain a good or better Financial Health rating	EBITDA Current ratio Staff costs to income  Financial Health rating Both bank covenants met	>8% 1.0 65%  Good Yes	17% 1.4 65% (includes new STAC staff recruited in 17/18) Good Yes



## Annual Report and Financial Statements for the year ended 31 July 2018

### Members' Report

O	Stansted Airport College places Local schools/partners  Develop Stansted Academy provision MOBI partnership  Princess Alexander Hospital (PAH) partnership	500 over two years  New school relationships in place 200 initially  £80k secured entire project PAH on site	279 for year 1  Yes  72 + 10 apprenticeships £50k secured to date Located on site since August 2018
R	Staff absence rate Pay & conditions benchmark undertaken Celebration & well being action plan program  Professional/Career development	CIPD 8.9 HC 7.02 By 31 July 2018  Staff and student event held throughout the year Coaching program established, ILMs development	6.41 FEDEC benchmark complete Annual well being event, annual staff awards/celebrations Power of 3 in place and ILM L5 underdevelopment
I	Establish system for prioritising system development Hair & Beauty town centre location	New system  To open April 2018	In place  Revised opening date for 2019
T	Secure funding for advance home construction  and new Technologies	£500k entire project	£50k secured to date in relation to Building Innovation project from Essex County Council for curriculum development

Other income has increased from 2016/17 to 2017/18 due to increased funding for our expanding high needs provision. Parents, carers and learners value the care, guidance and attention provided by the College at all stages of their learner journey. The changes over the past two years have had a significant impact on individual learners and the popularity of Harlow College.

The surplus is significantly above the target due to the recognition of land gifted (commercial value £3m) from Stansted Airport with an educational value of £1.663m

Hair & Beauty town centre location – this project is being completed in house using existing maintenance staff to keep the project within budget and therefore the time frame is considerably longer than using contractors.



## Annual Report and Financial Statements for the year ended 31 July 2018 Members' Report

### Student numbers

Type of provision	2017/18 Target	2017/18 Number of Learners	2016/17 Number of Learners
16 to 19 Study Programmes	2,327	2,362	2,358
Apprenticeships	740	812	762
Adult learning programmes	2,700	2,795	2,762
Traineeships	0	0	16
Provision for learners with high needs	117	119	112
Higher Education (HNC/D)	130	47	47
Higher Education (Anglian Ruskin)		79	155
Advance Learner Loans	100	96	108

Despite a geographical dip in the 16-19 population the College has seen a rise in the number of full time learners - the College will continue to capitalise on this growth area. Data released by the DfE in January 2018 in respect of national apprenticeship starts shows a 41% per cent drop in the period May 2017 to October 2017 compared with the same period 12 months prior. However, apprenticeships are an area of continued growth development for the College.

Achievement rates	15/16	16/17	17/18	National Rate
Overall Learners	339	281	282	
Overall Achievers	241	204	195	
Overall Achievement	71.09%	72.60%	69.15%	69.10%
Timely Learners	338	266	284	
Timely Achievers	232	174	163	
Timely Achievement	68.64%	65.41%	62.32%	60.20%

Whilst Apprenticeship achievement rates are on or above National rates there has been a slight decline over the last 3 years. However this is due to the movement towards more Engineering based subjects, a strategic move by the College in response to a skills shortage in the region, however these programmes traditionally perform less well than administrative areas, so data has been affected.

### Student achievement

The College has improved with retention, pass rates up and achievement all increasing; including a great number of learners registrations overall. The retention rate is the highest for four years, meaning more learners are benefiting from staying in education and developing their skills during this time. The overall College achievement rate is above national benchmark,

## Annual Report and Financial Statements for the year ended 31 July 2018

### Members' Report

largely due to the improved retention of learners by the college. However pass rates, whilst improving are still below national benchmarks.

Overall All Learners	14/15	15/16	16/17	17/18	National Rate
Starts	8,230	9699	10733	11452	
Achievement %	83.09%	84.11%	83.15%	85.20%	<b>84.40%</b>
Retention %	93.72%	93.29%	92.78%	95.30%	<b>92.20%</b>
Pass %	88.66%	90.16%	89.63%	89.40%	<b>91.60%</b>

In 2017/18, A Levels secured an impressive 99% pass rate. Particularly strong subjects are Chemistry, English Language, History, Mathematics and Sociology. The College has also seen great results in Level 2 BTEC courses, where exams have been introduced for the first time, in particular Applied Science, which saw a 100% pass rate. Results for the new Technical Certificates have been equally impressive, with Beauty students achieving the highest grade possible of Distinction\*. Hospitality saw the only distinction grade and the majority of merit grades across the country. Students have again secured places at some of the country's top universities including UCL (University College London), Bristol, Birmingham, King's College London, Nottingham, York and Manchester.

### English and maths

Hybrid End	Maths or English	Completed Overall	Ach Overall	Ach Overall %	Nat Ach Overall %	Ret Overall %	Nat Ret Overall %	Pass Overall %	Nat Pass Overall %	Ach A*-C Overall %	Passes A*-C Overall %
17/18	English	408	379	85.6	79.9	92.1	88.1	92.9	90.8	25.7	27.9
16/17	English	388	326	63.9	79.9	76.1	88.1	84.0	90.8	21.0	27.6
17/18	Maths	395	377	88.5	79.9	92.7	88.1	95.4	90.8	30.5	32.9
16/17	Maths	387	359	75.1	79.9	81.0	88.1	92.8	90.8	24.7	30.5

The College has made steady and significant improvement in its English and maths performance for both retention and achievement, now significantly above national rates for English and maths achievement and just above for retention. In addition the College English and Maths pass rates now sit above national rates, with English just above, but maths exceptionally higher. The College introduced dedicated delivery team and appointment manager to both at the start of 2017/18, the delivery teams were strengthened for GCSE delivery; college wide functional skills remained with in home teams for delivery.

The College delivers five Higher National Award programmes (HNC/D) approved by Pearson UK under a Higher National Centre Recognition Agreement. These programmes have been subject to Pearson's standard approval processes. The programme specifications demonstrate alignment with the FHEQ and the Regulated Qualifications Framework (RQF).

The College's higher education provision is currently delivered on behalf of two awarding partners - Pearson and Anglia Ruskin University (ARU). Pearson Higher National programmes range from engineering, business and sport to early years education and creative media production. For ARU the College delivers a variety of validated programmes in early childhood and early years professional practice, playwork and education, engineering, bioscience, graphics, multimedia journalism, media studies and business management.



## Annual Report and Financial Statements for the year ended 31 July 2018 Members' Report

Recruitment onto ARU programmes ceased in September 2016, the College has in place appropriate arrangements to ensure academic standards and quality with student support and progression routes being maintained until and after the programmes close in 2020.

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.

### Adult Learning Programs

Age Group	15/16	16/17	17/18	National Rate
19+				
Starts	4901	6482	6766	
Achievement %	91.68%	90.22%	90.79%	<b>87.90%</b>
Retention %	97.74%	98.43%	98.98%	<b>93.80%</b>
Pass %	93.80%	91.66%	91.73%	<b>93.70%</b>

Success rates adult learning programmes are very high with achievement and retention above the national rates, however pass rates although improved are still below the national rate.

### Harlow Advance Manufacturing & Engineering Centre (HAMEC) Delivery Performance

Target	Performance
A minimum of 640 learners to attend the HAMEC during the 2017/18 academic year	We recruited 691 learners in 2017/18, exceeding our target of 640 by 51. Interest and enquiries for engineering is high and we have a full programme of promoting of the centre, along with the other key STEM based regional priority areas, into schools and the local community.
An additional 105 employers to engage by 31st January 2018 with the Recipient as a result of the HAMEC	We are currently working with 194 employers, 132 have apprentices on programme and 62 are in the process of signing up new apprentices.

### HAMEC learner numbers

Learner level	Before project	Target by 2017/18	Actual 2016/17	Actual 2017/18
Level 1	0	30	58	122
Level 2	200	290	226	260
Level 3	209	260	247	285
Level 4+	31	60	9	24
<b>Total</b>	<b>440</b>	<b>640</b>	<b>540</b>	<b>691</b>

## Annual Report and Financial Statements for the year ended 31 July 2018 Members' Report

### Financial Performance

	2017/18 Target	2017/18 Performance	2018/19 Target
Income	£22m	£23m	£22m
Surplus/(Deficit)	£293k	£1,225k	£170k
EBITDA	9%	17%	8%
Borrowing as a % of income	<31%	30%	<28%
Staff Costs as a % of income	<67%	65%	<69%
Team (delivery) staffing as a % of income	42%	40%	42%

The College consistently achieves income of approximately £1m in 16-18 Apprenticeship income. Although there has been a national decline in Apprenticeships this income area performed well in achieving the College's income target.

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 a slight increase in HE fees not associated with the franchise with Anglia Ruskin University.

Following the LGPS actuarial report the final position includes an unexpected increase in Local Government Pension Scheme (LGPS) costs of approximately £600k, included in staff costs. Although pay and non-pay costs were carefully managed throughout the year, this pension item has had a significant impact on staff costs.

### Other Performance Measures

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 2017/18 rates the College as 'Good'.

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.

In March 2018 the College was pleased to receive the following rounded judgements about the higher education provision at the College from the QAA (The Quality Assurance Agency – the UK's quality body for higher education):

- There can be **confidence** that academic standards are reliable, meet UK requirements, and are reasonably comparable with standards set and achieved in other providers in the UK.
- There can be **confidence** that the quality of the student academic experience meets baseline regulatory requirements.



## **Annual Report and Financial Statements for the year ended 31 July 2018**

### **Members' Report**

In June 2018 the College submitted an application to the new Office for Students, to continue to deliver HE funding provision with them. This was also successfully achieved, with only minor changes required to our Access and Participation Statement.

### **OTHER INFORMATION**

#### **Public benefit**

Harlow College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 24 to 25. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the College provides identifiable public benefits through the advancement of education to students, including students with high needs. The college provides courses without charge to young people, to those who are unemployed and adults taking English and maths course. The college adjusts its courses to meet the needs of local employers and provides training to apprentices. The college is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

#### **Equality**

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

The College's Equality & Diversity Policy ensures compliance with all relevant legislation including Equality Act 2010. The Equality & Diversity Policy and the Equality Action Plan is on the College website. The College undertakes equality impact assessments on all new policies.

The College recognises the barriers faced by people with disabilities in accessing and achieving 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, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation, in line with the Equality Act 2010 and Children and Families Act 2014.

#### **Disability statement**

As a College we are committed to helping all of our students succeed. We recognise the importance of providing high quality teaching, learning and assessment, alongside the specific support needed to achieve your goals.

The College tutors and the Learning Support team provide support for students to learn successfully and to progress. The College encourages discussion of individual needs and goals, to make sure the College support learners as effectively as possible. The College is proud of its track record in opening up opportunities for students with disabilities and learning difficulties.

## Annual Report and Financial Statements for the year ended 31 July 2018

### Members' Report

At Harlow College, students can expect to study in an environment that positively encourages equality of opportunity and refuses to tolerate discrimination, in any form. Our full disability statement is available on the College's website.

#### Trade Union Facility Time

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

Numbers of employees who were relevant period	FTE employee number
5	5

Percentage of time	Number of employees
0%	-
1-50%	5
51-99%	-
100%	-

Total cost of facility time	£6,439
Total pay bill	£14,735,000
Percentage of total bill spent on facility time	0.0004%

Time spent on paid trade union activities as a percentage of total paid facility time	54%
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#### 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 79% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.





## **Annual Report and Financial Statements for the year ended 31 July 2018 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 17<sup>th</sup> December 2018 and signed on its behalf by:

Signature:

A handwritten signature in black ink, appearing to read "P. Taylor", written over a horizontal line.

Paul Taylor, Chair

## Financial Statements year ended 31 July 2018

### Statement of corporate governance and internal control

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

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- 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

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 2018. 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 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	Re-elected 22.10.2018	4 years		Teaching Staff	Standards	60% (3/5)
Callum Alexander	1.8.2017	1 year	Term of office ended	Student Governor	Standards	100% (4/4)
Paul Bartlett	Reappointed 19.07.18	4 years		Governor	Vice-Chair of Corporation, Chair of Audit Remuneration	80% (4/5)
Julian Bedford	Appointed 22.10.2015	4 years		Governor	Resources	60% (3/5)
Jon Bouffler	Appointed 14.07.2016	3 years As recommended by Office for Students		Governor	Standards & Curriculum	80% (4/5)
Jo Breen	Reappointed 01.05.2017	4 years		Governor	Resources	60% (3/5)



**Financial Statements year ended 31 July 2018**  
**Statement of corporate governance and internal control**

<b>Name</b>	<b>Date of appointment</b>	<b>Term of office</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Attendance</b>
Chris Chatt	Elected 21.03.2017	4 years		Support Staff	Audit	80% (4/5)
Chris Christofides	Reappointed 13.12.2015	4 years	7.12.2017	Governor	Chair of Standards & Curriculum, Remuneration	50% (1/2)
Anthony Durcan	Reappointed 11.12.2018	2 years		Governor	Audit	40% (2/5)
Eddie Johnson	Reappointed 15.12.2018	4 years		Governor	Chair of Resources, Remuneration	60% (3/5)
Liz Laycock	Appointed 19.05.2016	4 years		Governor	Vice-Chair of Corporation, Chair of Standards & Curriculum, Remuneration	100% (5/5)
Ray Levy	Appointed 19.10.2016	4 years		Governor	Audit	100% (5/5)
Myrtle Prodger	Reappointed 12.12.2013	4 years	7.12.2017	Governor	Vice-Chair of Corporation, Chair of Search & Gov, Standards & Curriculum, Remuneration	100% (2/2)
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	100% (5/5)
Paul Taylor	Reappointed 05.04.2017	4 years		Governor	Chair of Corporation, Resources, Remuneration	80% (4/5)
Julie Turrell	Elected 1.8.2017	1 year	Term of office ended	Student Governor	H&S, Safeguarding	40% (2/5)
Gail Wootton	Appointed 15.3.2018	4 years		Governor	STAC Advisory Group	67% (2/3)

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.

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

## **Financial Statements year ended 31 July 2018**

### **Statement of corporate governance and internal control**

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](http://www.harlow-college.ac.uk) or from the Clerk to the Corporation at:

Harlow College  
Velizy Avenue  
Harlow  
Essex  
CM20 3LH

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.



**Financial Statements year ended 31 July 2018**  
**Statement of corporate governance and internal control**

**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.

**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 27 November 2018, the Corporation carried out a self-assessment of its own performance for the year ended 31st July 2018 and graded itself as "Good" on the Ofsted scale, with elements of "Outstanding" for learners with high needs.

**Remuneration Committee**

Throughout the year ending 31 July 2018, 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 last met on 18 March 2017.

Details of senior post holders' remuneration for the year ended 31 July 2018 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 2018**

### **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 2018 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 2018 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 2018**  
**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, Vice 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 17 December 2018, the Corporation carried out the annual assessment of internal control for the

**Financial Statements year ended 31 July 2018**  
**Statement of corporate governance and internal control**

year ended 31 July 2018 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 2018.

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 Education and Skills Funding Agency, in their letter to the Principal 15 October 2018, agreed that the appropriate financial health assessment grade based on the financial plan submitted July 2018 is "Good" for 2017/18 and 'Good' for 2018/19.

The projections and assumptions approved by governors in the Financial Forecast 2017/18 to 2019/20 indicate that the College will maintain 'Good' financial health for 2017/18 and 2018/19 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.

**Approved by order of the members of the Corporation on 17<sup>th</sup> December 2018 and signed on its behalf by:**



Paul Taylor, Chair



Karen Spencer, Accounting Officer



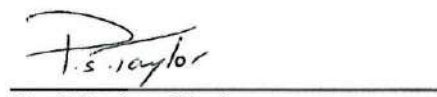
**Statement of Regularity, Propriety and Compliance**

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 college's grant funding agreement and contracts with ESFA. 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 2018**

**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 Funding Agreement 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 Operating and Financial Review 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:

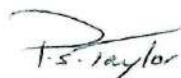
- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial 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 enable it to ensure that the financial statements are prepared in accordance with the Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Funding Agreement 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 17<sup>th</sup> December 2018 and signed on its behalf by:



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Paul Taylor, Chair



## **Financial Statements year ended 31 July 2018**

### **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 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in reserves, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

#### **Basis for opinion**

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

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

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

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

#### **Other information**

The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

## Financial Statements year ended 31 July 2018

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

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2017 to 2018 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

### Responsibilities of the Corporation of Harlow College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 32, 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 intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

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

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

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

### Use of our report

This report is made solely to the Corporation, as a body, in accordance with Financial Memorandum published by the Education and 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 engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK AUDIT LLP

**RSM UK AUDIT LLP**  
Chartered Accountants  
Marlborough House  
Victoria Road South  
Chelmsford  
Essex  
CM1 1LN

Date: 17 December 2018.



## Statements of Total Comprehensive Income

	Notes	Year ended 31 July 2018	Year ended 31 July 2017
		£'000	£'000
<b>INCOME</b>			
Funding body grants	2	17,763	18,115
Tuition fees and education contracts	3	1,195	1,831
Other income	4	3,948	1,930
Investment income	5	13	4
<b>Total income</b>		<b>22,919</b>	<b>21,880</b>
<b>EXPENDITURE</b>			
Staff costs	6	14,944	14,331
Other operating expenses	7	4,145	4,531
Depreciation and amortisation	9,10	1,871	1,456
Interest and other finance costs	8	734	821
<b>Total expenditure</b>		<b>21,694</b>	<b>21,139</b>
<b>Surplus before other gains and losses</b>		<b>1,225</b>	<b>741</b>
Actuarial gain / (loss) in respect of pensions schemes		2,942	1,242
<b>Total Comprehensive Income for the year</b>		<b>4,167</b>	<b>1,983</b>

## Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
<b>Balance at 1st August 2016</b>	(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)	-
	<u>2,089</u>	<u>(106)</u>	<u>1,983</u>
<b>Balance at 31st July 2017</b>	1,376	12,438	13,814
Surplus from the income and expenditure account	1,225	-	1,225
Other comprehensive income	2,942	-	2,942
Transfers between revaluation and income and expenditure reserves	106	(106)	-
<b>Total comprehensive income for the year</b>	<u>4,273</u>	<u>(106)</u>	<u>4,167</u>
<b>Balance at 31st July 2018</b>	<u><b>5,649</b></u>	<u><b>12,332</b></u>	<u><b>17,981</b></u>




## Balance sheet as at 31 July

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Tangible fixed assets	9	50,203	43,242
Intangible fixed assets	10	169	194
		<b>50,372</b>	<b>43,436</b>
<b>Current assets</b>			
Stocks		20	23
Trade and other receivables	12	2,301	2,478
Cash and cash equivalents		2,883	1,665
		<b>5,204</b>	<b>4,166</b>
<b>Less: Creditors – amounts falling due within one year</b>	13	(4,614)	(3,513)
<b>Net current assets</b>		<b>590</b>	<b>653</b>
<b>Total assets less current liabilities</b>		<b>50,962</b>	<b>44,089</b>
<b>Less: Creditors – amounts falling due after more than one year</b>	14	(23,417)	(18,530)
<b>Provisions</b>			
Defined benefit obligations	17, 20	(7,875)	(9,990)
Other provisions	17	(1,689)	(1,755)
<b>Total net assets</b>		<b>17,981</b>	<b>13,814</b>
<b>Unrestricted reserves</b>			
Income and expenditure account		5,649	1,376
Revaluation reserve		12,332	12,438
<b>Total unrestricted reserves</b>		<b>17,981</b>	<b>13,814</b>

The financial statements on pages 35 to 66 were approved and authorised for issue by the Corporation on 17 December 2018 and were signed on its behalf on that date by:



Paul Taylor  
Chair



Karen Spencer  
Accounting Officer

## Statement of Cash Flows

	Notes	2018 £'000	2017 £'000
<b>Cash inflow from operating activities</b>			
Surplus for the year		1,225	741
<b>Adjustment for non cash items</b>			
Depreciation and amortisation	9,10	1,871	1,456
Pensions costs less contributions payable		827	433
Investment income	5	(13)	(4)
Interest payable	8	427	523
Increase in stocks		3	-
Decrease / (increase) in debtors	12	177	(655)
(Decrease) / increase in creditors due within one year	13	1,425	(278)
Increase in creditors due after one year	14	5,536	1,088
Decrease in enhanced pension provision	17	(66)	70
Land gifted to the College	9	(1,663)	-
		<u><b>9,749</b></u>	<u><b>3,374</b></u>
<b>Net cash flow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Investment income		13	4
Payments made to acquire fixed assets		(7,144)	(3,674)
		<u><b>(7,131)</b></u>	<u><b>(3,670)</b></u>
<b>Cash flows from financing activities</b>			
Interest paid		(343)	(374)
Interest element of finance lease rental payments		(84)	(149)
New secured loans		-	3,000
Repayments of amounts borrowed		(607)	(607)
Capital element of finance lease rental payments		(366)	(443)
		<u><b>(1,400)</b></u>	<u><b>1,427</b></u>
<b>Increase/(Decrease) in cash and cash equivalents in the year</b>		<u><b>1,218</b></u>	<u><b>1,131</b></u>
Cash and cash equivalents at beginning of the year		1,665	534
Cash and cash equivalents at end of the year		2,883	1,665





## **Financial Statements for the year ended 31 July 2018**

### **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**

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

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

The financial statements include the college only. The college had five dormant subsidiary undertakings which were struck off Companies House 7<sup>th</sup> August 2018, plus a Joint Venture partnership which was dissolved in May 2018. 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.

#### **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 2018.

#### **Going concern**

The activities of the College, together with the factors likely to affect its future development and performance are set out in the 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 £6.449m of loans outstanding with bankers on terms negotiated in 2017. The terms of the existing loan agreements are until May 2021, July 2027 and November 2027. In February 2018 the College reviewed three of its variable loans and took the opportunity of historically low interest rates in the form of a swap cover fixed rate

## Financial Statements for the year ended 31 July 2018

### Notes to the Accounts

until July 2027. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

The College received a "Letter of Comfort" from the Education & Skills Funding Agency regarding exceptional flexibility to the lagged funding methodology for Stansted Airport College. The letter confirms that the College will be funded in year 2018/19 and in-principle decision to fund growth for 2019/20; with payments commencing spring 2019. As the College will be incurring the running costs of Stansted Airport College from September 2018, to be prudent the College has taken out a temporary overdraft facility from October 2018 to April 2019 to cover any possible cash lag.

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 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*



## **Financial Statements for the year ended 31 July 2018**

### **Notes to the Accounts**

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

#### *Investment Income*

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

#### *Agency arrangements*

The College acts as an agent in the collection and payment of certain discretionary support funds and for Community College Initiative 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 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.

## Financial Statements for the year ended 31 July 2018

### Notes to the Accounts

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.

The land gifted from Stansted Airport with a commercial value of £3m has been included in the accounts as £1,663k based on an educational value.

Freehold buildings including associated professional fees 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 2018

### 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 the acquisition of the trade and assets of a trading company 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 1<sup>st</sup> 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.

## **Financial Statements for the year ended 31 July 2018**

### **Notes to the Accounts**

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

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

#### **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.

#### **Debtors (Financial Assets)**

Trade and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost using the effective interest method. The effective interest rate is the market rate used to determine initial measurement adjusted to amortise directly attributable transaction costs.

#### **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



## **Financial Statements for the year ended 31 July 2018**

### **Notes to the Accounts**

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.

The College is partially exempt in respect of Value Added Tax, so that it can only recover less than 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

## Financial Statements for the year ended 31 July 2018

### Notes to the Accounts

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.

- *Gifted land valuation*

The College has assessed the value of the lease at £1,663k, using assumptions derived from previous valuations of College campus. This valuation reflects the restricted use of the land (i.e. for education purposes). The land has been included as a donated asset and capitalised on the balance sheet as an asset in the course of construction and will be subsequently measured under the historic cost model, being depreciated over its deemed useful life in line with the 99 year lease.

- *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 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

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.



## Notes to the Accounts (continued)

### 2 Funding council grants

	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency - adult	4,118	4,202
Education and Skills Funding Agency - 16-18	10,676	11,122
Education and Skills Funding Agency - apprenticeships	1,799	1,614
Higher Education Funding Council	24	12
<b>Specific Grants</b>		
Skills Funding Agency	480	156
Releases of government capital grants	666	1,009
<b>Total</b>	<b>17,763</b>	<b>18,115</b>

In 2016/17 the releases of government grants included 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, construction began in October 2017 with completion in August 2018.

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 2018	Year ended 31 July 2017
	£'000	£'000
Funding Body Income	17,775	18,297
Payments to College partners	(12)	(182)
<b>Total</b>	<b>17,763</b>	<b>18,115</b>

### 3 Tuition fees and education contracts

	Year ended 31 July 2018	Year ended 31 July 2017
	£'000	£'000
Adult education fees	81	185
Apprenticeship fees and contracts	26	22
Fees for FE loan supported courses	290	337
Fees for HE loan supported courses	248	242
Education contracts	550	1,045
<b>Total</b>	<b>1,195</b>	<b>1,831</b>

Included within the above amounts are tuition fees funded by bursaries of £290k (2017: £337k).

## Notes to the Accounts (continued)

### 4 Other income

	Year 2018	Year 2017
	£'000	£'000
Catering	366	399
Other income generating activities	2,424	620
Other grant income (including High Needs)	1,157	889
Miscellaneous income	1	22
	<hr/>	<hr/>
<b>Total</b>	<b><u>3,948</u></b>	<b><u>1,930</u></b>

Other income generating activities includes a non cash donation of £1,663k relating to a gift of land from Stansted Airport with a commercial value of £3m, the land value included in the accounts is based on educational use.

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

Included in Other grant income is £50k Building Innovation Grant (from Essex County Council) which is restricted funds. The aim of the project is to develop a suite of courses in Advanced Home Construction.

### 5 Investment income

	Year 2018	Year 2017
	£'000	£'000
Other interest receivable	<hr/> 13	<hr/> 4
	<hr/> <b>13</b>	<hr/> <b>4</b>



## 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:

	2018 No.	2017 No.
Teaching staff	226	223
Non teaching staff	128	126
	<b>354</b>	<b>349</b>
<b>Staff costs for the above persons</b>		
	2018 £'000	2017 £'000
Wages and salaries	11,333	11,058
Social security costs	1,103	1,077
Other pension costs	2,299	1,961
<b>Payroll sub total</b>	<b>14,735</b>	<b>14,096</b>
Contracted out staffing services	118	105
	<b>14,853</b>	<b>14,201</b>
Exceptional restructuring costs - contractual	52	73
non contractual	39	57
	<b>14,944</b>	<b>14,331</b>

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.

Staff costs include a premises maintenance team, in house catering service, in house cleaners and National Citizenship Service.

## 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

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	13	11

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	
	2018 No.	2017 No.	2018 No.	2017 No.
£50,001 to £60,000	-	6	10	14
£60,001 to £70,000	9	2	1	-
£70,001 to £80,000	1	-	-	-
£80,001 to £90,000	2	2	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	1	-	-
£140,001 to £150,000	1	-	-	-
	<b>13</b>	<b>11</b>	<b>11</b>	<b>14</b>

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:

	2018 £'000	2017 £'000
Salaries - gross of salary sacrifice and waived emoluments	933	776
Employers National Insurance	114	95
Benefits in kind	2	2
	<u>1,049</u>	<u>873</u>
Pension contributions	154	125
<b>Total emoluments</b>	<b><u>1,203</u></b>	<b><u>998</u></b>

The above emoluments includes nil severance payments for key management personnel (2017: Nil). The above emoluments also include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2018 £'000	2017 £'000
Salaries	140	126
Benefits in kind	2	2
	<u>142</u>	<u>128</u>
Pension contributions	23	21
<b>Total</b>	<b><u>165</u></b>	<b><u>149</u></b>

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 (£524.68 (2016/17 £35.75)) 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. In 2016/17 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. The Remuneration Committee did not meet in 2017/18.

## Notes to the Accounts (continued)

### 7 Other operating expenses

	2018	2017
	£'000	£'000
Teaching costs	762	699
Non teaching costs	2,346	2,226
Premises costs	<u>1,037</u>	<u>1,606</u>
<b>Total</b>	<b><u>4,145</u></b>	<b><u>4,531</u></b>

The 2016/17 premises costs included expenditure of £593k for the initial stages of the Stansted Airport College project. The expenditure was matched by government grant funded income of £590k released in 2016/17. Planning permission for the Stansted Airport College was granted 3rd August 2017.

<b>Other operating expenses includes the following charges:</b>	<b>2018</b>	<b>2017</b>
	£'000	£'000
Auditors' remuneration (Including irrecoverable VAT):		
Financial statements audit	40	36
Internal audit	28	29
Other services provided by the financial statements auditor		
VAT Services	10	10
Corporation Tax Services	14	14
Lease Service Charge	20	11
Operating Lease expense	<u>17</u>	<u>61</u>

### 8 Interest payable

	2018	2017
	£'000	£'000
On bank loans, overdrafts and other loans:	326	374
Swap interest	<u>17</u>	<u>-</u>
	<b>343</b>	<b>374</b>
On finance leases	84	149
Pension finance costs (note 20)	261	263
Enhanced pension provision interest	<u>46</u>	<u>35</u>
<b>Total</b>	<b><u>734</u></b>	<b><u>821</u></b>



## 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
<b>Cost or valuation</b>				
At 1 August 2017	50,620	103	8,297	59,020
Additions	243	-	438	8,774
Disposals	-	-	(20)	(20)
<b>At 31 July 2018</b>	<b>50,863</b>	<b>103</b>	<b>8,715</b>	<b>67,774</b>
<b>Depreciation</b>				
At 1 August 2017	10,844	103	4,831	15,778
Charge for the year	936	-	877	1,813
Eliminations in respect of disposals	-	-	(20)	(20)
<b>At 31 July 2018</b>	<b>11,780</b>	<b>103</b>	<b>5,688</b>	<b>17,571</b>
<b>Net book value at 31 July 2018</b>	<b>39,083</b>	<b>-</b>	<b>3,027</b>	<b>50,203</b>
Net book value at 31 July 2017	39,776	-	3,466	43,242

Value of land included above not depreciated totals £9.5m (2017: £9.5m).

Assets in the course of construction refers to the Stansted Airport College which came into use September 2018. Stansted Airport gifted 1.97 acres of land with a commercial value of £3m, the land has been included at an educational use value of £1,663k, this is recorded as a donation and recognised as an asset (in the course of construction). A 99 year lease (peppercorn) has been in place since October 2017. Stansted Airport Limited remains the freeholder of the land.

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 (also known as Burnt Mill Academy Trust (BMAT)) 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 £390k (2017: £702k) in respect of equipment held under finance leases. The depreciation charge on these assets for the year was £312k (2017: £312k).

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

	£'000
Cost	52,471
Aggregate depreciation based on cost	(14,600)
<b>Net book value based on cost</b>	<b>37,871</b>

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
<b>Cost or valuation</b>			
At 1 August 2017	669	63	732
Additions	33	-	33
<b>At 31 July 2018</b>	<b>702</b>	<b>63</b>	<b>765</b>
<b>Amortisation</b>			
At 1 August 2017	537	1	538
Charge for the year	52	6	58
<b>At 31 July 2018</b>	<b>589</b>	<b>7</b>	<b>596</b>
<b>Net book value at 31 July 2018</b>	<b>113</b>	<b>56</b>	<b>169</b>
Net book value at 31 July 2017	132	62	194

The amortisation for the year appears in the depreciation and amortisation in the statements of comprehensive income

### 11 Non current Investments

			College 2018 £	College 2017 £
<b>Investments in subsidiary companies</b>	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
<b>Total</b>			<b>300</b>	<b>300</b>

The College owned 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. All subsidiaries were dissolved 7th August 2018.



## Notes to the Accounts (continued)

### 12 Trade and other receivables

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade receivables	47	66
Subsidiary undertakings	-	94
Prepayments and accrued income	1,863	2,133
Amounts owed by the ESFA	391	185
<b>Total</b>	<b>2,301</b>	<b>2,478</b>

Within Trade Receivables is a bad debt provision of £12k (2017: £4k)

### 13 Creditors: amounts falling due within one year

	2018 £'000	restated 2017 £'000
Bank loans	493	595
Obligations under finance leases	134	356
Trade payables	563	431
Other taxation and social security	289	310
Accruals and deferred income	2,101	1,086
Deferred income - government capital grants	790	475
Amounts owed to the ESFA	244	260
<b>Total</b>	<b>4,614</b>	<b>3,513</b>

### 14 Creditors: amounts falling due after one year

	2018 £'000	2017 £'000
Bank loans	5,956	6,461
Obligations under finance leases	201	345
Deferred income - government capital grants	17,260	11,724
<b>Total</b>	<b>23,417</b>	<b>18,530</b>

## Notes to the Accounts (continued)

### 15 Maturity of debt

#### (a) Bank loans

Bank loans are repayable as follows:

	2018 £'000	2017 £'000
In one year or less	493	595
Between one and two years	514	476
Between two and five years	3,997	4,170
In five years or more	1,445	1,815
<b>Total</b>	<b>6,449</b>	<b>7,056</b>

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. £3,044,00 is subject to a fixed loan rate of 8.07%. £1,522,000 was subject to a fixed loan rate until its review in November 2017 when it then reverted to a standard variable rate. In February 2018 a swap product was entered into to fix the rate of the latter loan value to 1.42% (plus 2% margin) until November 2027. The outstanding balance on the bank loans, totalling £2,854,716 (2017: £3,087,452) for phase 4 of the college's accommodation strategy is repayable by instalments between December 2007 and 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 was subject to a variable loan rate of 2.75% margin + LIBOR. In February 2018 a swap product was entered into to fix the rate of 1.42% (plus 2.75% margin) until November 2027. The outstanding balance of £798,598 (2016: £855,939) is repayable by instalments between December 2014 and May 2021, with a final lump sum balance due in May 2021.

A further bank loan for the HAMEC of £3,000,000 was drawn down in May 2017. The loan was subject to a variable loan rate of 2.75% margin + LIBOR. In February 2018 a swap product was entered into to fix the rate of 1.42% (plus 2.75% margin) until November 2027. The outstanding balance of £2,795,263 (2017: £2,971,189) 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:

	2018 £'000	2017 £'000
In one year or less	134	358
Between two and five years	201	341
<b>Total</b>	<b>335</b>	<b>699</b>

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:

	2018 £'000	2017 £'000
Financial assets:		
Debt instruments measured at amortised cost	438	1,367
Total	<u>438</u>	<u>1,367</u>
Financial liabilities:		
Measured at amortised cost	9,598	9,322
Total	<u>9,598</u>	<u>9,322</u>

### 17 Provisions

	Defined benefit Obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2017	9,990	1,755	11,745
Expenditure in the period	(667)	(116)	(783)
Transferred from income and expenditure account	(1,448)	50	(1,398)
At 31 July 2018	<u>7,875</u>	<u>1,689</u>	<u>9,564</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:

	2018	2017
Interest rate	2.4%	2.6%
Inflation rate	2.4%	2.6%



## Notes to the Accounts (continued)

### 18 Capital commitments

	<b>2018 £'000</b>	<b>2017 £'000</b>
Commitments contracted for at 31 July	<u>789</u>	<u>60</u>

### 19 Lease Obligations

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

	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	27	61
Later than one year and not later than five years	95	131
Later than five years	460	37
	<u>582</u>	<u>229</u>

Since May 2015 the College is leasing for five years a premises in the local town for the delivery of adult courses. Since August 2016 the College is leasing two pieces of land both on a twenty-five year lease. Since September 2017 the College is leasing for twenty-five years a premises in the local town to refurbish and transform for the use of hair and beauty teaching with classrooms, technical rooms and a retail outlet. It is expected to open 2019.

## 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.

<b>Total pension cost for the year</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Teachers Pension Scheme: contributions paid	1,075	931
Local Government Pension Scheme:		
Contributions paid	667	569
FRS 102 (28) charge	<u>690</u>	<u>461</u>
Charge to the Statement of Comprehensive Income	1,357	1,030
Enhanced pension charge to Statement of Comprehensive Income	4	(28)
<b>Total Pension Cost for Year within staff costs</b>	<b><u>2,436</u></b>	<b><u>1,933</u></b>

Contributions amounting to £151,320 (2017:£146,258) 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 colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

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

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

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



## Notes 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. 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 2017 data, whereupon the employer contribution rate is expected to be reassessed and will be payable at some point in April 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1,075,397 (2017: £1,076,865)

## Notes to the Accounts (continued)

### 20 Defined benefit obligations (continued)

#### 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 2018 were £873,000, of which employer's contributions totalled £667,000 and employees' contributions totalled £206,000. The agreed contribution rates for future years is 16.8% to March 2019 and 17% from April 2019 for employers plus an agreed deficit contribution of £119,377 (2017: £139,487). The contribution rates for employees range from 5.5% to 12.5% depending on salary.

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

#### Principal Actuarial Assumptions

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

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	3.85%	4.10%
Future pensions increases	2.35%	2.60%
Discount rate for scheme liabilities	2.65%	2.70%
Inflation assumption (CPI)	2.35%	2.60%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2018 years	At 31 July 2017 years
<i>Retiring today</i>		
Males	22.30	22.20
Females	24.80	24.70
<i>Retiring in 20 years</i>		
Males	24.50	24.30
Females	27.10	27.00



## 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:

	Fair Value at 31 July 2018	Fair Value at 31 July 2017
	£'000	£'000
Equities	16,472	15,469
Bonds	2,895	2,404
Property	2,307	2,299
Cash	881	733
Other	3,316	2,816
<b>Total fair value of plan assets</b>	<b>25,871</b>	<b>23,721</b>
<b>Actual return on plan assets</b>	<b>2,273</b>	<b>3,064</b>

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 2018 £'000	2017 £'000
Fair value of plan assets	-	25,871	25,871	23,721
Present value of plan liabilities	(1,689)	(33,610)	(35,299)	(35,321)
Present value of unfunded liabilities	-	(136)	(136)	(145)
<b>Net pensions (liability) (Note 17)</b>	<b>(1,689)</b>	<b>(7,875)</b>	<b>(9,564)</b>	<b>(11,745)</b>

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

	2018 £'000	2017 £'000
<b>Amounts included in staff costs</b>		
Current service cost	(1,228)	(883)
<b>Total</b>	<b>(1,228)</b>	<b>(883)</b>

#### Amounts included in interest expenditure

Net interest expenditure	(261)	(263)
Administrative expenses	(9)	(5)
	<b>(270)</b>	<b>(268)</b>

#### Amounts recognised in Other Comprehensive Income

Return on pension plan assets	1,634	2,868
Experience losses arising on defined benefit obligations	-	(536)
Changes in assumptions underlying the present value of plan liabilities	1,312	(941)
Actuarial gain / (loss) on Enhanced Pension Provision	(4)	(149)
<b>Amount recognised in Other Comprehensive Income</b>	<b>2,942</b>	<b>1,242</b>

## 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:

	2018 £'000	2017 £'000
(Deficit) in scheme at 1 August	(9,990)	(10,799)
Movement in year:		
Current service cost	(1,228)	(883)
Employer contributions	667	569
Net interest on the defined (liability)/asset	(261)	(263)
Administrative costs	(9)	(5)
Benefit changes, gain/(loss) on curtailment and gain/(loss) in settlement	2,946	1,391
<b>Total</b>	<b>(7,875)</b>	<b>(9,990)</b>

#### Changes in the present value of defined benefit obligations

	2018 £'000	2017 £'000
<b>Defined benefit obligations at start of period</b>	<b>33,711</b>	<b>31,051</b>
Current Service cost	1,228	883
Interest cost	900	771
Contributions by Scheme participants	206	186
Experience gains and losses on defined benefit obligations	-	536
Changes in financial assumptions	(1,312)	941
Estimated benefits paid	(987)	(657)
<b>Defined benefit obligations at end of period</b>	<b>33,746</b>	<b>33,711</b>

#### Reconciliation of Assets

<b>Fair value of plan assets at start of period</b>	<b>23,721</b>	<b>20,252</b>
Interest on plan assets	639	508
Return on plan assets	1,634	2,868
Administration expenses	(9)	(5)
Employer contributions	667	569
Contributions by Scheme participants	206	186
Estimated benefits paid	(987)	(657)
<b>Assets at end of period</b>	<b>25,871</b>	<b>23,721</b>



## 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 £524.68; 1 governor (2017: £35.75; 1 governor). This represents travel and subsistence and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from the College or its Subsidiaries (2017: none).

#### Declarations of Interest - Governors

Cllr Eddie Johnson served as an Essex County Councillor 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 £9k (2017: £10k) which included room hire and for outdoor activities. Amounts paid by Essex County Council of £970k (2017: £997k) which included payments for High Needs. Essex County Council - the year-end creditor balance amounted to £251 (2017: £Nil). The year-end debtor balance amounted to £Nil (2017: £5k).

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. £155k (2017: £90k) was paid to Harlow District Council mainly in respect of national non-domestic rates. Amounts paid by Harlow District Council of £2k (2017: £2k) which included payments for employer contributions to Apprenticeship training. The year-end creditor balance amounted to £96k (2017: £100k). The year end debtor balance amounted to £Nil (2017: £1k)

Jon Bouffler 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 £441k (2017: £1,004k) for the tuition of those of its students who were studying on the Harlow College campus. Harlow College paid Anglia Ruskin £11k (2017: £202k). The year-end balance amounted to Nil. (2017: £Nil)

Jo Breen is employed by Raytheon Systems Ltd. Amounts paid by Raytheon Systems Ltd £Nil (2017: £500) which was an employer contribution to Apprenticeship training. The year-end debtor balance amounted to £Nil. (2017: £Nil)

Karen Spencer and Liz Laycock are Trustees of Gateway Qualifications Ltd. £221k (2017: £242k) was paid to Gateway Qualifications in respect of exam and qualification fees. The year-end creditor balance amounted to £34k (2017: £24k). Gateway Qualifications Ltd paid Harlow College £200 (2017: £Nil). The year-end debtor balance amounted to £Nil (2017: £Nil).

Karen Spencer was a Board member of Association of Colleges in the Eastern Region (ACER) until September 2017. £22k (2017: £12k) was paid to ACER in respect of training courses. The year-end creditor balance is £Nil (2017: £22k)

Karen Spencer was a trustee on the Harlow Arts Trust until April 2018. £5k (2017: £4k) was paid to Harlow Arts Trust in respect of the STAIR exhibition. The year-end creditor balance is £Nil. (2017: £Nil)

## 21 Related party transactions (continued)

Karen Spencer is a member of the Passmores Co-operative Learning Community (Passmores School). £21k (2017: £Nil) was paid to Harlow College during the year in respect of a school link programme for supported studies. No outstanding balance at year end.

Sotirios Adamopoulos has paid employment with Pearson Education Ltd since September 2018. £91k (2017: £119k) was paid to Pearson in respect of exam registrations and fees. The year end creditor balance is £1k (2017: £1k) £6k (2017: £4k) was paid to Harlow College mainly in respect of sponsorship of the Sculpture Town initiative. The year end debtor balance was £Nil (2017: £Nil).

Gail Wotton has paid employment with Manchester Airport Group (owners of Stansted Airport Ltd). £3k (2017: £Nil) was received from Stansted Airport (in respect of costs relating to a recruitment event) and £7k (2017: £13k) from Manchester Airport Group in respect of Apprenticeship fees. The year end debtor balance for Stansted Airport Ltd is £3k (2017: £Nil). The year-end debtor balance for Manchester Airport Group is £3k (2017: £1k).

### Declarations of interest - Key Management Personnel

None

## 22 Amounts disbursed as agent

### Learner support funds

	2018 £'000	2017 £'000
Funding body grants – bursary support	522	476
Funding body grants – discretionary learner support	57	82
	<u>579</u>	<u>558</u>
Disbursed to students	(482)	(457)
Administration costs	(27)	(26)
	<u>70</u>	<u>75</u>
Balance unspent as at 31 July, included in creditors		

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 2018

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

#### Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 13 October 2017 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency ("ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Harlow College ("the College") during the period 1 August 2017 to 31 July 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

#### Basis for conclusion

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

We are independent of 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 the Harlow College is responsible, under the grant funding agreements and contracts with the ESFA and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The Corporation of 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 ACoP.

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

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.



## Financial Statements year ended 31 July 2018

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

This work was integrated with our audit of the financial statements of the College 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 ESFA 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 ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Harlow College and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

RSM UK AUDIT LLP

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Date: 17 December 2018.