

**Annual Report  
and  
Financial Statements**

**year ended 31 July 2020**



# **HARLOW COLLEGE**

## **Annual Report and Financial Statements for the year ended 31 July 2020**

### **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 2019/20:

Karen Spencer – Principal, Chief Executive and Accounting officer  
Will Allanson – Deputy Principal  
Rebecca Jones – Vice Principal  
Paul Whitehead – Vice Principal  
Sallyann Abdelmoula – Assistant Principal  
Ann King – Assistant Principal  
Wendy Martin – Assistant Principal  
Julian Sample – Assistant Principal  
Laura Wedgbury-Glew – Assistant Principal from 8<sup>th</sup> January 2020  
Sally Appleby – Executive Director of HR Services  
Deanne Morgan – Executive Director of Finance, Facilities and Health & Safety  
Ben Nicholls – Executive Director of MIS, IT & Exams

#### **Board of Governors**

A full list of Governors is given on page 28 to 29 of these financial statements.  
Mrs Ruth Lucas was appointed as Clerk to the Corporation on 1<sup>st</sup> August 2019.

#### **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 Paull LLP  
50 Lothian Road  
Festival Square  
Edinburgh  
EH3 9WJ

# **HARLOW COLLEGE**

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## **Annual Report and Financial Statements for the year ended 31 July 2020 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 2020.

#### **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.

Stansted Airport College which is part of Harlow College opened in September 2018. It is the UK's first and only all-round aviation further education institute. It has been named Stansted Airport College as it is located at London Stansted Airport.

#### **Mission**

Harlow College is 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 have relentless focus on "Not Just Courses, Careers".

#### **Strategic Plan: Not just courses. Careers. (2019-2024)**

Our next phase builds on key partnerships we have established with employers, businesses, community groups, schools, colleges and universities – we pride ourselves on our enterprising approach, ensuring that we develop the skills needed for our thriving innovation corridor.

At the core of our strategy are our values:

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

We have shaped our plan around the following intentions:

- Career-led curriculum.
- Quality of Education.
- Resources.

## Annual Report and Financial Statements for the year ended 31 July 2020 Members' Report

### Career-led Curriculum

- Our curriculum planning will focus on the maintenance and development of the 'Not just Courses, Careers' approach, in particular partnerships with key employers including Stansted Airport, Public Health England (PHE), Princess Alexandra Hospital and any development linked to the Garden Towns.
- Our students, whatever their age, background or mode of study will have access to a career-led curriculum that develops more than a qualification and allows them to successfully progress to their next stage. The wider development of our students to be active and healthy citizens will be a continued focus.
- We will build on our successful Learning, Teaching and Assessment Strategy to ensure that students are equipped with the digital skills, industry skills, and the English and Maths skills required to be successful.
- We will develop our students to be independent learners and thinkers, equipping them with the flexibility and resilience they will require for an unknown future. We will use digital technologies to equip them for a changing world, in particular the 4<sup>th</sup> Industrial Revolution and rapid technological changes.
- We will continue to work with employers and community partners, to develop pre-apprenticeship programmes for young people and adults.
- Our curriculum will be designed to meet industry standards and wherever possible provide students and apprentices with the professional status required in their sector.
- We will develop our technical provision, including new T-levels and progression pathways to Levels 4 and 5, reviewing our Higher Education Strategy and ensuring we have a sustainable model for the future.
- We will continue our regional work with job centres supporting adults back into work in a flexible and pro-active way. However, due to the current low unemployment rates, we also need to shift the balance of this work to in-work training, which will be kept under review given the COVID-19 crisis.



Excellent employer  
links and work  
placements

### Quality of Education

We want everyone to reach their full potential and receive a good quality education, to do this we will:

- Set aspirational targets that ensure the highest outcomes in terms of attainment, progress, value added and destinations.
- Invest in the highest quality learning, teaching and assessment, (LTA) building on our successful LTA Strategy.
- Embed our new LTA quality processes to continue our focus on peer evaluation, improvement, innovation and sharing good practice, integrating our innovative digital approach as a norm.

## **Annual Report and Financial Statements for the year ended 31 July 2020 Members' Report**

- Provide a head-start to our students through our extra curricula and work experience programmes, that builds their confidence and skills for the workplace.
- Ensure all our learners have meaningful, positive destinations.
- Continue our focus on improving English and Maths as a critical part of our curriculum.
- Build on our successful Ofsted Inspection of 2019, with the aim of being Outstanding under the new Education Inspection Framework.
- Establish and embed the practice of our Centre for Excellence in Maths, developing a strong network of other colleges and an action research-led approach to educational improvement.
- Be seen as a regional centre of excellence for the delivery of technical education and apprenticeships, in particular focusing on our partnerships with key employers in the region.
- Be recognised through the achievement of awards, for example, the maintenance of Apple Distinguished School status.

### **Resources**

The biggest challenge is to manage the investment in the College infrastructure whilst responding to a challenging policy and funding environment from Government.

Our priorities will be to:

- Achieve continued 'Good' financial health and meet our bank covenants, in order for us to invest in our curriculum, resources and staff.
- To improve the efficiency of the curriculum whilst offering high quality outcomes.
- To meet the challenges of the apprenticeship levy and continue to secure new business from levy paying employers.
- To review and develop a sustainable funding model for Higher Education and Level 4 and 5 work with a focus on higher level technical skills.
- To secure our funding at Stansted Airport College, moving from letters of comfort onto the lagged model, this will be achieved in 2020/21.
- We will work to develop pathways for industry professionals into teaching, providing a 'scaffolded' system of development and training.
- To invest in our staff through continued support for professional development, e-learning development and our well-being programmes.
- The further rejuvenation of our estate, including identifying capital funds to redevelop Buildings J and K as a Health Technologies Innovation Centre, and the establishment of a 147 Training Centre at Stansted Airport, this is in progress during 2020/21.



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- The establishment of the Construction Industry Training Board (CITB) Hub and Stansted Airport College.
- Developing a sustainable model for the roll-over of iPads and new technologies to support the continued development of digital skills.

### COVID-19 and the College Objectives

As part of the COVID-19 national lock down in March 2020, the College campus closed. The College's digital strategy and innovative approach to learning, teaching and assessment, enabled curriculum delivery to continue virtually. When partial reopening was permitted, the subjects requiring practical completion were prioritised for on-campus delivery. Apprenticeships became unstable during the COVID-19 pandemic as businesses were hit by economic difficulties, this instability continues. We are anticipating fundamental shifts in employment rates, and have a flexible team and programmes in place to quickly scale-up activity. In order to maintain COVID-19 secure campus' curriculum delivery continues to be a blend of on site and virtual delivery.

### RESOURCES

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

#### *Financial*

The College has £21 million of net assets (2018/19 £17 million) including £16 million pension liabilities (2018/19 £11 million), long term debt of £2 million (2018/19 £6m) and long term capital grant funding of £16 million (2018/19 £17 million).

Short term debt includes £3m repayable in May 2021. The Corporation intends to refinance these loans over a longer period to reflect the asset investment for which the loans were for.

#### *Tangible Resources*

Tangible resources include the main Harlow College site (consisting of land space and several buildings), Stansted Airport College site consisting of one building and three other small sites in Harlow, including an adult training centre "Bright Futures" in Harlow Town Centre. 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. In July 2020 the College was donated the University building from Anglia Ruskin University which is located on the main Harlow College campus. The College has been occupying the building for the purposes of Higher Education and maintaining the building since it was constructed in 2010. The Harlow College site 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 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 454 people (in 2018/19 409 people), of whom 285 are teaching staff (in 2018/19 235 people). This growth in teaching staff represents the growth of students particularly at the Stansted campus.

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The College enrolled over six thousand students. The College's student population included 2,700+ 16-18 year olds, 500+ apprentices, 2,900+ adult learners and 100+ high needs learners.

### *Reputation*

We are graded Good by Ofsted (January 2019) and have won awards for our innovative approach to learning. In 2017 we were the first college in the UK to be given Apple Distinguished School status for our pioneering approach to the use of new technology, which we have maintained in 2019 for a further three years.



Apple Distinguished  
School status for the  
2nd consecutive time

### **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 Airport (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.
- 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. The College has seen first hand during the outbreak of COVID-19 how each stakeholder has played an integral part in the organisation. Using the College's existing digital strategy, learning and support services continued throughout the outbreak by virtual methods.

### **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 28 to 29. 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





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and Maths courses. 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.

### **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 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 development of Stansted Airport. In addition, Public Health England's £400+ million national science hub will be built in Harlow and is expected to bring 2,700+ jobs in Medical Sciences and allied industries plus construction-related jobs for the duration of the build.

In 2018 the College was chosen to be one of 21 Maths Centres for Excellence, to improve the quality of basic maths provision for low-attaining young people over the age of 16. Other objectives are to design new and improved teaching approaches, develop high-quality teaching resources, build teachers' skills and spread best practice across the country through maths networks. The practice of our Centre for Excellence in Maths (CfEM) has continued throughout COVID-19 with online webinars and workshops for teachers and managers.

Harlow College has been successful in becoming 1 of 20 schools and colleges to be awarded the prestigious EdTech demonstrator status. The scheme is part of the government's £10 million Edtech strategy, to help education providers who are "using technology effectively" to share their expertise. The advice and training Harlow College is providing is particularly useful in light of the COVID-19 pandemic and the need for remote learning, as it includes guidance on using online learning platforms more effectively. This work has continued virtually throughout the COVID-19 pandemic. Harlow College will also help other schools and colleges develop their longer-term digital capability.

Harlow College has been using the purpose built training hub on the site of where Public Health England (PHE) is creating its new £400+ million public health science campus, to deliver training programs for local people that meet the needs of employers and address employment skills shortage. This is particularly to meet the needs for the major growth and development planned in Harlow and the surrounding areas over the next 15 years of housing and the relocation of Public Health England.

### **FINANCIAL PERFORMANCE**

#### **Financial Results**

The College generated an operating surplus in 2019/20 of £7,607k (in 2018/19 surplus of £328k) with total comprehensive income of £3,991k (2018/19 deficit £591k). This operating surplus includes the transfer of University College Harlow Building from Anglia Ruskin University to Harlow College valued at £7,918k located at Harlow College campus. The total comprehensive income is stated after the actuarial loss in respect of pension schemes of £3,622k (2018/19 £838k).

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The LGPS pension deficit £14,084k (2018/19 £9,612) has cost the College £1,383k (2018/19 £1,417k) to service the deficit which is included in staff costs and reflected in the operating surplus.

### Developments

Tangible and intangible fixed asset additions during the year amounted to £9,006k. This was split between land and buildings including enhancements of £8,327k which includes a donated value of £7,918k for the Anglia Ruskin University building, £671k equipment, £8k software and goodwill. In 2020/21 the College has been allocated £1m from the ESFA to address the capital needs of the estate.

### Reserves

The College has accumulated reserves of £24,969k (2018/19 £16,404k) before pension deficits including the Enhanced Pension Provision and revaluation reserve and has closing cash balances of £3,608k. 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 2019/20 this represented 67% (2018/19 83%) of the College's total income.

## FUTURE PROSPECTS

### T-LEVELS THE NEXT LEVEL QUALIFICATION

Harlow College will be a T Level provider from September 2021 (4 areas) for which we have received grant funding for the initial project. T Levels are a new technical qualification which combine classroom theory, practical learning and an industry placement. The College is awaiting the outcome of a grant application for capital funding to refurbish and upgrade facilities in readiness to deliver the new qualification.

Harlow College has been identified within the priority projects of the South East Local Enterprise Partnership (SELEP) in relation to a £1.5m Getting Building Fund (GBF) investment to further improve a building in readiness for T Level delivery. A full strategic business case was submitted for final approval by the LEP's Accountability Board in November 2020. If successful, the College will need to complete the project and spend by March 2022.

Stansted Airport College (STAC) continues in its offer of courses ranging from aviation operations and cabin-crew training, to engineering and aircraft maintenance. STAC offers students an alternative to higher-education options such as a university degree. As STAC is closely aligned with airport employment needs, the impact of COVID-19 on the airline industry will be closely monitored so that the College can reflect the needs of the airport and the local community.



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The Stansted Airport Employment and Skills Academy, under the management of the Airport in partnership with Harlow College is a one stop shop for finding out about on-site vacancies. In addition, tailored aviation training programmes and apprenticeship schemes provide job seekers with the opportunity to effectively learn and gain the necessary skills to enable them to secure employment with one of more than 200 on-site employers.

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 and has been awarded Apple Distinguished School status for the second time. The core applications have underpinned individual innovation and creativity and proved effective in securing some great success in the classroom. The College's digital strategy enabled a swift transition to full time virtual delivery during the national lockdown and this strategy has enabled blended learning to continue.



Harlow Advanced Manufacturing and Engineering Centre (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 continues to provide 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.

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.

The College envisages that it will play a key role locally in the government's initiatives to recover from COVID-19 in tackling the challenge of unemployment through specific programmes and projects aimed at the unemployed. The College is prepared to expand its adult delivery to meet the increase in demand. 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 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 Maths to achieve the grade and for all students to be fully prepared for employment or higher level study.

The College is in the final stages of successfully implementing a range of new standards-based apprenticeships and Ofsted 2019 reported that these meet the principles in full. For apprenticeships the College delivers good off-the-job training and makes effective links to the skills required in the workplace.

The College curriculum is reviewed annually during which strong use is made of local labour market information, changing demographics and employer feedback. The COVID-19 pandemic forced a review of how the campuses are used and how they could be flexed in order to accommodate a geographical increase in 16-18 year old learners. The curriculum is closely aligned with the local employment and skills priorities. 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.



## **Annual Report and Financial Statements for the year ended 31 July 2020 Members' Report**

### **Financial Plan**

The governors approved a financial plan for the period 2019/20 to 2021/22 in July 2020 which sets objectives for this period. The College financial plans reflect that 2020/21 income may be impacted as a result of COVID-19 and has planned for Adult Education Budget and Apprenticeship income to be less than contract until April 2021. The College has two loans maturing May 2021 of £646,389 and £2,330,583. Within the financial plans it has been assumed that these loans will be refinanced over the longer period to reflect the property investment for which these loans were acquired for. Refinancing the loans early would incur approximately £65k in break costs, which are not included in the financial plans. (See Going Concern page 26) 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 College has maintained a financial health grade of "Good" for six 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 £2,240k (2018/19 £3,435k), net cash flow from operating activities was good.

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 cash flow. During the year this margin was not exceeded.

At the beginning of the COVID-19 pandemic before assurances were provided for 2019/20 funding, the College sought and was granted a capital repayment holiday to preserve current cash flows and defer to beyond 2020. The College also benefitted from the Provider Relief Scheme. No other COVID-19 related schemes or funding were utilised by the College during 2019/20.

### **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 £9,261k (2018/19 £5,164k). The movement in the reserve is mainly due to the Local Government Pension Scheme (LGPS) deficit £14,084k (2018/19 deficit £9,612k). The total LGPS pension actuarial loss during 2019/20 is £3,622k (2018/19 £838k actuarial loss). The substantial increase in the deficit can be mainly attributed to the decrease in discount rate. The LGPS deficit is not an immediate liability, it would be met in the form of incremental employer contributions over an agreed time period. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund to meet future capital requirements



## Annual Report and Financial Statements for the year ended 31 July 2020 Members' Report

### 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. There are other factors besides those listed below which may also adversely affect the College.

#### Key risks identified:

(1) *COVID-19 impact of re-opening and continuing to operate in a safe way.*

##### *Control measure:*

There has been extensive risk assessment of facilities, cleaning, staff, capacity, services, safeguarding, curriculum provision and finances in order to reopen in phases. The College adheres to government guidelines regarding social distancing and Personal Protective Equipment (PPE). The College has created carefully managed zones and teaching bubbles where applicable. The College currently has a blended curriculum based on 50% footfall, with onsite activity being scaled up/down based on need, for example for practical disciplines and students with additional needs. Although students and staff have been remarkably resilient and have responded well to digital/virtual methods, as the experience is prolonged we expect to see increases in those struggling with their well-being and mental health. We are a trailblazer for work with Mind in Essex, as well as undertaking a Trauma Training programme and ensuring staff have external access to mental health support. During the COVID-19 pandemic the College has developed and monitors a secondary risk register directly relating to the impact of COVID-19.

(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.

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- (3) *Not recruiting to the 19+ AEB target; Transition from relying on unemployed students as the sole sources of recruitment. Changes to contracting with devolved authorities and lack of College contracts poses a risk to recruitment particularly with the Stansted Academy.*

*Control measure:*

This income is monitored monthly by Principalship, including monitoring the work of Stansted Academy. The College needs to ensure that new programmes are well developed and quality assured. The College is seeking sub-contracted work with devolved authorities. Strategy being developed for recruiting for in-work training rather than depending on the unemployed. Online learning packages have been developed and rolled out. The College will seek to deliver on the government's new criteria (as part of COVID-19 economy recovery) for level three adult qualifications.

- (4) *Failure to improve the quality of English and maths, specifically attendance and achievement on GCSE and teaching, learning and assessment for the new functional skills.*

*Control measure:*

New central English & Maths teams in place for teaching GCSE and delivering functional skills and with dedicated senior managers focused on this area. Reports on student diagnostics and attendance in place. Regularly monitoring through quality reviews Timetables for delivery reviewed by Principalship. Different delivery model developed and GCSE staff now sit within the A-Levels team, therefore delivery will be centralised. Analysis of reported progress measure has triggered a review of English and maths enrolments for next year. Principalship leading on themed performance review meetings throughout the year which are complementary to quality and apprenticeship meetings. Close monitoring of attendance through dashboard to assess the impact of intervention measures. English and maths teaching is cross curricular, due to maintaining social bubbles this teaching will take place virtually for foreseeable future, virtual learning has seen an improvement in attendance.

- (5) *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:*

Ongoing discussion with the Department for Education and stakeholders regarding agreements for sixth form provision in the area.

- (6) *Recruitment of learners on HE programmes and compliance with Office for Students (OfS) regulation.*

*Control measure:*

Monitoring of student numbers against planned costs. Continue to promote externally through UCAS and clearing. Utilise National Collaborative Outreach Programme (NCOP) project funding to increase HE activity across the College. Cross College event for all Level 3 students to attend. Timely compliance with the OfS.

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- (7) *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). Potential financial implications resulting from the McCloud and Sargeant case (Pensions Age Discrimination) relating to enhanced pension deals for under 55's.*

*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 service charge is a non-cash item and does not impact the financial health. However, the risk is that it has a future cash impact, following each triennial valuation cash payments to the fund could be increased to reduce the pension deficit, which would impact the College's financial health. To monitor COVID-19 economic and demographic movements that could impact the financial performance of the LGPS. There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgement and the 2016 cost cap process. The Government has published its consultation on a remedy for the McCloud and Sargeant judgement and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. These are yet to be finalised and therefore it remains uncertain what changes may be made to LGPS benefits as a result. The College will monitor the proposed Government remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed in October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published.

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Members' Report**

**KEY PERFORMANCE INDICATORS**

The following areas have formed the focus for 2019/20:

- Career-led Curriculum.
- Quality of Education.
- Resources.
- Quality of Experience.

Strategic Objective	Target	Target	Performance
<b>Career-led curriculum</b>	Industry led projects:		
	CITB (construction hub)	Achieve project outcomes in a timely manner	Achieved all outcomes except sustained job outcomes (115 out of 150)
	Public Health England (PHE)	Develop relationship to shape future curriculum	The College is working with PHE, Harlow District Council and Anglia Ruskin University to fully map the skills needs of PHE. This in turn will be used to shape the curriculum.
	Stansted Phase 2	Develop a plan for Phase 2 with Manchester Airport Group	Due to significant challenges across the aviation industry from COVID-19 and restrictions on air travel, this has been paused and will be resumed when deemed appropriate.
	T-level implementation	Marketing materials are published and events held for schools around the 2021 T level offer at the College (Construction, Health Sciences, Digital & IT)	The Teacher Regional Improvement Project (TRIP) was delivered successfully and the monies claimed for the College. The College website and prospectus have been updated for our T level offer. School promotion remains a barrier due to the COVID-19 restrictions. The College has been successful in capital bids and in line with our planned T level offer for 2021 across 6 T level routes and 4 Transition pathways.



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Members' Report**

<b>Quality of Education</b>	Learning, teaching and assessment (TLA)	<p>100% of staff complete annual Power of 3 peer observation process</p> <p>75% of observations demonstrate Challenge, Pace, Differentiation</p>	<p>97% Achieved by end of Jan 2020. For term 3 no new progress was made as COVID-19 restrictions meant observations for Power of 3 and Walkthroughs have not run.</p> <p>Walkthrough data from December showed above 71% in all areas. While Challenge, Pace and Differentiation remain a target, the focus moved due to COVID-19 restrictions to digital competence and full staff compliance in order to deliver the curriculum. The Quality team worked with staff and team managers to enable all staff to deliver online confidently and safely.</p>
	English and maths development	<p>GCSE Retention = 94% (Benchmark 92.3%), Functional Skills Retention = 91% (Benchmark 79.9%)</p>	<p>GCSE = 95.1%, Functional Skills = 90.1%</p>
	Learner Outcomes - Retention	<p>Retention = 95% (Benchmark 92.6%)</p>	<p>95.1%</p>
	<p>Learner Outcomes – Achievement</p> <p>Learner Outcomes – Progress</p> <p>Learner Outcomes - Destinations</p>	<p>Achievement = 87% (Benchmark 85.9%)</p> <p>Value Added (ALPS) = Academic = 3 94% Known Positive Destinations</p>	<p>82.3%</p> <p>Academic value added for 2019 is at grade 3, this is a two grade improvement on the previous year. 83% positive destinations with only 94% completion, collection of data was lower for this year.</p>

**Annual Report and Financial Statements for the year ended 31 July 2020**  
**Members' Report**

<b>Resources</b>	Recruitment, teacher training and retention	Maintain low staff turnover below the national FE benchmark 18%	Staff turnover has remained low at 13.07%
	Management development and succession planning	Run management training for HOA level - ILM Apprenticeships up to 4 people To be completed by April 2020	Completion of an Assistant Academy Manager (AAM) Apprenticeship scheme at L3 and L5 created and achieved by March 2020. Delays occurred in commencing the programme due to the COVID-19 restrictions. Three AAMs are enrolled on L3 and one on the L5 programme which is starting in autumn 2020.
	Financial health and bank covenants	Good Financial Health  Meet bank covenants	On target (await final confirmation from the ESFA in 2021)  On target (await final confirmation from bank in 2021)
	Estates strategy and investment	Develop a property strategy	Presented and approved February 2020. The College has successfully won bids for capital and estates funding in line with our Property Strategy

**Annual Report and Financial Statements for the year ended 31 July 2020**  
**Members' Report**

<h1>Quality of Experience</h1>	Behaviour and Attitudes	<p>Regular reports to analyse disciplinary trends across the College (Termly - identify issues and actions &amp; Annually to reduce gaps)</p> <p>Undertake review of the Student Journey, behaviour and attitudes and expectations. To be completed by April 2020</p>	<p>New Assistant Principal appointed in January 2020, but was not fully deployed in role until August 2020. Sharp drop in disciplinary issues due to COVID-19 restrictions. All hearings and action completed where possible for 2019-2020. ProMetrix report on disciplinary sanctions complete and available. Regular report on data to Executive still to be put in place.</p> <p>Delayed due to COVID-19 restrictions</p>
	Improve learner engagement and feedback	<p>Improved engagement in new learner satisfaction survey</p> <p>Enhance Ambassador role to include student engagement and links with Student Governors</p>	<p>64% Response rate compares with 13% last summer when new model was introduced. Aggregated score moved from 80% to 83%. No spring survey due to COVID-19 restrictions. Ambassador and Student Governor meeting took place virtually. Actions taken forward and reported back to Standards Committee.</p> <p>Achieved. Two student governors in place, with monthly ambassador meetings running. Vice Principal met with ambassador group twice to feedback on action requested. Half-termly meeting with Ambassadors and Governors helped inform student voice action plan as reported to Corporation.</p>

## Annual Report and Financial Statements for the year ended 31 July 2020 Members' Report

### Student numbers

Type of provision	2019/20 Number of Learners	2018/19 Number of Learners	2017/18 Number of Learners
16 to 19 Study Programmes	2,752	2,653	2,362
Apprenticeships (starts)	677	1,088	812
Adult learning programmes	2,915	2,819	2,795
Provision for learners with high needs	123	121	119
Higher Education (HNC/D)	54	52	47
Higher Education (Anglian Ruskin)		25	79
Advance Learner Loans	140	127	96

Overall student numbers continue to increase, which is mainly due to the addition of the Stansted Airport Campus. Apprenticeship starts suffered in the summer term (the initial COVID-19 “lockdown”) as many organisations ceased trading or contracted and therefore were not in a position to recruit apprentices. The Higher Education numbers reflect the planned close of Anglia Ruskin Higher Education programmes.

### Student achievement

Despite having to work under incredibly challenging circumstances due to the COVID-19 pandemic the College has improved with achievement and retention rates. The improvements mean that learners are continuing to benefit from staying in education and developing their skills during this time.

Outcomes for Study Programme Learners	17/18	18/19	19/20	Benchmark
Achievement %	77.5%	82.6%	82.7%	<b>85.9%</b>
Retention %	89.8%	90.9%	92.8%	<b>92.6%</b>

Despite the challenges of COVID-19, A-Level students still recorded some fantastic results, achieving a 99% pass rate for the third year in a row.

Students' grades were produced through a combination of Centre Assessed Grades and a national standardisation process by Ofqual, working with awarding bodies.

Students have again secured places at some of the country's top universities including Cambridge, Exeter, Southampton, Queen Mary London, Nottingham and Bath to study subjects such as Veterinary Medicine, Aeronautics & Astronautics, History & Modern Languages, International Relations & Korean and Law.

## Annual Report and Financial Statements for the year ended 31 July 2020 Members' Report

Apprenticeship Achievement rates	17/18	18/19	19/20	Benchmark
Overall Achievement	64.0%	63.3%	51.2%*	69%
Timely Achievement	55.8%	56.2%	35.9%*	60%

\* Data is not final for 2019/20, awaiting R04 return.

Apprenticeship achievement rates are notably below national benchmarks and below the College's historical performance due to the impact of COVID-19. During the first wave of the pandemic, this was in the summer term when many apprentices would be completing their qualification. It was challenging to communicate with and engage apprentices with their qualification when many organisations employing them faced uncertainty, economic difficulties and some even ceased trading which would influence the continued employment of apprentices.

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 Frameworks for Higher Education Quality (FHEQ) and the Regulated Qualifications Framework (RQF).

The College's higher education provision (level 4 & 5) is delivered on behalf of two awarding partners - Pearson and Anglia Ruskin University (ARU). The higher education offer includes biological sciences for industry, business, creative media production, early years education, engineering, performing arts, salon management and sport.

When recruitment onto ARU programmes ceased in September 2016, the College had put 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 higher education provision with a presence on the UCAS admission system with access to a wider network of potential external students.

### Adult Learning Programs

Adults	17/18	18/19	19/20	Benchmark
Achievement %	91.1%	88.8%	82.0%	<b>89.9%</b>
Retention %	99.0%	98.0%	97.0%	<b>94.7%</b>
Pass %	92.0%	90.7%	84.6%	<b>94.9%</b>

Adult Learning Programmes are mainly short courses which would have taken place as normal in the autumn and spring terms. Delivery of adult short courses tapered in the summer term (during the initial COVID-19 "lockdown") when it was not possible to deliver face to face or virtually. Therefore the "lockdown" period had minimal impact on the strong performance from the autumn and spring terms resulting in the overall reasonable achievement, retention and pass rates for main areas of delivery. E-learning achievement rates need improvement and these will be focused on in 2020/21. Adult face to face delivery has commenced from September 2020 and continues during "lockdown" as it is an education provision.

## Annual Report and Financial Statements for the year ended 31 July 2020 Members' Report

### Construction Skills Fund (CSF) Delivery Performance

Indicator	Target	Performance (as at July 2020)
Number of trainees commenced in a CSF intervention on the on-site training hub	500	657 (131%)
Number of individuals who are considered employment and site ready by construction employers	500	500 (100%)
Number of trainees obtaining an offer for a job with sustained employment or engagement as a contractor (of more than three months in duration) before, during, or within three months of completing their training [at least 30% of total learners]	150	97 (65%)

### Financial Performance

	2019/20 Target	2019/20 Performance	2020/21 Target
Income	£31m	£32m	£24m
Surplus/(Deficit)	£8m	£7.7m	c.£100k
EBITDA	8%	33% (excluding the donated building 10%)	7%
Borrowing as a % of adjusted income	<30%	19% (excluding the donated building 26%)	27%
Staff Costs as a % of adjusted income	70%	53% (excluding the donated building 70%)	72%

### Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires organisations, in the absence of an agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period the College paid 80.6% of its invoices within 30 days. The College incurred £Nil interest charges in respect of late payment for this period.



## Annual Report and Financial Statements for the year ended 31 July 2020 Members' Report

### Other Performance Measures

The most recent Ofsted Inspection of the College dates from January 2019 when Ofsted concluded that Harlow College is a good College. The College's current self-assessment report for 2019/20 documents key strengths of the College including governors and leaders having clear vision, high ambition for learners and apprentices, learners make good progress and are successful in moving on to their next steps.

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.

The College has retained 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.

The College has retained its affiliation with the Office for Students, to continue to deliver higher education funding provision with them.

## EQUALITY & DIVERSITY

### 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 Policy is published on the College's website [www.harlow-college.ac.uk](http://www.harlow-college.ac.uk).

The College's Equality & Diversity Policy ensures compliance with all relevant legislation including the 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.

# Annual Report and Financial Statements for the year ended 31 July 2020

## Members' Report

### Gender pay gap reporting

Any organisation that has 250 or more employees must publish and report specific figures about their gender pay gap. The figures are calculated as a 'snapshot' as at 31 March for public sector organisations. The gender pay gap is the difference between the average earnings of men and women, expressed relative to men's earnings. For example, 'women earn 15% less than men per hour'.

The overall gender split:

**31<sup>st</sup> March 2019**



**62% 38%**

**31<sup>st</sup> March 2018**



**60% 40%**

**Mean Gender Pay Gap for 2019**



**4.68% difference between male and female hourly pay**

**The average hourly rate for a female was £16.08 and a male was £16.87**

**Mean Gender Pay Gap for 2018**



**4.20% difference between male and female hourly pay**

**The average hourly rate for a female was £15.98 and a male was £16.68**

**Median Gender Pay Gap for 2019**



**12.08% difference between male and female hourly pay**

**The median hourly rate for a female was £15.00 and a male was £17.06**

**Median Gender Pay Gap for 2018**



**10.98% difference between male and female hourly pay**

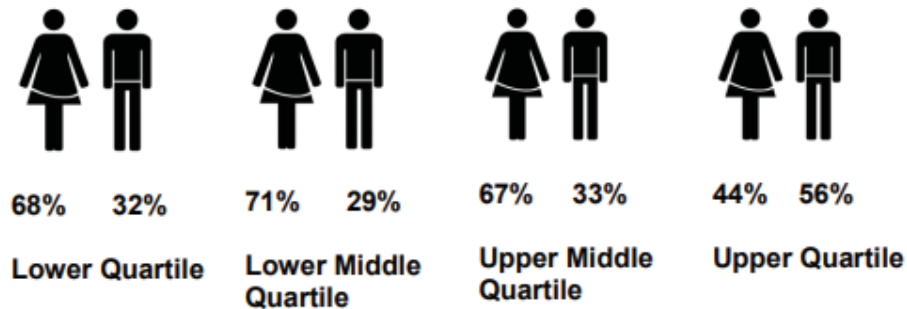
**The median hourly rate for a female was £14.60 and a male was £16.40**



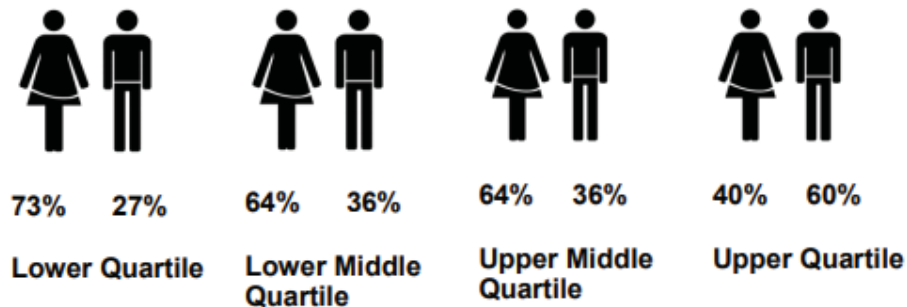
## Annual Report and Financial Statements for the year ended 31 July 2020 Members' Report

The images below show the gender distribution of all Harlow College staff across four equal quartiles.

### For 2019:



### For 2018:



### Disability statement

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 the Children and Families Act 2014.

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 supports learners as effectively as possible. The College is proud of its track record in opening up opportunities for students with disabilities and learning difficulties.

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.

## Annual Report and Financial Statements for the year ended 31 July 2020 Members' Report

### 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.

For the period 1st April 2019 to 31st March 2020:

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

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

Total cost of facility time	£6,771
Total pay bill	£15,505,725
Percentage of total bill spent on facility time	0.03%

Time spent on paid trade union activities as a percentage of total paid facility time	49%
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### Going concern

The College is a going concern and has adopted this basis of accounting in preparing the accounts. The Corporation believes that it will be able to continue in operation and meet its liabilities for the foreseeable future. The College has not had an overdraft facility during 2019/20. The 2020/21 student numbers are on target for securing Funding Body income for 2020/21 and 2021/22. The College continues to look outward and forward to other avenues of funding, such as government announced opportunities for Level 3 adult funded learning.

At the beginning of the COVID-19 pandemic before assurances were provided for 2019/20 funding, the College sought and was granted a capital repayment holiday to preserve current cash flows and defer to beyond 2020. The College also benefitted from £5k Provider Relief Scheme. No other COVID-19 related schemes or funding were utilised by the College during 2019/20. Bank covenants were not breached during 2019/20. The College financial plans reflect that 2020/21 income may be impacted as a result of COVID-19 and has planned for Adult Education Budget and Apprenticeship income to be less than contract until April 2021, the College financial plans and cash flows show that the College will remain solvent during this period. Should the economy recover earlier or the College has additional training opportunities (e.g. more demand for training due to higher unemployment) the College is still able to earn up to contract value.

The College has had exploratory discussions with its bankers about refinancing the loans of £646,389 and £2,330,583 maturing May 2021 as it is preferable to spread these loans over the



## Annual Report and Financial Statements for the year ended 31 July 2020 Members' Report

longer period to reflect the property investment for which these loans were acquired. Refinancing the loans early would incur approximately £65k in break costs. The Corporation understands the current risk in waiting to refinance in terms of refinancing costs and product availability. The College is also exploring alternative sources of funding in case a renewed facility is not forthcoming. Should refinancing prove challenging the Corporation understands that it would re-plan its capital expenditure in order to make the loan repayments. The Corporation believe based on their relationship with the bank and their other loan arrangements, that the bank are supportive and they will secure the appropriate finance. The cash flows have been tested to ensure that repayment is feasible. The Corporation has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the Corporation continues to adopt the going concern basis of accounting in preparing the annual financial statements.

### 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 2020 and signed on its behalf by:

Signature:

A handwritten signature in black ink, appearing to read "Elizabeth Laycock".

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Elizabeth Laycock, Chair

## Financial Statements year ended 31 July 2020

### 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 2019 to 31<sup>st</sup> July 2020 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 full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the Code”).

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. 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. In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2020.

#### 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 and Curriculum	80% (4/5)
Paul Bartlett	Reappointed 19.07.2018	4 years		Governor	Vice-Chair of Corporation until 22 <sup>nd</sup> October, Chair of Audit, Remuneration	60% (3/5)
Julian Bedford	Reappointed 22.10.2019	4 years		Governor	Resources	80% (4/5)
Jon Bouffler	Reappointed 14.07.2020	4 years		Governor	Standards and Curriculum	60% (3/5)
Jo Breen	Reappointed 01.05.2017	4 years		Governor	Resources	60% (3/5)
Rod Bristow	Appointed 02.01.2019	4 years		Governor	Standards and Curriculum	60% (3/5)
Chris Chatt	Elected 21.03.2017	4 years		Support Staff	Audit	100% (5/5)
Anthony Durcan	Reappointed 11.12.2018 Expired 10.12.2020	2 years		Governor	Audit	20% (1/5)
Eddie Johnson	Reappointed 15.12.2018	4 years		Governor	Chair of Resources, Search, Remuneration	80% (4/5)

**Financial Statements year ended 31 July 2020**  
**Statement of corporate governance and internal control**

Elizabeth Laycock	Reappointed 19.05.2020	4 years		Governor	Chair of Corporation from 22 <sup>nd</sup> October 2020 Vice-Chair of Corporation until 22 <sup>nd</sup> October 2020, Chair of Standards and Curriculum until 22 <sup>nd</sup> October 2020, Remuneration Resources from 3 <sup>rd</sup> December 2020	80% (4/5)
Ray Levy	Reappointed 11.10.2020	4 years		Governor	Audit Vice-Chair of Corporation from 22 <sup>nd</sup> October 2020	80% (4/5)
Lily Lin	Appointed 01.08.2018	4 years		Governor	Audit to 3 <sup>rd</sup> December 2020 Vice-Chair of Corporation from 22 <sup>nd</sup> October 2020 Chair of Standards and Curriculum from 25 <sup>th</sup> November 2020	100% (5/5)
Lucy Rowe	Elected 01.08.2019	1 year	Term of office ended	Student Governor		80% (4/5)
Lianne Sherry	Elected 01.08.2019	1 year	Term of office ended	Student Governor	Standards and Curriculum	80% (4/5)
Brian Spencer	Reappointed 19.05.2019	4 years		Governor	Chair of Search, Resources, Remuneration	80% (4/5)
Karen Spencer	01.09.2013	Ex Officio		Principal	Resources, Search, Standards and Curriculum	100% (5/5)
Paul Taylor	Reappointed 05.04.2017	4 years		Governor	Chair of Corporation until 22 <sup>nd</sup> October 2020, Resources, Remuneration	100% (5/5)
Gail Wootton	Appointed 15.03.2018	4 years		Governor	STAC Advisory Group	60% (3/5)

Ruth Lucas, Head of Governance acted as Clerk to the Corporation from 1 August 2019.

In addition, Harlow College governors provide instrumental support in attending Corporation Committees and working group meetings, College working group meetings, governor training and strategic planning events, College functions and other meetings in the College. The



## Financial Statements year ended 31 July 2020 Statement of corporate governance and internal control

Search Committee as well as considering formal meeting attendance, considers the entire support and expertise a governor brings to the College.

### The governance framework

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

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

The Corporation conducts its business through a number of Committees. Each Committee has terms of reference, which have been approved by the Corporation. These Committees are Resources, Remuneration, Search, 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 3EZ

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at Harlow College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

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

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

### COVID-19

Members were able to continue to carry out their duties despite COVID-19 and robust governance arrangements were put in place.

When colleges were ordered by the Government to close campuses from 20 March 2020, all Corporation and Committee meetings from this date were held virtually via Zoom. There was

## **Financial Statements year ended 31 July 2020**

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

already provision in the Corporation's Instrument and Articles of Government that allowed for virtual meetings to be held. Governors were briefed in advance of the first virtual meeting and a set of virtual meeting protocols was developed and circulated to all Governors in advance of the first meeting.

Two Committee meetings did not take place as originally planned – the March 2020 Standards and Curriculum Committee meeting and the May 2020 Resources Committee meeting. The decision not to hold the meetings was taken in consultation with the Committee Chairs and the Chair of the Corporation and all business scheduled at these meetings was deferred to the May 2020 Corporation meeting without any detrimental effect.

All Committee and Corporation meetings for the autumn term 2020 will be held virtually.

The Procurement Policy Notice 02/20 in respect of supplier relief due to coronavirus (COVID-19) was applied by the College for the payment of examination registrations, this was necessary in order that examination registrations for students could continue in the knowledge that the actual examinations would not take place in the usual manner. The amounts paid to these suppliers has been reviewed with repayments or credit notes obtained for any overpayments.

#### **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 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.

In the Corporation meeting on 22<sup>nd</sup> October 2020 Paul Taylor, the Chair of the Corporation stepped down as Chair, Elizabeth Laycock was appointed as the new Chair of the Corporation. Paul Taylor continues to serve as a governor. Two new Vice-Chairs were also appointed at the same Corporation meeting: Lily Lin and Ray Levy.

#### **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 2019, Ofsted judged that Governors and leaders have a clear vision and high ambitions for learners and apprentices. It was also judged that Governors are keenly involved in setting the strategic direction of the College and use their wide range of skills to provide suitable support and challenge to leaders; Governors have ensured that through good financial management, including good financial risk management; Governors know the strengths and weaknesses of the provision well.

In November 2020, the Corporation carried out a self-assessment of its own performance for the year ended 31st July 2020 and graded itself as "Good" on the Ofsted scale.



## **Financial Statements year ended 31 July 2020**

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

#### **Remuneration Committee**

Throughout the year ending 31 July 2020, 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 College adopted AoC's Senior Staff Remuneration Code in full in May 2019 to meet the requirements for registration with Office for Students (OfS), ESFA reporting requirements and provide consistency.

The Committee last met on 11 July 2019 to consider the retirement of the existing Clerk, the future Clerk role and remuneration based on national benchmarking for Head of Governance positions, no other salaries or matters for Senior Post Holders were discussed. Details of Senior Post Holders' remuneration for the year ended 31 July 2020 are set out in note 7 to the financial statements.

#### **Audit Committee**

The Audit Committee comprises five 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.

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.



## Financial Statements year ended 31 July 2020

### Statement of corporate governance and internal control

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 funding agreement 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 2020 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 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

#### *The risk and control framework*

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

- 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.

## **Financial Statements year ended 31 July 2020**

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

#### **COVID-19**

The College produced an additional COVID-19 risk register along with a COVID-19 risk assessment and COVID-19 risk assessment outcome summary, which was shared with the Corporation.

The Head of Governance was invited to the weekly Executive meetings during the COVID-19 period.

A Coronavirus Governance and Leadership Group was established, comprising of the Chair and Vice-Chairs of the Corporation, the Principal and the Head of Governance. The Deputy Principal was also invited to attend where appropriate. The Group met and continues to meet on a weekly basis and oversees the College's overall response to COVID-19, including risk assessment and risk management, student grading and assessment, quality, student recruitment, resources and staffing.

#### **Risks faced by the Corporation**

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. See Members report for the key risks.

The College has a Risk Management Policy to manage risks and their potential impact. The risk management process also identifies risks which are above and beyond the level of risk the College would choose to accept. As the core business of the College is teaching and learning, the College has to find and maintain the appropriate balance of effective risk management whilst at the same time driving towards its vision of excellence for learners. The risk management process is mindful of how the College maintains organisational flexibility and how we ensure the College remains financially viable.

Our assessment of current risks facing the College are plotted on a Risk Assessment Matrix. The assessment of each risk and where it might be placed on the Risk Assessment Matrix is based on the College's knowledge and understanding of the risk and is in part subjective. The Risk Assessment Matrix is divided into 3 parts. The high risk area (coloured red), medium risk area (coloured amber) and a low risk area (coloured green).

- a) For a new risk being assessed for the first time it is assumed that there are no controls in place.
- b) Each risk is assessed and given a score between 1 (low score) and 5 (high score) for both impact (I) and likelihood (L). A set of descriptors for each impact or likelihood score is attached to the matrix. When assessing the likely impact of a risk, consideration should be given to the impact on college finances, college reputation and our ability to provide excellence in teaching and learning.
- c) Each risk is allocated (to a named person to take the lead responsibility) and monitored by the Executive.

## Financial Statements year ended 31 July 2020

### Statement of corporate governance and internal control

- d) Subsequent assessment of impact and likelihood are completed with knowledge of the controls which are already in place and with knowledge of any further controls which we have put in place to further reduce / control the risk.
- e) The multiplying of the impact score (I) X likelihood score (L) will give the assessed risk score for each issue being assessed. This score is then plotted on the matrix.
- f) The College has a maximum risk tolerance of 20. Any risk scored above 20 will be regarded as an intolerable risk which we would not voluntarily accept given the choice. Any risk which scores 25 means the College must accept it being placed in the High Risk sector of the matrix and will be subject to monthly review (and action as necessary) by the Executive.
- g) Risks which score between 10 and 20 will be placed in the High Risk sector of the matrix and be subject to monthly review and action as necessary by the Executive. All managers must have a contingency plan for dealing with these risks should they arise. Managers should also have appropriate control measures to prevent the risk occurring or mitigate its likelihood / impact.
- h) Risks which score between 5 and 9 will be placed in the Medium Risk sector of the matrix. All managers must have a contingency plan for dealing with these risks should they arise. Managers should also have appropriate control measures to prevent the risk occurring or mitigate its likelihood / impact. It is not expected that the Executive will review risks in the Medium risk sector with the same frequency as those in the High Risk sector unless there is reason to believe the risk needs to be rescored (upwards or downwards) on the basis of intelligence received. Risks identified in the Medium Risk sector should be subject to monthly review by managers, termly reviews by the Executive and as requested by the Audit Committee.
- i) Risks which score between 2 and 4 will be placed in the Low Risk sector of the matrix. All managers must have a contingency plan for dealing with these risks should they arise. Managers should also have appropriate control measures to prevent the risk occurring or mitigate its likelihood / impact. It is not expected that the Executive will review risks in the Low Risk sector with the same frequency as those in the High Risk sector unless there is reason to believe the risk needs to be rescored (upwards or downwards) on the basis of intelligence received. Risks identified in the Low Risk sector should be subject to monthly review by managers, termly reviews by the Executive and as requested by the Audit Committee.

The College's key risks are identified in the Members' Report.

#### **Control weaknesses identified**

No significant internal control weaknesses or failures have been identified which required action.

#### **Responsibilities under funding agreements**

The Corporation has met its contractual responsibilities under its funding agreements and contracts with the ESFA.

## **Financial Statements year ended 31 July 2020**

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

#### **Statement from the Audit Committee**

The Audit Committee has advised the board of governors that the Corporation does have an effective framework for governance and risk management in place. The Audit Committee believes the Corporation does have effective internal controls in place.

#### **COVID-19**

The internal audit plan for 2019 – 2020 was completed in full despite COVID-19. All audits took place face-to-face prior to the closure of the campus on 22 March 2020, with the exception of the Single Central Record audit which was completed remotely in June 2020. The Audit Committee agreed that the T-Level Recruitment and Implementation internal audit be deferred to 2020 – 2021 as the College will not start delivery of T-Levels until September 2021 therefore the timing of this audit was deemed to be too early. The Audit Committee agreed that the Learner Records Funding Compliance internal audit should be cancelled due to the ESFA undertaking an external funding assurance audit in the autumn term 2019.

#### *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 team, consisting of the Principal, Deputy Principal, Vice-Principals, Assistant Principals and Executive Directors, 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 team 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 2020, the Corporation carried out the annual assessment of internal control for the year ended 31 July 2020 by considering the Audit Committee's annual report and making enquiries of the Committee, the auditors and the Executive Group, and taking account of events since 31 July 2020.



**Financial Statements year ended 31 July 2020**  
**Statement of corporate governance and internal control**

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”*.

**Approved by order of the members of the Corporation on 17<sup>th</sup> December 2020 and signed on its behalf by:**

A handwritten signature in black ink, appearing to read "Laycock".

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Elizabeth Laycock, Chair

A handwritten signature in black ink, appearing to read "Kasper".

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Karen Spencer, Accounting Officer

**HARLOW COLLEGE**  
**Financial Statements year ended 31 July 2020**

**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 grant funding agreement and contracts with the ESFA.

We confirm on behalf of the Corporation that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College’s grant funding agreements and contracts with the ESFA, or any other public funder.

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.



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Karen Spencer, Accounting Officer



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Elizabeth Laycock, Chair

# HARLOW COLLEGE

## Financial Statements year ended 31 July 2020

### Statement of Responsibilities of the Members of the Corporation

The members of the Corporation, who act as trustees for the charitable activities of the College, 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 Member's Report for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, Accounts Direction issued by the Office for Students 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 the 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. They are also responsible for ensuring funds from the Office for Students or other sources are properly applied for the purposes for which they have been given and in accordance with relevant legislation or terms and conditions attached to them.

Approved by order of the members of the Corporation on 17<sup>th</sup> December 2020 and signed on its behalf by:



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Elizabeth Laycock, Chair

## 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 2020 which comprise the College statement of comprehensive income, the College balance sheet, the College statement of changes in reserves, the College statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, 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 2020 and of the College's surplus 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.

### Material uncertainty related to going concern

We draw attention to the going concern accounting policy on pages 47 & 48 in the financial statements, which indicates that the College has net current liabilities of £2.1 million as a result of loans due for repayment in May 2021. The College is confident the facilities can be extended and has had positive discussions with the bank, but no formal refinancing has been agreed. As stated in the principal accounting policies, these events or conditions, along with the other matters as set forth in the principal accounting policies, indicate that a material uncertainty exists that may cast significant doubt on the College's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other information

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

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

We have nothing to report in this regard.



## **Opinion on other matters prescribed by the Office for Students' Accounts Direction**

In our opinion, in all material respects:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

## **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 2019 to 2020 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.

We have nothing to report in respect of the following matters where the Office for Students' accounts direction requires us to report to you if:

- the College's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.

## **Responsibilities of the Corporation of Harlow College**

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 39, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**Use of our report**

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 21 October 2020. 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 2020

## Statements of Total Comprehensive Income

	Notes	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
<b>INCOME</b>			
Funding body grants	2	21,443	19,183
Tuition fees and education contracts	3	817	957
Other income	5	9,628	2,910
Investment income	6	16	21
<b>Total income</b>		<b>31,904</b>	<b>23,071</b>
<b>EXPENDITURE</b>			
Staff costs	7	16,901	15,496
Other operating expenses	8	4,718	4,768
Depreciation and amortisation	10,11	2,109	1,869
Interest and other finance costs	9	569	610
<b>Total expenditure</b>		<b>24,297</b>	<b>22,743</b>
<b>Surplus before other gains and losses</b>		<b>7,607</b>	<b>328</b>
<b>(Deficit)/surplus before tax</b>		<b>7,607</b>	<b>328</b>
Taxation		-	-
<b>(Deficit)/surplus for the year</b>		<b>7,607</b>	<b>328</b>
Hedge of variable interest rate, fair value gain / (loss)		6	(81)
Actuarial gain / (loss) in respect of pensions schemes	20	(3,622)	(838)
<b>Total Comprehensive Income for the year</b>		<b>3,991</b>	<b>(591)</b>



## Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
<b>Balance at 1st August 2018</b>	5,649	12,332	17,981
Surplus from the income and expenditure account	328	-	328
Other comprehensive income	(919)	-	(919)
Transfers between revaluation and income and expenditure reserves	106	(106)	-
	<u>(485)</u>	<u>(106)</u>	<u>(591)</u>
<b>Balance at 31st July 2019</b>	5,164	12,226	17,390
Surplus from the income and expenditure account	7,607	-	7,607
Other comprehensive income	(3,616)	-	(3,616)
Transfers between revaluation and income and expenditure reserves	106	(106)	-
<b>Total comprehensive income for the year</b>	<u>4,097</u>	<u>(106)</u>	<u>3,991</u>
<b>Balance at 31st July 2020</b>	<u><b>9,261</b></u>	<u><b>12,120</b></u>	<u><b>21,381</b></u>



## Balance Sheet as at 31 July

	Notes	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Tangible fixed assets	10	57,879	50,963
Intangible fixed assets	11	116	135
		<b>57,995</b>	<b>51,098</b>
<b>Current assets</b>			
Stocks		22	11
Trade and other receivables	12	1,005	913
Cash and cash equivalents		3,608	3,305
		<b>4,635</b>	<b>4,229</b>
<b>Less: Creditors – amounts falling due within one year</b>	13	(6,793)	(3,869)
<b>Net current assets</b>		<b>(2,158)</b>	<b>360</b>
<b>Total assets less current liabilities</b>		<b>55,837</b>	<b>51,458</b>
Less: Creditors – amounts falling due after more than one year	14	(18,748)	(22,828)
<b>Provisions</b>			
Defined benefit obligations	16, 20	(14,084)	(9,612)
Other provisions	16	(1,624)	(1,628)
<b>Total net assets</b>		<b>21,381</b>	<b>17,390</b>
<b>Unrestricted reserves</b>			
Income and expenditure account		9,261	5,164
Revaluation reserve		12,120	12,226
<b>Total unrestricted reserves</b>		<b>21,381</b>	<b>17,390</b>

The financial statements on pages 43 to 77 were approved and authorised for issue by the Corporation on 17 December 2020 and were signed on its behalf on that date by:

Elizabeth Laycock  
Chair

Karen Spencer  
Accounting Officer



## Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
<b>Cash inflow from operating activities</b>			
Surplus for the year		7,607	328
<b>Adjustment for non cash items</b>			
Depreciation and amortisation	10,11	2,109	1,869
Pensions costs less contributions payable		770	917
Investment income	6	(16)	(21)
Interest payable	9	341	371
(Increase) / decrease in stock		(11)	9
(Increase) / decrease in debtors	12	(92)	1,388
(Increase) / decrease in creditors due within one year	13	95	(1,001)
(Decrease) / Increase in creditors due after one year	14	(641)	(96)
Decrease in enhanced pension provision	16	(4)	(79)
Assets gifted to the College	10	(7,918)	(250)
		<u>2,240</u>	<u>3,435</u>
<b>Net cash flow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Investment income		16	21
Payments made to acquire fixed assets		(1,088)	(2,499)
		<u>(1,072)</u>	<u>(2,478)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(300)	(323)
Interest element of finance lease rental payments		(41)	(48)
Repayments of amounts borrowed		(427)	(493)
New finance leases		235	518
Capital repayments of finance lease payments		(332)	(189)
		<u>(865)</u>	<u>(535)</u>
<b>Increase in cash and cash equivalents in the year</b>			
		<u>303</u>	<u>422</u>
Cash and cash equivalents at beginning of the year		3,305	2,883
Cash and cash equivalents at end of the year		3,608	3,305



## **Financial Statements for the year ended 31 July 2020**

### **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 Members' 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 2019 to 2020 and Regularity Advice 9: Accounts Direction issued by the Office for Students and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) under the historical cost convention. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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

The financial statements are presented in sterling which is also the functional currency of the College. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

#### **Basis of consolidation**

In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2020.

#### **Going concern**

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

The College currently has £5,529k of loans outstanding with bankers on terms negotiated in 2017. The terms of the existing loan agreements are until May 2021, July 2027 and

## Financial Statements for the year ended 31 July 2020

### Notes to the Accounts

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 until July 2027. The loan agreement due for review in May 2021 shows as a short term liability, which results in the College reporting net current liabilities of £2.1m as at 31 July 2020, however the College's intends to enter into another medium to long term loan agreement for this loan. The College has had exploratory discussions with its bankers about refinancing these loans of £646,389 and £2,330,583 as it is preferable to spread these loans over the longer period to reflect the property investment for which these loans were acquired. Refinancing the loans early would incur approximately £65k in break costs. The College has prepared alternative budgets and forecasts that demonstrate the College will be able to meet the scheduled repayments and other liabilities as they fall due for a period of 12 months from the date of sign off, but the Corporation has reviewed and approved budgets that assume a re-financing is completed in 2021. The College's forecasts and financial projections indicate that it will be able to operate within these existing and future facilities and covenants for the foreseeable future. The College is confident its bankers will continue to support the College and extend the terms of the existing loans beyond the current maturity date of May 2021, and for this reason believe the going concern basis of preparation to be appropriate, but until such time as the facilities are agreed, there can be no certainty in this regard.

Due to COVID-19 cash flows have been reforecast and the College's prudent financial plans reflect the impact of COVID-19 until spring 2021, with signs of recovery in summer 2021. The government's COVID-19 recovery plan includes Further Education playing a pivotal part in training the unemployed.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, notwithstanding the material uncertainty that may cast significant doubt on the college's ability to continue as a going concern as described above regarding the extension and renewal of existing loan facilities, 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 income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 funding is not subject to reconciliation and is therefore not subject to contract adjustments and is recognised when received or receivable.

Levy-funded and ESFA funding for co-investment model apprenticeships income is measured in line with best estimates of the provision delivered in the year.



## Financial Statements for the year ended 31 July 2020

### Notes to the Accounts

The recurrent grant from OfS and HE income from Anglia Ruskin University represents the funding allocations attributable to the current financial year and is recognised when received or receivable.

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

Grants from non-government sources, including grants relating to assets, are recognised in income when the performance-related conditions have been met and the grant will be received. Income received in advance of performance related conditions being met is recognised as a liability within creditors on the balance sheet and released to income as the conditions are met.

#### *Capital grant funding - government grants*

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 income*

Income from the supply of services is recognised at fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration.

Income from tuition fees, including employer funding for co-investment funded apprenticeships is recognised over the period for which it is received.

#### *Investment income*

All income from short-term deposits is accrued in the period in which it is earned on a receivable basis.

### **Agency arrangements**

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

### **Retirement 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 and contracted out of the State Second Pension.

#### *Teachers Pension Scheme (TPS)*

## Financial Statements for the year ended 31 July 2020

### Notes to the Accounts

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 the Government Actuary on the basis of valuations using a projected unit method.

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

#### *Essex Local Government Pension Scheme (LGPS)*

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefits charges, settlements and curtailments. They are included as part of staff costs.

The net interest cost on the net defined benefit liability is charged to the statement of comprehensive income included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluded amounts include net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

#### **Short term Employment benefits**

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

#### **Enhanced Pensions**

The actual cost of any enhanced 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 comprehensive 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.

#### **Fixed asset**

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

## Financial Statements for the year ended 31 July 2020

### Notes to the Accounts

prior to the date of transition to the 2015 FE HE SORP, and 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 are stated in the balance sheet at cost or deemed cost for land and building revalued at the date of transition to FRS102. 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.

The land gifted from Stansted Airport in 2018 with a commercial value of £3m has been included in the accounts as £1,663k based on an educational value.

The building gifted from Anglia Ruskin University has been included in the accounts as £7,918k, which is the depreciated value of the original build costs.

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 the College did not adopt a policy of revaluations of these properties in the future.

#### *Assets under construction*

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July each year. 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 and recognised at cost less accumulated depreciation.

## Financial Statements for the year ended 31 July 2020

### Notes to the Accounts

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 assets

Intangible fixed assets including software is initially recognised at cost and are subsequently amortised. Intangible assets are amortised to the statement of comprehensive income on a straight line basis over their useful lives, and for software this is over 3 to 5 years. 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 1<sup>st</sup> 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.

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.



## **Financial Statements for the year ended 31 July 2020**

### **Notes to the Accounts**

#### **Stock**

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

#### **Cash and cash equivalents**

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

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

#### **Financial instruments**

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.

#### **Financial liabilities**

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

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

#### **Taxation**

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

## Financial Statements for the year ended 31 July 2020

### Notes to the Accounts

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 the amount of the obligation can be reliably measured.

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

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

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

#### Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

##### *Other key sources of estimation uncertainty*

- *Tangible fixed assets*

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



## Financial Statements for the year ended 31 July 2020 Notes to the Accounts

- *Gifted University College Building*

The College has assessed the value of the building at £7,918k, being the depreciated published values of the original project. This valuation reflects the building being used for educational use only. The building has been included as a donated asset and capitalised on the balance sheet as an asset and will be depreciated over its deemed remaining useful life.

- *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. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 to value the pensions liability at 31 July 2020. 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 16) 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 2020	Year ended 31 July 2019
	£'000	£'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency - Adult	4,133	3,889
Education and Skills Funding Agency - 16-18	12,848	12,220
Education and Skills Funding Agency - Apprenticeships	2,026	1,650
Office for Students	64	64
<b>Specific Grants</b>		
Education and Skills Funding Agency – Provider relief scheme	5	-
Education and Skills Funding Agency – Excellence in Maths	237	-
Teacher Pension Scheme contribution grant	510	-
Skills Funding Agency	768	570
Releases of government capital grants	852	790
	<u>21,443</u>	<u>19,183</u>
<b>Total</b>	<b><u>21,443</u></b>	<b><u>19,183</u></b>

Under the provider relief scheme, the Corporation received funding of £23k from the ESFA. Of this, £5k was spent in the year. The remaining funding will be repaid.

### 3 Tuition fees and education contracts

	Year ended 31 July 2020	Year ended 31 July 2019
	£'000	£'000
Adult education fees	175	119
Apprenticeship fees and contracts	33	41
Fees for FE loan supported courses	418	374
Fees for HE loan supported courses	156	389
Education contracts	35	34
	<u>817</u>	<u>957</u>
<b>Total</b>	<b><u>817</u></b>	<b><u>957</u></b>

Included within the above amounts are tuition fees funded by bursaries of £418k (2019: £374k).

### 4 Total grant and fee income

	Year ended 31 July 2020	Year ended 31 July 2019
	£'000	£'000
Grant income from the OfS	64	64
Grant income from other bodies	21,379	19,119
<b>Total Grants</b>	<b><u>21,443</u></b>	<b><u>19,183</u></b>
Fee income for non-qualifying courses (exclusive of VAT)	817	957
Total tuition fees and education contracts	<u>817</u>	<u>957</u>
	<u>22,260</u>	<u>20,140</u>
<b>Total grant and fee income</b>	<b><u>22,260</u></b>	<b><u>20,140</u></b>



## Notes to the Accounts (continued)

### 5 Other income

	Year 2020	Year 2019
	£'000	£'000
Catering	331	424
Other income generating activities	8,517	1,279
Other grant income (including High Needs)	780	1,207
Miscellaneous income	-	-
	<u>          </u>	<u>          </u>
<b>Total</b>	<b><u>9,628</u></b>	<b><u>2,910</u></b>

2018/19 includes the non cash donation of an executive jet recognised as £250k, based on a non-airworthy jet value. Other income generating activities in 2019/20 includes the transfer of a building on the College campus from Anglia Ruskin University to the College of £7,918k based on the depreciated value from the amount spent to construct the building. Other income generating activities includes £10k of COVID-19 donations received from the local community and employers for the manufacture of personal protective equipment for the local community.

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

The corporation did not furlough any staff under the government's Coronavirus Job Retention Scheme and did not receive any other government funding relating to COVID-19 and staffing costs.

### 6 Investment income

	Year 2020	Year 2019
	£'000	£'000
Other interest receivable	<u>16</u>	<u>21</u>
	<b><u>16</u></b>	<b><u>21</u></b>

## Notes to the Accounts (continued)

### 7 Staff costs - College

The average **headcount** of persons (including key management personnel) employed by the College during the year, expressed as average head count and calculated on a monthly basis, was:

	2020	2019
	No.	Restated No.
Teaching staff	285	235
Non teaching staff	169	174
	<b><u>454</u></b>	<b><u>409</u></b>

#### Staff costs for the above persons

	2020	2019
	£'000	£'000
Wages and salaries	12,325	11,655
Social security costs	1,199	1,131
Other pension costs	3,148	2,532
	<b><u>16,672</u></b>	<b><u>15,318</u></b>
<b>Payroll sub total</b>		
Contracted out staffing services	207	116
	<b><u>16,879</u></b>	<b><u>15,434</u></b>
Exceptional restructuring costs -		
contractual	9	33
non contractual	13	29
	<b><u>16,901</u></b>	<b><u>15,496</u></b>

The non contractual element of restructuring costs 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.

Salary sacrifices available to all staff are child care vouchers and cycle to work scheme.

## Notes to the Accounts (continued)

### 7 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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	13	12

Key management personnel now includes the Head of Governance role (which is a Senior Post Holder) appointed 1 August 2020 following the retirement of the previous Clerk.

The number of key management personnel and other staff (including part time staff grossed up to full time equivalent) 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	
	2020 No.	2019 No.	2020 No.	2019 No.
£45,001 to £50,000	1	-	-	-
£60,001 to £65,000	7	6	-	1
£65,001 to £70,000	1	1	-	-
£75,001 to £80,000	2	2	-	-
£85,001 to £90,000	-	-	-	-
£90,001 to £95,000	1	2	-	-
£140,001 to £145,000	1	1	-	-
	<u>13</u>	<u>12</u>	<u>0</u>	<u>1</u>

## Notes to the Accounts (continued)

### 7 Staff costs - College (continued)

Key management personnel compensation is made up as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Salaries - gross of salary sacrifice and waived emoluments	923	871
Employers National Insurance	111	106
Benefits in kind	4	4
	<u>1,038</u>	<u>981</u>
Pension contributions	<u>196</u>	<u>145</u>
<b>Total emoluments</b>	<b><u>1,234</u></b>	<b><u>1,126</u></b>

Key management personnel costs include the new Head of Governance role, appointed 1st August 2020 after the retirement of the previous Clerk. The above emoluments includes nil severance payments for key management personnel (2019: Nil). The above emoluments also include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	140	140
Benefits in kind	4	4
	<u>144</u>	<u>144</u>
Pension contributions	<u>32</u>	<u>23</u>
Total	<u><u>176</u></u>	<u><u>167</u></u>

The members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses (£133.71 (2018/19 £545.61) 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 (Principal & Deputy Principal) 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 in 2019/20.

The Committee met on 11 July 2019 to consider the retirement of the existing Clerk, the future Clerk role and remuneration based on national benchmarking for Head of Governance positions, no other salaries or matters for Senior Post Holders were discussed.

The relationship between the Accounting Officer's emoluments, expressed as a multiple of all other employees based on full-time equivalents, is set out below for both basic salary and total remuneration. Casual staff have been excluded from the calculation.

	<b>2020</b>	<b>2019</b>
	<b>No</b>	<b>No</b>
Basic salary as a multiple of median basic salary of staff	4.20	4.33
Total remuneration as a multiple of median total remuneration of staff	4.56	4.66

## Notes to the Accounts (continued)

### 8 Other operating expenses

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Teaching costs	618	654
Non teaching costs	2,834	2,869
Premises costs	<u>1,266</u>	<u>1,245</u>
<b>Total</b>	<b><u>4,718</u></b>	<b><u>4,768</u></b>

Non teaching costs includes £981k (£912k 2018/19) for examination fees, which includes GCSE resits. Non teaching costs also includes £22k of COVID-19 related expenditure and £10k of expenditure relating to COVID-19 personal protective equipment manufactured for the local community, which is offset by £10k income donations included in other income.

Included in the teaching costs is £5k expenditure relating to the Provider Relief scheme (of the total £22k received, the remainder will be repaid and is included in creditors)

#### Other operating expenses includes the following charges:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration (excluding VAT):		
Financial statements audit	37	31
Internal audit	20	25
Other services provided by the financial statements auditor		
Audit of separate schemes / grants	4	5
Corporation Tax Services	3	3
Lease Service Charge	3	15
Operating Lease expense	<u>88</u>	<u>42</u>

### 9 Interest payable

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans:	263	293
Net swap interest	<u>37</u>	<u>30</u>
	300	323
On finance leases	41	48
Pension finance costs (note 20)	195	199
Enhanced pension provision interest	<u>33</u>	<u>40</u>
<b>Total</b>	<b><u>569</u></b>	<b><u>610</u></b>

## Notes to the Accounts (continued)

### 10 Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2019	60,331	103	9,909	70,343
Additions	8,327	-	671	8,998
Donated Assets	-	-	-	-
<b>At 31 July 2020</b>	<b>68,658</b>	<b>103</b>	<b>10,580</b>	<b>79,341</b>
<b>Depreciation</b>				
At 1 August 2019	12,862	103	6,415	19,380
Charge for the year	1,128	-	954	2,082
<b>At 31 July 2020</b>	<b>13,990</b>	<b>103</b>	<b>7,369</b>	<b>21,462</b>
<b>Net book value at 31 July 2020</b>	<b>54,668</b>	<b>-</b>	<b>3,211</b>	<b>57,879</b>
Net book value at 31 July 2019	47,469	-	3,494	50,963

The value of land included above, which is not depreciated totals £9.5m (2019: £9.5m).

Stansted Airport College came into use in September 2018. In 2017/18 Stansted Airport gifted 1.97 acres of land with a commercial value of £3m, the land was included at an educational use value of £1,663k. A 99 year lease (peppercorn) has been in place since October 2017. Stansted Airport Limited remains the freeholder of the land.

During the year the College incurred £203k (2019: £539k) capital expenditure on building a mobile construction onsite training hub located off campus in Harlow. This was funded by the Department for Education through the Construction Skills Fund. The Hub opened in September 2019.

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 was at peppercorn rent and with substantial obligations e.g. those relating to maintenance and restrictions on the use of this teaching block. In 2019/20 the Building was transferred into the ownership of the College and is included in Land & Building additions at a depreciated cost value of £7,918k.

There is a 125 year lease agreement (from January 2015) between the College and Burnt Mill Academy Trust (BMAT), formerly the UTC for use of the College land. The College remains the freeholder of the land.

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

The net book value of tangible fixed assets includes an amount of £670k (2019: £552k) in respect of equipment held under finance leases. The depreciation charge on these assets for the year was £153k (2019: £201k).

## Notes to the Accounts (continued)

### 10 Tangible fixed assets

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

	<b>£'000</b>
Cost	64,038
Aggregate depreciation based on cost	(18,279)
	<hr/>
<b>Net book value based on cost</b>	<b><u>45,759</u></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)**
**11 Intangible fixed assets**

	<b>Software</b>	<b>Goodwill</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>			
At 1 August 2019	728	63	791
Additions	8	-	8
	<u>736</u>	<u>63</u>	<u>799</u>
<b>At 31 July 2020</b>	<b>736</b>	<b>63</b>	<b>799</b>
<b>Amortisation</b>			
At 1 August 2019	643	13	656
Charge for the year	21	6	27
	<u>664</u>	<u>19</u>	<u>683</u>
<b>At 31 July 2020</b>	<b>664</b>	<b>19</b>	<b>683</b>
<b>Net book value at 31 July 2020</b>	<b><u>72</u></b>	<b><u>44</u></b>	<b><u>116</u></b>
Net book value at 31 July 2019	<u>85</u>	<u>50</u>	<u>135</u>

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



## Notes to the Accounts (continued)

### 12 Trade and other receivables

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Trade receivables	90	105
Prepayments and accrued income	477	588
Amounts owed by the ESFA	438	220
<b>Total</b>	<b><u>1,005</u></b>	<b><u>913</u></b>

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans	3,453	514
Obligations under finance leases	178	288
Trade payables	313	411
Other taxation and social security	299	300
Accruals and deferred income	1,176	1,252
Deferred income - government capital grants	857	831
Deferred income - government revenue grants	-	-
Amounts owed to the ESFA	517	273
Amounts owed to the ESFA - Provider Relief	-	-
<b>Total</b>	<b><u>6,793</u></b>	<b><u>3,869</u></b>

As part of the College's review of its COVID-19 impacted cash flow the College took a capital loan repayment holiday for three months during April, May, June and July. Bank loans of £646,389 and £2,330,583 are maturing May 2021. The College intends to refinance these loans, should this prove challenging the cash flows have been tested to ensure that repayment is feasible.. Accruals includes £2k of unspent COVID-19 donations for use in 2020/21.

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans	2,076	5,442
Obligations under finance leases	235	222
Deferred income - government capital grants	16,437	17,164
<b>Total</b>	<b><u>18,748</u></b>	<b><u>22,828</u></b>

## Notes to the Accounts (continued)

### 15 Maturity of debt

#### (a) Bank loans

Bank loans are repayable as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less	3,453	514
Between one and two years	618	3,386
Between two and five years	1,063	942
In five years or more	395	1,114
<b>Total</b>	<b><u>5,529</u></b>	<b><u>5,956</u></b>

As part of the College's phase 4 accommodation strategy in 2007 the College has arranged a facility for a drawdown of two loans totalling £4,566,000. £3,044,000 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 £2,360,589 (2019: £2,602,324) 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 College campus a £1,000,000 loan was taken out in 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 at 1.42% (plus 2.75% margin) until November 2027. The outstanding balance of £693,619 (2019: £739,341) 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 at 1.42% (plus 2.75% margin) until November 2027. The outstanding balance of £2,474,407 (2019: £2,613,982) is repayable by instalments between May 2017 and May 2021, with a final lump sum balance due in May 2021.

As part of the initial cash flow review for COVID-19 the College had a three month capital loan repayment holiday over April, May, June & July. The capital amounts have been added for repayment in May 2021.

Clydesdale Bank has a fixed and floating charge over all land and buildings owned by Harlow College.

## Notes to the Accounts (continued)

### 15 Maturity of debt

#### (b) Finance leases

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less	178	288
Between two and five years	235	222
<b>Total</b>	<b><u>413</u></b>	<b><u>510</u></b>

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

**Notes to the Accounts (continued)**
**16 Provisions**

	Defined benefit Obligation £'000	Enhanced pensions £'000	Total £'000
At 1 August 2019	9,612	1,628	11,240
Expenditure in the period	(667)	(117)	(784)
Transferred from income and expenditure account	5,139	113	5,252
<b>At 31 July 2020</b>	<b><u>14,084</u></b>	<b><u>1,624</u></b>	<b><u>15,708</u></b>

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:

	2020	2019
Interest rate	1.3%	2.0%
Inflation rate	2.2%	2.2%

**17 Notes to cash flow statement**
**a) Reconciliation of surplus after tax to net cash generated from/(used in) operations**

	2020 £'000	2019 £'000
<b>Surplus/(Deficit) after tax for the year</b>	7,607	328
Adjustment for:		
Taxation	-	-
Depreciation	2,109	1,869
Non Government asset gifts	(7,918)	(250)
Investment income	(16)	(21)
Interest payable	569	610
Loss on sale of fixed assets	-	-
Increase/(decrease) in provisions	(4)	(79)
Pensions costs less contributions payable	770	917
Share of operating surplus/(deficit) in [joint venture/associate]	-	-
Operating cash flow before movements in working capital	<u>3,117</u>	<u>3,374</u>
(Increase)/decrease in stocks	(11)	9
(Increase)/decrease in trade and other debtors	(92)	1,388
Increase/(decrease) in trade and other creditors	95	(1,001)
<b>Cash generated from operations</b>	<b><u>3,109</u></b>	<b><u>3,770</u></b>

**b) Consolidated analysis of changes in net funds**

	At 1 August 2019 £'000	Cashflow £'000	New finance leases £'000	Other non cash changes £'000	At 31 July 2020 £'000
Cash in hand, and at bank	3,305	303	-	-	3,608
Bank overdrafts	-	-	-	-	-
Debt factoring	-	-	-	-	-
	<u>3,305</u>	<u>303</u>	<u>-</u>	<u>-</u>	<u>3,608</u>
Bank loans	(5,956)	427	-	-	(5,529)
Finance leases	(510)	278	235	(416)	(413)
Current asset investments	-	-	-	-	-
<b>Net debt</b>	<b><u>(3,161)</u></b>	<b><u>1,008</u></b>	<b><u>235</u></b>	<b><u>(416)</u></b>	<b><u>(2,334)</u></b>

## Notes to the Accounts (continued)

### 18 Capital commitments

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted for at 31 July 2020	<u>-</u>	<u>227</u>

### 19 Lease Obligations

At 31 July 2020 the College has future minimum lease payments under non-cancellable leases as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	48	27
Later than one year and not later than five years	186	77
Later than five years	739	451
	<u>973</u>	<u>555</u>

Since May 2015 the College has been leasing for five years a premises in the local town for the delivery of adult courses, the College renewed this lease for a further five years from May 2020. Since August 2016 the College has been 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 2021.

## 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 2016 and of the LGPS was 31 March 2016.

<b>Total pension cost for the year</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Teachers Pension Scheme: contributions paid	1,685	1,097
Local Government Pension Scheme:		
Contributions paid	667	709
FRS 102 (28) charge	<u>716</u>	<u>708</u>
Charge to the Statement of Comprehensive Income	1,383	1,417
Enhanced pension charge to Statement of Comprehensive Income	80	18
<b>Total Pension Cost for Year within staff costs</b>	<b><u>3,148</u></b>	<b><u>2,532</u></b>

Contributions amounting to £206,947 (2019: £144,958) 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 TPS 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 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). The Department for Education has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

A full copy of the valuation report and supporting documentation can be found on the TPS website.

The pension costs paid to the TPS in the year amounted to £1,685,285 (2019: £1,097,027)

## Notes to the Accounts (continued)

### 20 Defined benefit obligations (continued)

#### Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Essex County Council. The total payroll contributions made for the year ended 31 July 2020 were £887,000, of which employer's contributions totalled £667,000 and employees' contributions totalled £220,000. The agreed contribution rates is 17% to March 2020 and 19.3% from April 2020 plus an agreed deficit contribution of £118,046 (2019: £124,033). The contribution rates for employees range from 5.5% to 12.5% depending on salary.

The actuarial valuation assumption for Guaranteed Minimum Pension (GMP) is that the LGPS Fund will pay limited increases for members that have reached State pension Age (SPA) by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, the actuary has assumed that the LGPS Fund will be required to pay the entire inflationary increase.

The results in the actuarial report include an allowance to reflect the Court of Appeal judgement in respect of the McCloud and Sargeant cases which relate to age discrimination within the Judicial and Fire Pension schemes, respectively. This allowance was incorporated into the accounting results as at 31 July 2019. These results, including the allowance, have been rolled forward and remeasured to obtain the accounting results as at 31 July 2020.

#### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the LGPS Fund at 31 March 2016 updated to 31 July 2019 by Barnett Waddingham.

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.25%	3.90%
Future pension increases	2.25%	2.40%
Discount rate for scheme liabilities	1.35%	2.10%
Inflation assumption (CPI)	2.35%	2.40%
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 2020 years	At 31 July 2019 years
<i>Retiring today</i>		
Males	21.80	21.30
Females	23.80	23.60
<i>Retiring in 20 years</i>		
Males	23.20	23.00
Females	25.20	25.40



## Notes to the Accounts (continued)

### 20 Defined benefit obligations (continued)

#### Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2020	Fair Value at 31 July 2019
	£'000	£'000
Equities	18,369	17,686
Gilts and other bonds	2,925	3,121
Property	2,303	2,245
Cash	806	819
Alternative assets	3,444	2,747
Other managed funds	1,798	1,440
<b>Total fair value of plan assets</b>	<b><u>29,645</u></b>	<b><u>28,058</u></b>
<b>Actual return on plan assets</b>	<b><u>2,372</u></b>	<b><u>2,245</u></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 2020 £'000	2019 £'000
Fair value of plan assets	-	29,645	29,645	28,058
Present value of plan liabilities	(1,624)	(43,596)	(45,220)	(37,540)
Present value of unfunded liabilities	-	(133)	(133)	(130)
<b>Net pensions (liability) (Note 16)</b>	<b><u>(1,624)</u></b>	<b><u>(14,084)</u></b>	<b><u>(15,708)</u></b>	<b><u>(9,612)</u></b>

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

	2020 £'000	2019 £'000
<b>Amounts included in staff costs</b>		
Current service cost	(1,383)	(1,417)
Administrative expenses	(19)	(10)
<b>Total</b>	<b><u>(1,402)</u></b>	<b><u>(1,427)</u></b>

#### Amounts included in interest expenditure

Net interest expenditure	(195)	(199)
	<b><u>(195)</u></b>	<b><u>(199)</u></b>

#### Amounts recognised in Other Comprehensive Income

Return on pension plan assets	374	1,313
Experience losses arising on defined benefit obligations	(168)	-
Other actuarial gains / (losses)	672	-
Changes in assumptions underlying the present value of plan liabilities	(4,420)	(2,133)
Actuarial gain / (loss) on Enhanced Pension Provision	(80)	(18)
<b>Amount recognised in Other Comprehensive Income</b>	<b><u>(3,622)</u></b>	<b><u>(838)</u></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 LGPS plan are as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
(Deficit) in scheme at 1 August 2019	(9,612)	(7,875)
Movement in year:		
Current service cost	(1,383)	(1,417)
Employer contributions	667	709
Net interest on the defined (liability)/asset	(195)	(199)
Administrative costs	(19)	(10)
Benefit changes, gain/(loss) on curtailment and gain/(loss) in settlement	(3,542)	(820)
<b>Total</b>	<b><u>(14,084)</u></b>	<b><u>(9,612)</u></b>

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Defined benefit obligations at start of period</b>	37,670	33,746
Current Service cost	1,383	1,417
Interest cost	784	887
Contributions by Scheme participants	220	216
Experience gains and losses on defined benefit obligations	168	-
Changes in financial assumptions	4,420	2,133
Estimated benefits paid	(916)	(729)
<b>Defined benefit obligations at end of period</b>	<b><u>43,729</u></b>	<b><u>37,670</u></b>

#### Reconciliation of Assets

<b>Fair value of plan assets at start of period</b>	28,058	25,871
Interest on plan assets	589	688
Return on plan assets	374	1,313
Other actuarial gains/ (losses)	672	-
Administration expenses	(19)	(10)
Employer contributions	667	709
Contributions by Scheme participants	220	216
Estimated benefits paid	(916)	(729)
<b>Assets at end of period</b>	<b><u>29,645</u></b>	<b><u>28,058</u></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 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 £133.71 1 governor (2019: £677.01 4 governors). 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 (2019: none).

#### Declarations of Interest - Governors

Paul Taylor has paid employment with Titan Airways. £Nil (2019: £100) was received from Titan Airways in respect of the Student Awards.

Karen Spencer is part of the Association of Colleges Advisory Group. £42k (2019: £32k) was paid to the Association of Colleges which includes an annual membership fee. The Association of Colleges paid Harlow College £4k (2019: £16k) which includes training course costs. The year-end debtor balance amounted to £Nil (2019: £340).

Karen Spencer is a member of the Passmores Co-operative Learning Community (Passmores Academy). £2k (2019: £9k) was paid to Harlow College during the year in respect of a school link programme for supported studies. No outstanding balance at year end.

Karen Spencer is a member of Herts & Essex High School. £370 was paid to Harlow College during the year. The year-end debtor balance amounted to £Nil (2019: £370).

Liz Laycock is a trustee of Gateway Qualifications Ltd. £271k (2019: £248k) was paid to Gateway Qualifications in respect of exam and qualification fees. The year-end creditor balance amounted to £678 (2019: £43k). Gateway Qualifications Ltd paid Harlow College £Nil (2019: £Nil). The year-end debtor balance amounted to £400 (2019: £Nil).

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 £2k (2019: £25k). Amounts paid by Essex County Council of £704k (2019: £1,076k) which included payments for High Needs. Essex County Council - the year-end creditor balance amounted to £Nil (2019: £522). The year-end debtor balance amounted to £Nil (2019: £2k).

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. £149k (2019: £163k) was paid to Harlow District Council mainly in respect of national non-domestic rates. Amounts paid by Harlow District Council of £7k (2018: £2k) in respect of student awards. The year-end creditor balance amounted to £79k (2018: £96k). The year end debtor balance amounted to £700 (2019: £Nil)

## 21 Related party transactions (continued)

Jon Bouffler is an employee of Anglia Ruskin University. Anglia Ruskin University paid Harlow College £2k (2019: £175k). Harlow College paid Anglia Ruskin £750 (2019: £1k). The year-end balances amounted to £Nil (2019: £Nil).

Rod Bristow has several Directorships associated with Pearson and Sotirios Adamopoulos has paid employment with Pearson Education Ltd. £142k (2019: £166k) was paid to Pearson in respect of exam registrations and fees. The year-end creditor balance is £Nil (2019: £2k). £824 (2019: £Nil) was paid to Harlow College. The year-end debtor balance was £Nil (2019: £100)

Rod Bristow is member of the Confederation of British Industry (CBI). £6k (2018: £6k) was paid to the CBI in respect of commercial membership. The year-end creditors balance amounted to £Nil (2019: £Nil)

Rod Bristow was a governor with Burnt Mill Academy Trust (BMAT) until September 2019. BMAT paid Harlow College £43k (2019: £42k) mainly in respect of rent/service charge for the UTC building. The year-end debtors balance was £Nil (2019: £Nil).

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

Gail Wotton has paid employment with Manchester Airport Group (owners of Stansted Airport Ltd). £Nil (2019: £5k) was received from Stansted Airport and £47k (2019: £10k) from Manchester Airport Group in respect of course delivery. £61k (2018: £287k) was paid to Manchester Airport Group in respect of training at Stansted Academy. The year-end debtor for Stansted Airport is £Nil (2019: £Nil). The year-end debtor balance for Manchester Airport Group is £Nil (2019: £33k)

Lianne Sherry was a member of AAT. £18k (2019: £12k) was paid to AAT in respect of examination fees. The year end creditor balance is £147 (2019: £1,340)

Lily Lin is a Director at Excellence First Enterprise Consultancy Ltd. £20k (2019: £Nil) was paid to Excellence First Enterprise Consultancy Ltd in respect of a Maths study tour as part of the College's Centre for Excellence in Maths program. The year end balance is Nil (2019: £Nil)

Brian Spencer has paid employment at Gateway Freedom Church. £697 (2019: £Nil) was paid to Gateway Freedom Church in respect of childcare for a Bursary student. The year end balance is £Nil (2019: £Nil).

### Declarations of Interest - Key Management Personnel

Will Allanson is a member of Essex Chamber of Commerce. £1k (2019: £1k) was paid to Essex Chamber of Commerce in respect of a yearly subscription. The year-end balance is £Nil (2019: £Nil).

Julien Sample is a member of Gateway Qualifications and Paul Whitehead is a trustee of Gateway Qualifications. £271k (2019: £248k) was paid to Gateway Qualifications in respect of exam and qualification fees. The year-end creditor balance amounted to £678 (2019: £43k). Gateway Qualifications Ltd paid Harlow College £Nil (2019: £Nil). The year-end debtor balance amounted to £400 (2019: £Nil).

Deanne Morgan is a trustee of Passmores Co-operative Learning Community (Passmores Academy). £2k (2019: £9k) was paid to Harlow College during the year in respect of a school link programme for supported studies. The year-end balance is £Nil (2019: £Nil).

## 22 Amounts disbursed as agent

### Learner support funds

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Funding body grants – bursary support	600	567
Funding body grants – discretionary learner support	60	55
	<u>660</u>	<u>622</u>
Disbursed to students	(484)	(504)
Administration costs	(28)	(33)
	<u>148</u>	<u>85</u>
Balance unspent as at 31 July, included in creditors	<u><u>148</u></u>	<u><u>85</u></u>

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

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

### **Conclusion**

We have carried out an engagement, in accordance with the terms of our engagement letter dated 21 October 2020 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Harlow College during the period 1 August 2019 to 31 July 2020 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 2019 to 31 July 2020 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 Harlow College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

### **Responsibilities of Corporation of Harlow College for regularity**

The Corporation of Harlow College is responsible, under the 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 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

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

### **Use of our report**

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

**RSM UK AUDIT LLP**  
Chartered Accountants  
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Date: 17 December 2020