

Annual Report and Financial Statements
Year ended 31 July 2019



HARLOW COLLEGE

Annual Report and Financial Statements for the year ended 31 July 2019

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 2018/19:

Karen Spencer – Principal, Chief Executive and Accounting officer
Louise Turner – Deputy Principal until 5th April 2019
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
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 22 to 23 of these financial statements.

Mrs Debbie Sheridan acted as Clerk to the Corporation until 31 July 2019.

Mrs Ruth Lucas acts as Clerk to the Corporation from 1st 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 Paul LLP
50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

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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 2019.

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, business, community groups, schools, colleges and universities – we pride ourselves on our enterprising approach, ensuring that we develop the skills needed for our thriving innovation corridor.

At the core of our strategy are our values:

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

We have shaped our plan around the following intentions:

- Career-led curriculum
- Quality of Education
- Resources

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 Alexander 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

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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 mathematics 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 4th 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, we also need to shift the balance of this work to in-work training with the current low unemployment rates.

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
- 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 mathematics 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

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- Establish and embed the practice of our Maths Centre for Excellence, 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
- 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
- Consolidation of our previous strategy, including embedding of HAMEC, work with Ministry of Building + Education (MOBIE), 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

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RESOURCES

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

Financial

The College has £17 million of net assets (2017/18 £18 million) including £11 million pension liabilities (2017/18 £10 million), long term debt of £6 million (2017/18 £6m) and long term capital grant funding of £17 million (2017/18 £17 million).

Tangible Resources

Tangible resources include the main Harlow College site (consisting of land space and several buildings) and Stansted Airport College site consisting of one building. The majority of teaching and training is delivered from Harlow College's main site, a central location close to Harlow's principal shopping centre and a short walk away from Harlow's bus station and main railway station. The College has an adult training centre "Bright Futures" in Harlow Town Centre. The 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 addition, in pursuance of the e-learning initiative the College has made provision for all 16-18 full-time students to have access to a portable tablet/device. This will enable students to develop their digital skills, encourage more independent and creative approaches to learning and streamline assessment processes.

People

During the year the College employed on average 359 people (in 2017/18 354) expressed as full time equivalents, of whom 238 are teaching staff (in 2017/18 this figure was 226).

The College enrolled over six thousand students. The College's student population included 2,600+ 16-18 year olds, 1,000+ apprentices, 2,800+ adult learners and 100+ high needs learners.

Reputational

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, which we have maintained in 2019 for a further three years, for our pioneering approach to the use of new technology.

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

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- 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.

FINANCIAL PERFORMANCE

Financial Results

The College generated an operating surplus in 2018/19 of £328k (in 2017/18 surplus of £1,225k) with total comprehensive deficit of £591k (2017/18 surplus £4,167k). This operating surplus includes a gift of an executive jet (not airworthy) valued at £250k located at Stansted Airport College. The total comprehensive deficit is stated after the actuarial loss in respect of pension schemes of £838k (2017/18 £2,942k gain).

The LGPS pension deficit £9,612k (2017/18 £7,875) has cost the College £1,417k (2017/18 £1,228k) 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 £2,595k. This was split between land and buildings including enhancements of £1,375k, equipment £1,194k, software and goodwill £26k. A significant proportion of additions related to the completion of Stansted Airport College which opened September 2018.

Reserves

The College has accumulated reserves of £16,404k (2017/18 £15,213k) before pension deficits including the Enhanced Pension Provision and revaluation reserve and has closing cash balances of £3,305k. 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 2018/19 this represented 83% (2017/18 78%) of the College's total income.

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FUTURE PROSPECTS

Developments

The College is well placed to deliver high quality education and training for West Essex. West Essex is a growing area for development sitting in the London Stansted Cambridge Corridor innovation zone and an area with a global reputation for scientific research. Harlow and Uttlesford have been identified for significant infrastructure developments, this includes up to 30,000 new homes, Crossrail 2 development, Harlow Enterprise Zone (including Harlow Science Park focusing on all areas of science, technology, research and innovation) and the expansion of Stansted Airport (currently the fastest growing airport in the UK). In addition, Public Health England's £400 million national science hub will be built in Harlow bringing up to 10,000 new jobs in Medical Sciences and allied industries.

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

Harlow College will be working with the Department for Education and the Construction Industry Training Board (CITB) to deliver construction training programs for local people that meet the needs of employers and address the construction 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. Funded by the CITB Harlow College has constructed a purpose-built training hub from which we will deliver high quality training and skills development programmes that create a pipeline of site-ready construction workers for these and future construction projects.

Stansted Airport College (STAC) opened to just under 300 first year students in September 2018. The courses offered range 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.

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



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

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 for the second time. The core applications have underpinned individual innovation and creativity and approved effective in securing some great success in the classroom.

The College continues to assist the government in tackling the challenge of unemployment through specific programmes and projects aimed at the unemployed. The College works with Job Centre Plus across Greater Essex, South Suffolk and North London providing 19+ classroom-

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based provision. This provision is a mixture of employability programmes and sector-based work academies.

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.



Harlow College is committed to continued self-assessment and improvement. It continues to embrace fully the new requirements for students on 16-18 study programmes in relation to enabling students without a grade 4 in GCSE English and Mathematics to achieve the grade and for all students to be fully prepared for employment or higher level study.

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

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

In 2018 the College was chosen to be one of 21 Maths Centres for Excellence. The aim is 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 College intends to continue different project work for the benefit of the community, which also enables the College to receive alternative sources of income.

Financial Plan

The governors approved a financial plan for the period 2018/19 to 2020/21 in July 2019 which sets objectives for the period to 2021. The projections and assumptions approved by governors in the financial plan indicate that the College will continue to maintain Good financial health and that bank covenants will be met. The Education and Skills Funding Agency, in their letter to the Principal 23 October 2019, based on the financial plan confirmed the conclusion that the College's financial health grade for 2018/19 was Good and for 2019/20 Good. The College has maintained a financial health grade of Good for five financial years.

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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 £3,435k (2017/18 £9,749k), net cash flow from operating activities was strong.

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

Reserves Policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, and ensures that there are adequate reserves to support the College's core activities. The College currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve stands at £5,164k (2017/18 £5,649k). The movement in the reserve is mainly due to the Local Government Pension Scheme (LGPS) deficit £9,612k (2017/18 deficit £7,875k). The total LGPS pension actuarial loss during 2018/19 is £838k (2017/18 £2,942k actuarial gain). The LGPS deficit is not an immediate liability, it would be met in the form of incremental employer contributions over an agreed time period. It is the Corporation's intention to increase income and expenditure reserves by the generation of annual operating surpluses.

Going concern

The College is a going concern and has adopted this basis of accounting in preparing the accounts. The College believes that it will be able to continue in operation and meet its liabilities for the foreseeable future. The College had an overdraft facility for the period October 2018 to April 2019, which it did not use. The 2019/20 student recruitment numbers are on target for securing Funding Body income for 2019/20 and 2020/21. The College continues to look outward and forward to other avenues of funding.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

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

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

The main risks affecting the College are outlined below along with action taken to minimise them. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

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Key risks identified:

- (1) *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.

- (2) *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 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. This 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 the valuation (January 2020) cash payments to the fund could be increased to further reduce the pension deficit, which would impact the financial health. The McCloud case impact on the 2018/19 accounts is £196k (non-cash) which is included in the service charge with possible future implications, it is prudent to make a provision in 2019/20 accounts.

- (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. An adult offer is being developed across campus to diversify income across the College. 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.

- (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. Review

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Learner Satisfaction Survey questions for Spring term to cover English and maths, as well as digital skills. Attendance improvement modest - attendance sat at 70%.

- (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:

Discussion with the Department for Education regarding the legal agreements.

- (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 OfS.

KEY PERFORMANCE INDICATORS

The following areas have formed the focus for 2018/19 with the GO FOR IT strategy:

Strategic Objective	Target	Target	Performance
G Grow and/or Diversify	Income target	£23m	£23m
	Surplus	£170k	£328k
	Secure Stansted Airport College revenue in year 2	£2.2m	Secured with "letter of comfort" for 18/19 & 19/20
O To be Outstanding	Attendance (without/with English & Maths)	92%/87%	89%/86%
	GCSE English predicted >4	33%	20%
	GCSE Maths predicted >4	35%	15%
	Digital learning satisfaction	80%	95.71% JiSC Survey
	Work experience completed	300 NCS, 70% leavers	80/66%
F	EBITDA	>8%	12%
	Current ratio	>=1	1.3

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To maintain a good or better Financial Health rating	Staff costs to income Financial Health rating Both bank covenants met	<69% Good Yes	67% Good Yes
O To work successfully with Others in partnership	Stansted Airport College 16-18/Apprenticeships Stansted Academy achievement rates Public Health England work placements	280/25 95% 15	279/29 99.3% 10
R To invest in our Human Resources and Well being	Staff absence rate Recruitment Strategy for hard to fill vacancies	Benchmark 8.9 days Engineering & Aviation	6.88 days All vacancies filled as at 31 st July 2019
I To invest in Infrastructure and T new Technologies	Onfile in use for all Apprenticeships Hair & Beauty Town outlet Budget/completion	July 2019 £150k materials & fees To open April 2019	In progress at November 2019 £159k materials & fees Revised opening date for 2020

The surplus is significantly above the target due to the recognition of an executive jet gifted to the college (£250k not airworthy value).

Hair & Beauty town centre location – this project is being completed in house using existing maintenance staff who also work on other projects for the College, therefore the time frame is considerably longer than using contractors.

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Student numbers

Type of provision	2018/19 Target	2018/19 Number of Learners	2017/18 Number of Learners
16 to 19 Study Programmes	2,644	2,653	2,362
Apprenticeships	1,000	1,088	812
Adult learning programmes	2,800	2,819	2,795
Provision for learners with high needs	-	121	119
Higher Education (HNC/D)	75	52	47
Higher Education (Anglian Ruskin)		25	79
Advance Learner Loans	100	127	96

Despite the further education sector experiencing a dip in the 16-19 population the College has seen a rise in the number of full time learners - the College will continue to capitalise on this growth area. Data released by the DfE in April 2019 in respect of national apprenticeships shows a national decrease of 24% from 2016/17 to 2017/18 – however apprenticeships are an area of continued growth development for the College.

Achievement rates	16/17	17/18	18/19	Benchmark
Overall Achievement	72.6%	64.0%	63.3%	68.7%
Timely Achievement	65.2%	55.8%	56.2%	59.6%

Apprenticeship achievement rates are below national benchmarks. This is due to a movement towards more Engineering based subjects, a strategic move by the College in response to a skills shortage in the region, however these programmes traditionally perform less well than administrative areas, so data has been affected.

Student achievement

The College has improved with achievement and pass rates. The achievement rate is the highest in three years, along with a retention rate higher than benchmark means learners are continuing to benefit from staying in education and developing their skills during this time. However, pass rates, whilst improving, are still below national benchmarks.

Outcomes for Learners	16/17	17/18	18/19	Benchmark
Achievement %	83.2%	85.5%	86.0%	85.9%
Retention %	92.8%	95.3%	94.8%	92.6%
Pass %	89.6%	89.8%	90.8%	92.8%

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In 2018/19, A Levels secured an impressive 99% pass rate for the second year running. Particularly strong subjects are Physics, Computer Science, Geography, Photography, Politics and Sociology, where 37% of learners who took the subject achieved A* - A grades, building on last year's strong showing of the subject.

Students have again secured places at some of the country's top universities including Sheffield, Bristol, Cardiff, Exeter, York, Durham and Bath.

English and Maths

Overall English GCSE	16/17	17/18	18/19	Benchmark
Achievement %	63.9%	85.6%	88.8%	82.3%
Retention %	76.1%	91.9%	94.3%	92.3%
Pass %	84.0%	93.1%	94.1%	89.2%

Overall Maths GCSE	16/17	17/18	18/19	Benchmark
Achievement	75.1%	88.5%	87.8%	82.3%
Retention	81.0%	92.7%	94.1%	92.3%
Pass	92.8%	95.4%	93.3%	89.2%

The number of GCSE re-sits have increased from 675 entries (one sitting) in 2017/18 to 2,569 entries in 2018/19 for both a summer and autumn sitting. Despite the huge increase in the number of GCSE entries in English and Maths, there has been an overall rise in Achievement Rate and Retention Rate.

The College has made steady improvement in its English and Maths performance for both achievement and retention, with all rates significantly above national rates for English and Maths. The College introduced a dedicated delivery team and manager for both English and Maths at the start of 2017/18, this was maintained in 2018/19 to strengthen the GCSE delivery; college wide functional skills remained with in home teams for delivery.

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

The College's higher education provision (level 4 & 5) is currently 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.

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

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

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Adult Learning Programs

Adults	16/17	17/18	18/19	Benchmark
Achievement %	90.2%	91.1%	88.8%	89.1%
Retention %	98.4%	99.0%	98.0%	94.3%
Pass %	91.7%	92.0%	90.7%	94.5%

Although achievement and retention are still high, achievement has fallen which correlates with the slight fall in retention, although retention is still above national averages. Pass rates are still below the national rate.

Stansted Airport College (STAC) Delivery Performance

Target	Target	Performance
2018/19 Recruitment: Learner Responsive Apprentices	280 25	279 29
2019/20 Applications Offers	500 300	553 441
Key Partners	40	40

Stansted Airport College has proved that it was a much needed provision for the area and with 40 key partners the students benefit from strong employer engagement.

Financial Performance

	2018/19 Target	2018/19 Performance	2019/20 Target
Income	£22m	£23m	£31m
Surplus/(Deficit)	£170k	£328k	£6.8m
EBITDA	8%	12%	8%
Borrowing as a % of income	<28%	28%	25%
Staff Costs as a % of income	<69%	67%	70%

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 2018/19 rates the College as 'Good'.

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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 HE funding provision with them.

OTHER INFORMATION

Public benefit

Harlow College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 22 to 23. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the College provides identifiable public benefits through the advancement of education to students, including students with high needs. The college provides courses without charge to young people, to those who are unemployed and adults taking English and Maths 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.

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.

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

The College recognises the barriers faced by people with disabilities in accessing and achieving Further Education. Our vision is to create an accessible and supportive environment for staff and students. We aim to provide equality of opportunity and freedom from discrimination on the



Annual Report and Financial Statements for the year ended 31 July 2019

Members' Report

grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation, in line with the Equality Act 2010 and Children and Families Act 2014.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010. As a College we are committed to helping all of our students succeed. We recognise the importance of providing high quality teaching, learning and assessment, alongside the specific support needed to achieve your goals.

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

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 2019

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.

Numbers of employees who were relevant in the period	FTE employee number
4	4

Percentage of time	Number of employees
0%	-
1-50%	4
51-99%	-
100%	-

Total cost of facility time	£7,068
Total pay bill	£14,567,621
Percentage of total bill spent on facility time	0.05%

Time spent on paid trade union activities as a percentage of total paid facility time	75%
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Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of an agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period the College paid 80% of its invoices within 30 days. The College incurred £143.78 interest charges in respect of late payment for this period.

Annual Report and Financial Statements for the year ended 31 July 2019

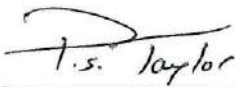
Members' Report

DISCLOSURE OF INFORMATION TO THE AUDITOR

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditor is unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by order of the members of the Corporation on 19th December 2019 and signed on its behalf by:

Signature:



Paul Taylor, Chair

Financial Statements year ended 31 July 2019

Statement of corporate governance and internal control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2018 to 31st July 2019 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code").

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

In the opinion of the Governors, the College complies with the provisions of the Code, and it has complied throughout the year ended 31 July 2019. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 2 July 2015

The Corporation

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

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Sotirios Adamopoulos	Re-elected 22.10.2018	4 years		Teaching Staff	Standards and Curriculum	80% (4/5)
Paul Bartlett	Reappointed 19.07.2018	4 years		Governor	Vice-Chair of Corporation, Chair of Audit Remuneration	80% (4/5)
Julian Bedford	Reappointed 24.10.2019	4 years		Governor	Resources	60% (3/5)
Jon Bouffler	Reappointed 14.07.2019	1 year		Governor	Standards and Curriculum	60% (3/5)
Emma Boys	Elected 01.08.2018	1 year	Term of office ended	Student Governor		40% (2/5)
Jo Breen	Reappointed 01.05.2017	4 years		Governor	Resources	80% (4/5)
Rod Bristow	Appointed	4 years		Governor	Standards and	100% (3/3)

Financial Statements year ended 31 July 2019
Statement of corporate governance and internal control

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
	03.01.2019				Curriculum	
Chris Chatt	Elected 21.03.2017	4 years		Support Staff	Audit	80% (4/5)
Anthony Durcan	Reappointed 15.12.2018	2 years		Governor	Audit	40% (2/5)
Eddie Johnson	Reappointed 15.12.2018	4 years		Governor	Chair of Resources, Search, Remuneration	80% (4/5)
Liz Laycock	Appointed 19.05.2016	4 years		Governor	Vice-Chair of Corporation, Chair of Standards and Curriculum, Remuneration	80% (4/5)
Ray Levy	Appointed 11.10.2016	4 years		Governor	Audit	80% (4/5)
Lily Lin	Appointed 01.08.2018	4 years		Governor	Audit	60% (3/5)
Gideon Oneyesoh	Elected 01.08.2018	1 year	Term of office ended	Student Governor	Standards and Curriculum	60% (3/5)
Brian Spencer	Reappointed 19.05.2019	4 years		Governor	Resources, Search	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, Resources, Remuneration	100% (5/5)
Gail Wootton	Appointed 15.03.2018	4 years		Governor	STAC Advisory Group	60% (3/5)

Deborah Sheridan acted as Clerk to the Corporation until 31 July 2019. Ruth Lucas 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 Search Committee as well as considering formal meeting attendance, considers the entire support and expertise a governor brings to the College.

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against



Financial Statements year ended 31 July 2019

Statement of corporate governance and internal control

funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets at least once each term.

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

Harlow College
Velizy Avenue
Harlow
Essex
CM20 3EZ

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

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

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

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

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

Financial Statements year ended 31 July 2019

Statement of corporate governance and internal control

Appointments to the Corporation

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

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

Corporation performance

The Corporation is committed to the vision set out in its current strategic plan, underpinned by core values, which is to provide transformational opportunities through delivering exceptional student success, enrichment and progression into work or further study. The Corporation has continued to take a strong focus on the progress, success and destinations of the learners at Harlow College in order that they can reach sustainable careers. In January 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.

On 28th November 2019, the Corporation carried out a self-assessment of its own performance for the year ended 31st July 2019 and graded itself as "Good" on the Ofsted scale.

Remuneration Committee

Throughout the year ending 31 July 2019, 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 met 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 Committee last met on 16 March 2017. Details of senior post holders' remuneration for the year ended 31 July 2019 are set out in note 6 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.

Financial Statements year ended 31 July 2019**Statement of corporate governance and internal control**

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.

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 2019 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

Financial Statements year ended 31 July 2019

Statement of corporate governance and internal control

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 2019 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.

Review of effectiveness

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

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

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


The Executive Group, consisting of the Principal, Deputy 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 Group and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The

Financial Statements year ended 31 July 2019**Statement of corporate governance and internal control**

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 19 December 2019, the Corporation carried out the annual assessment of internal control for the year ended 31 July 2019 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 2019.

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 19th December 2019 and signed on its behalf by:



Paul Taylor, Chair

Karen Spencer, Accounting Officer

HARLOW COLLEGE
Financial Statements year ended 31 July 2019

Statement of Regularity, Propriety and Compliance

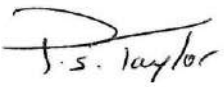
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the college's grant funding agreement and contracts with ESFA. As part of our consideration we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

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



Karen Spencer, Accounting Officer



Paul Taylor, Chair

HARLOW COLLEGE

Financial Statements year ended 31 July 2019

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the college's grant funding agreements and contracts with ESFA, the Corporation – through its Accounting Officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its 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 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 also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

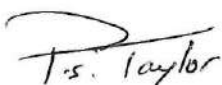
The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the college and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

The Corporation is responsible for the maintenance and integrity of the College's website; the work carried out by 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.

HARLOW COLLEGE
Financial Statements year ended 31 July 2019

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

Approved by order of the members of the Corporation on 19th December 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'P. Taylor'.

Paul Taylor, 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 2019 which comprise the college statement of total 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 2019 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.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the 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.

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 2018 to 2019 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation of Harlow College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 30 to 31, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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 13 October 2017. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

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

Date: 19 December 2019.

Statements of Total Comprehensive Income

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
INCOME			
Funding body grants	2	19,183	17,763
Tuition fees and education contracts	3	957	1,195
Other income	4	2,910	3,948
Investment income	5	21	13
Total income		23,071	22,919
EXPENDITURE			
Staff costs	6	15,496	14,944
Other operating expenses	7	4,768	4,145
Depreciation and amortisation	9,10	1,869	1,871
Interest and other finance costs	8	610	734
Total expenditure		22,743	21,694
Surplus before other gains and losses		328	1,225
(Deficit)/surplus before tax		328	1,225
Taxation		-	-
(Deficit)/surplus for the year		328	1,225
Hedge of variable interest rate, fair value loss		(81)	-
Actuarial gain / (loss) in respect of pensions schemes		(838)	2,942
Total Comprehensive Income for the year		(591)	4,167

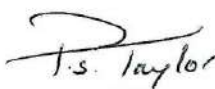
Statement of Changes in Reserves


	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1st August 2017	1,376	12,438	13,814
Surplus from the income and expenditure account	1,225	-	1,225
Other comprehensive income	2,942	-	2,942
Transfers between revaluation and income and expenditure reserves	106	(106)	-
	4,273	(106)	4,167
Balance at 31st July 2018	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)	-
Total comprehensive income for the year	(485)	(106)	(591)
Balance at 31st July 2019	5,164	12,226	17,390

Balance sheet as at 31 July

	Notes	2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets	9	50,963	50,203
Intangible fixed assets	10	135	169
		51,098	50,372
Current assets			
Stocks		11	20
Trade and other receivables	12	913	2,301
Cash and cash equivalents		3,305	2,883
		4,229	5,204
Less: Creditors – amounts falling due within one year	13	(3,869)	(4,614)
Net current assets		360	590
Total assets less current liabilities		51,458	50,962
Less: Creditors – amounts falling due after more than one year	14	(22,828)	(23,417)
Provisions			
Defined benefit obligations	17, 20	(9,612)	(7,875)
Other provisions	17	(1,628)	(1,689)
Total net assets		17,390	17,981
Unrestricted reserves			
Income and expenditure account		5,164	5,649
Revaluation reserve		12,226	12,332
Total unrestricted reserves		17,390	17,981

The financial statements on pages 34 to 67 were approved and authorised for issue by the Corporation on 19 December 2019 and were signed on its behalf on that date by:


 Paul Taylor
 Chair


 Karen Spencer
 Accounting Officer



Statement of Cash Flows

	Notes	2019 £'000	2018 £'000
Cash inflow from operating activities			
Surplus for the year		328	1,225
Adjustment for non cash items			
Depreciation and amortisation	9,10	1,869	1,871
Pensions costs less contributions payable		917	827
Investment income	5	(21)	(13)
Interest payable	8	371	427
Decrease in stock		9	3
Decrease / (increase) in debtors	12	1,388	177
(Decrease) / increase in creditors due within one year	13	(1,001)	1,425
(Decrease) / Increase in creditors due after one year	14	(96)	5,536
Decrease in enhanced pension provision	17	(79)	(66)
Assets gifted to the College	9	(250)	(1,663)
		<u>3,435</u>	<u>9,749</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Investment income		21	13
Payments made to acquire fixed assets		(1,981)	(7,144)
		<u>(1,960)</u>	<u>(7,131)</u>
Cash flows from financing activities			
Interest paid		(323)	(343)
Interest element of finance lease rental payments		(48)	(84)
Repayments of amounts borrowed		(493)	(607)
Capital element of finance lease rental payments		(189)	(366)
		<u>(1,053)</u>	<u>(1,400)</u>
Increase/(Decrease) in cash and cash equivalents in the year		<u>422</u>	<u>1,218</u>
Cash and cash equivalents at beginning of the year		2,883	1,665
Cash and cash equivalents at end of the year		3,305	2,883

Financial Statements for the year ended 31 July 2019

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2018 to 2019 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 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

The financial statements include the college only. The college had five dormant subsidiary undertakings which were struck off Companies House 7th August 2018, plus a Joint Venture partnership which was dissolved in May 2018. The results of the subsidiaries are not considered to be material to the group and therefore the college has taken advantage of the exemption from preparing consolidated financial statements.

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 2019.

Going concern

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

Financial Statements for the year ended 31 July 2019

Notes to the Accounts

The College currently has £5,926k of loans outstanding with bankers on terms negotiated in 2017. The terms of the existing loan agreements are until May 2021, July 2027 and November 2027. In February 2018 the College reviewed three of its variable loans and took the opportunity of historically low interest rates in the form of a swap cover fixed rate until July 2027. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

The College received a "Letter of Comfort" from the Education & Skills Funding Agency regarding exceptional flexibility to the lagged funding methodology in respect of the second year of Stansted Airport College. The letter confirms that the College will be funded in year 2019/20 with payments commencing spring 2020.

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

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved.

Adult Education Budget (AEB) grant funding income recognised is a best estimate of the amount receivable in accordance with the annual main funding guidance published by the ESFA and either determined as part of the reconciliation process or by separate agreement between the College and the ESFA at the reporting period end date. Any subsequent agreement to determination of the AEB funding after the reporting end date which is not provided for in the annual main funding guidance is not reflected in the income recognised.

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

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

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.

Capital grant funding - government grants

Government capital grants for assets are accounted for under the accruals model. The grant income received or receivable will be recognised over the expected useful life of the asset, with any amount of the asset-related grant that is deferred being recognised as

Financial Statements for the year ended 31 July 2019

Notes to the Accounts

deferred income. The deferred income is allocated between creditors due within one year and those due after more than one year.

Other income

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

Retirement benefits

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

Teacher's Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by 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 comprehensive income included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included 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. The costs of any unused holiday entitlement the College expects to pay in future periods is recognised in the period the employees' services are rendered.

Financial Statements for the year ended 31 July 2019

Notes to the Accounts

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 investments

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

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

Land and buildings

Land and buildings including those inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost.

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

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

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

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

Assets under construction

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

Financial Statements for the year ended 31 July 2019

Notes to the Accounts

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.

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 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

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

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

Financial Statements for the year ended 31 July 2019

Notes to the Accounts

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

Investments

Investments in subsidiaries

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

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.

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.

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

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.

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.

Financial Statements for the year ended 31 July 2019

Notes to the Accounts

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.

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover less than 1% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and 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.

Agency arrangements

The College acts as an agent in distributing Bursary support funds from the funding bodies. 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.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of

Financial Statements for the year ended 31 July 2019

Notes to the Accounts

whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Gifted executive jet*

The College has assessed the value of the jet at £250k, using published market values. This valuation reflects the jet not being airworthy and for educational use only. The jet 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 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

The enhanced pension provision (disclosed in note 17) relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

Notes to the Accounts (continued)

2 Funding council grants

	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency - adult	3,889	4,118
Education and Skills Funding Agency - 16-18	12,220	10,676
Education and Skills Funding Agency - apprenticeships	1,650	1,799
Higher Education Funding Council	64	24
Specific Grants		
Skills Funding Agency	570	480
Releases of government capital grants	790	666
Total	19,183	17,763

The 2017/18 income shown above includes that earned by the College in its capacity as a provider and as a consortium lead. All other income claimed from the Education Skills Funding Agency and payable to the consortium partners has been excluded from these accounts. Total income claimed in the year under this arrangement and the related payments was as follows:

	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000
Funding Body Income	19,183	17,775
Payments to College partners	-	(12)
Total	19,183	17,763

3 Tuition fees and education contracts

	Year ended 31 July 2019	Year ended 31 July 2018
	£'000	£'000
Adult education fees	119	81
Apprenticeship fees and contracts	41	26
Fees for FE loan supported courses	374	290
Fees for HE loan supported courses	389	248
Education contracts	34	550
Total	957	1,195

Included within the above amounts are tuition fees funded by bursaries of £374k (2018: £290k).

Notes to the Accounts (continued)

4 Other income

	Year 2019	Year 2018
	£'000	£'000
Catering	424	366
Other income generating activities	1,279	2,424
Other grant income (including High Needs)	1,207	1,157
Miscellaneous income	-	1
	<hr/>	<hr/>
Total	<u>2,910</u>	<u>3,948</u>

Other income generating activities in 2017/18 includes a non cash donation of £1,663k relating to a gift of land from Stansted Airport with a commercial value of £3m, the land value included in the accounts is based on educational use. Other income generating activities in 2018/19 includes the non cash donation of an executive jet recognised as £250k, based on a non-airworthy jet value.

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

5 Investment income

	Year 2019	Year 2018
	£'000	£'000
Other interest receivable	<hr/> 21	<hr/> 13
	<u>21</u>	<u>13</u>

Notes to the Accounts (continued)

6 Staff costs - College

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

	2019 No.	2018 No.
Teaching staff	238	226
Non teaching staff	121	128
	359	354
Staff costs for the above persons		
	2019 £'000	2018 £'000
Wages and salaries	11,655	11,333
Social security costs	1,131	1,103
Other pension costs	2,532	2,299
Payroll sub total	15,318	14,735
Contracted out staffing services	116	118
	15,434	14,853
Exceptional restructuring costs - contractual	33	52
non contractual	29	39
	15,496	14,944

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

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

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

Notes to the Accounts (continued)

6 Staff costs - College (continued)

Key management personnel

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

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

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	12	13

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

	Key Management Personnel		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£60,001 to £65,000	6	8	1	1
£65,001 to £70,000	1	1	-	-
£75,001 to £80,000	2	1	-	-
£85,001 to £90,000	-	2	-	-
£90,001 to £95,000	2	-	-	-
£140,001 to £145,000	1	1	-	-
	<u>12</u>	<u>13</u>	<u>1</u>	<u>1</u>

In 2018/19 one key management personnel retired from their key management position and in 2018/19 worked part time on a specific project for the College.

Notes to the Accounts (continued)

6 Staff costs - College (continued)

Key management personnel compensation is made up as follows:

	2019 £'000	2018 £'000
Salaries - gross of salary sacrifice and waived emoluments	871	933
Employers National Insurance	106	114
Benefits in kind	4	2
	<u>981</u>	<u>1,049</u>
Pension contributions	<u>145</u>	<u>154</u>
Total emoluments	<u>1,126</u>	<u>1,203</u>

The above emoluments includes nil severance payments for key management personnel (2018: Nil). The above emoluments also include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2019 £'000	2018 £'000
Salaries	140	140
Benefits in kind	4	2
	<u>144</u>	<u>142</u>
Pension contributions	<u>23</u>	<u>23</u>
Total	<u>167</u>	<u>165</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 (£545.61 (2017/18 £524.68) 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.

The Committee met 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 Committee last met on 16 March 2017.

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.

	2019 No	2018 No
Basic salary as a multiple of median basic salary of staff	4.33	4.65
Total remuneration as a multiple of median total remuneration of staff	4.66	4.92

Notes to the Accounts (continued)

7 Other operating expenses

	2019	2018
	£'000	£'000
Teaching costs	654	762
Non teaching costs	2,869	2,346
Premises costs	1,245	1,037
Total	4,768	4,145

Non teaching costs includes the first year running costs of Stansted Airport College and £912k (£751k 2017/18) for examination fees, which includes GCSE resits.

Other operating expenses includes the following charges:

	2019	2018
	£'000	Restated £'000
Auditors' remuneration (excluding VAT):		
Financial statements audit	31	33
Internal audit	25	23
Other services provided by the financial statements auditor		
VAT Services	5	8
Corporation Tax Services	3	12
Lease Service Charge	15	20
Operating Lease expense	42	17

8 Interest payable

	2019	2018
	£'000	£'000
On bank loans, overdrafts and other loans:	293	326
Net swap interest	30	17
	323	343
On finance leases	48	84
Pension finance costs (note 20)	199	261
Enhanced pension provision interest	40	46
Total	610	734

Notes to the Accounts (continued)

9 Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2018	58,956	103	8,715	67,774
Additions	1,375	-	944	2,319
Donated Assets	-	-	250	250
At 31 July 2019	60,331	103	9,909	70,343
Depreciation				
At 1 August 2018	11,780	103	5,688	17,571
Charge for the year	1,082	-	727	1,809
At 31 July 2019	12,862	103	6,415	19,380
Net book value at 31 July 2019	47,469	-	3,494	50,963
Net book value at 31 July 2018	47,176	-	3,027	50,203

Value of land included above not depreciated totals £9.5m (2018: £9.5m).

Stansted Airport College which came into use in September 2018. In the prior year, Stansted Airport gifted 1.97 acres of land with a commercial value of £3m, the land has been included at an educational use value of £1,663k. 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 £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 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 is at peppercorn rent. There are substantial obligations e.g. those relating to maintenance and restrictions on the use of this teaching block.

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

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

The net book value of tangible fixed assets includes an amount of £552k (2018: £390k) in respect of equipment held under finance leases. The depreciation charge on these assets for the year was £201k (2018: £312k).

Notes to the Accounts (continued)

9 Tangible fixed assets

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

	£'000
Cost	55,040
Aggregate depreciation based on cost	(16,303)
	<hr/>
Net book value based on cost	<u>38,737</u>

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

Notes to the Accounts (continued)

10 Intangible fixed assets

	Software £'000	Goodwill £'000	Total £'000
Cost or valuation			
At 1 August 2018	702	63	765
Additions	26	-	26
At 31 July 2019	728	63	791
Amortisation			
At 1 August 2018	589	7	596
Charge for the year	54	6	60
At 31 July 2019	643	13	656
Net book value at 31 July 2019	85	50	135
Net book value at 31 July 2018	113	56	169

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

11 Non current Investments

			College 2019 £	College 2018 £
Investments in subsidiary companies	Principal Activity	College ownership		
Harlow College Facilities	Dormant	100%	-	100
Harlow College Training	Dormant	100%	-	100
East Harlow Contracts Limited	Dormant	100%	-	-
East Harlow Leasing Limited	Dormant	100%	-	-
Joint Tenants	Dormant	100%	-	-
Harlow College Commercial Services	Dormant	100%	-	100
Total			-	300

The College owned 100% of the issued ordinary £1 shares of the above companies, companies incorporated in England and Wales. Harlow College Facilities (principal activity: for education) owned 50% ordinary shares in East Harlow Contracts Limited (principal activity: letting and operating of own or leased real estate) and 50% ordinary shares in East Harlow Leasing Limited (principal activity: construction of commercial buildings). East Harlow Contracts Limited and East Harlow Leasing Limited each owned 50% ordinary shares of each other. East Harlow Contracts Limited and East Harlow Leasing Limited had a joint arrangement: Joint Tenants. All subsidiaries were dissolved 7th August 2018.

Notes to the Accounts (continued)

12 Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	105	47
Prepayments and accrued income	588	1,863
Amounts owed by the ESFA	220	391
Total	913	2,301

Within Trade Receivables is a bad debt provision of £12k (2018: £12k)

13 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loans	514	493
Obligations under finance leases	288	134
Trade payables	411	563
Other taxation and social security	300	289
Accruals and deferred income	1,252	2,101
Deferred income - government capital grants	831	790
Amounts owed to the ESFA	273	244
Total	3,869	4,614

14 Creditors: amounts falling due after one year

	2019 £'000	2018 £'000
Bank loans	5,442	5,956
Obligations under finance leases	222	201
Deferred income - government capital grants	17,164	17,260
Total	22,828	23,417

Notes to the Accounts (continued)

15 Maturity of debt

(a) Bank loans

Bank loans are repayable as follows:

	2019 £'000	2018 £'000
In one year or less	514	493
Between one and two years	3,386	514
Between two and five years	942	3,997
In five years or more	1,114	1,445
Total	5,956	6,449

As part of the College's phase 4 accommodation strategy the college has arranged a facility for a drawdown of two loans totalling £4,566,000. £3,044,000 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 £2,602,324 (2018: £2,854,716) for phase 4 of the college's accommodation strategy is repayable by instalments between December 2007 and July 2027 and is secured on a portion of freehold land and buildings of the college.

To refurbish and improve an older building on the campus a £1,000,000 loan was taken out December 2014. The loan was subject to a variable loan rate of 2.75% margin + LIBOR. In February 2018 a swap product was entered into to fix the rate of 1.42% (plus 2.75% margin) until November 2027. The outstanding balance of £739,341 (2018: £798,598) is repayable by instalments between December 2014 and May 2021, with a final lump sum balance due in May 2021.

A further bank loan for the HAMEC of £3,000,000 was drawn down in May 2017. The loan was subject to a variable loan rate of 2.75% margin + LIBOR. In February 2018 a swap product was entered into to fix the rate of 1.42% (plus 2.75% margin) until November 2027. The outstanding balance of £2,613,982 (2018: £2,795,263) is repayable by instalments between May 2017 and May 2021, with a final lump sum balance due in May 2021.

Clydesdale Bank has a fixed and floating charge over 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:

	2019	2018
	£'000	£'000
In one year or less	288	134
Between two and five years	222	201
Total	<u>510</u>	<u>335</u>

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

Notes to the Accounts (continued)

16 Financial Instruments

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

	2019 £'000	2018 £'000
Financial assets:		
Debt instruments measured at amortised cost	325	438
Total	<u>325</u>	<u>438</u>
Financial liabilities:		
Measured at amortised cost	8,325	9,598
Total	<u>8,325</u>	<u>9,598</u>

17 Provisions

	Defined benefit Obligations £'000	Enhanced pensions £'000	Total £'000	
At 1 August 2018	7,875	1,689	9,564	
Expenditure in the period	(709)	(118)	(827)	contribution
Transferred from income and expenditure account	2,446	57	2,503	
At 31 July 2019	<u>9,612</u>	<u>1,628</u>	<u>11,240</u>	

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

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

The principal assumptions for this calculation are:

	2019	2018
Interest rate	2.0%	2.4%
Inflation rate	2.2%	2.4%

Notes to the Accounts (continued)

18 Capital commitments

	2019 £'000	2018 £'000
Commitments contracted for at 31 July 2019	<u>227</u>	<u>789</u>

19 Lease Obligations

At 31 July 2019 the College has future minimum lease payments under non-cancellable leases as follows:

	2019 £'000	2018 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	27	27
Later than one year and not later than five years	77	95
Later than five years	451	460
	<u>555</u>	<u>582</u>

Since May 2015 the College is leasing for five years a premises in the local town for the delivery of adult courses. Since August 2016 the College is leasing two pieces of land both on a twenty-five year lease. Since September 2017 the College is leasing for twenty-five years a premises in the local town to refurbish and transform for the use of hair and beauty teaching with classrooms, technical rooms and a retail outlet. It is expected to open 2020.

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 31 March 2016.

Total pension cost for the year	2019 £'000	2018 £'000
Teachers Pension Scheme: contributions paid	1,097	1,075
Local Government Pension Scheme:		
Contributions paid	709	667
FRS 102 (28) charge	<u>708</u>	<u>690</u>
Charge to the Statement of Comprehensive Income	1,417	1,357
Enhanced pension charge to Statement of Comprehensive Income	18	4
Total Pension Cost for Year within staff costs	<u>2,532</u>	<u>2,436</u>

Contributions amounting to £144,958 (2018:£151,320) were payable to the Teachers' Pension Scheme and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

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

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

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

Notes to the Accounts (continued)

20 Defined benefit obligations (continued)

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) on 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. DfE 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 Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1,097,027 (2018: £1,075,397)

Notes to the Accounts (continued)

20 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Essex County Council. The total payroll contributions made for the year ended 31 July 2018 were £925,000, of which employer's contributions totalled £709,000 and employees' contributions totalled £216,000. The agreed contribution rates for future years is 17% to March 2020 with future rates to be agreed following the three year valuation plus an agreed deficit contribution of £124,033 (2018: £119,377). The contribution rates for employees range from 5.5% to 12.5% depending on salary.

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

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.90%	3.85%
Future pensions increases	2.40%	2.35%
Discount rate for scheme liabilities	2.10%	2.65%
Inflation assumption (CPI)	2.40%	2.35%
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 2019 years	At 31 July 2018 years
<i>Retiring today</i>		
Males	21.30	22.30
Females	23.60	24.80
<i>Retiring in 20 years</i>		
Males	23.00	24.50
Females	25.40	27.10

Notes to the Accounts (continued)

20 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2019	Fair Value at 31 July 2018
	£'000	£'000
Equities	17,686	16,472
Bonds	3,121	2,895
Property	2,245	2,307
Cash	819	881
Other	4,187	3,316
Total fair value of plan assets	28,058	25,871
Actual return on plan assets	2,245	2,273

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 2019 £'000	2018 £'000
Fair value of plan assets	-	28,058	28,058	25,871
Present value of plan liabilities	(1,628)	(37,540)	(39,168)	(35,299)
Present value of unfunded liabilities	-	(130)	(130)	(136)
Net pensions (liability) (Note 17)	(1,628)	(9,612)	(11,240)	(9,564)

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	(1,417)	(1,228)
Administrative expenses	(10)	(9)
Total	(1,427)	(1,237)

Amounts included in interest expenditure

Net interest expenditure	(199)	(261)
	(199)	(261)

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	1,313	1,634
Changes in assumptions underlying the present value of plan liabilities	(2,133)	1,312
Actuarial gain / (loss on Enhanced Pension Provision)	(18)	(4)
Amount recognised in Other Comprehensive Income	(838)	2,942

Notes to the Accounts (continued)

20 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2019 £'000	2018 £'000
(Deficit) in scheme at 1 August	(7,875)	(9,990)
Movement in year:		
Current service cost	(1,417)	(1,228)
Employer contributions	709	667
Net interest on the defined (liability)/asset	(199)	(261)
Administrative costs	(10)	(9)
Benefit changes, gain/(loss) on curtailment and gain/(loss) in settlement	(820)	2,946
Total	(9,612)	(7,875)

Changes in the present value of defined benefit obligations

	2019 £'000	2018 £'000
Defined benefit obligations at start of period	33,746	33,711
Current Service cost	1,417	1,228
Interest cost	887	900
Contributions by Scheme participants	216	206
Changes in financial assumptions	2,133	(1,312)
Estimated benefits paid	(729)	(987)
Defined benefit obligations at end of period	37,670	33,746

Reconciliation of Assets

Fair value of plan assets at start of period	25,871	23,721
Interest on plan assets	688	639
Return on plan assets	1,313	1,634
Administration expenses	(10)	(9)
Employer contributions	709	667
Contributions by Scheme participants	216	206
Estimated benefits paid	(729)	(987)
Assets at end of period	28,058	25,871

Notes to the Accounts (continued)

21 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £677.01; 4 governors (2018: £35.75; 1 governor). This represents travel and subsistence and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from the College or its Subsidiaries (2018: none).

Declarations of Interest - Governors

Paul Taylor has paid employment with Titan Airways. £100 (2018: £Nil) was received from Titan Airways in respect of the Student Awards.

Karen Spencer was a trustee of Gateway Qualifications Ltd until May 2019. Liz Laycock is a trustee of Gateway Qualifications Ltd. £248k (2018: £221k) was paid to Gateway Qualifications in respect of exam and qualification fees. The year-end creditor balance amounted to £43k (2018: £34k). Gateway Qualifications Ltd paid Harlow College £200 (2018: £200). The year-end debtor balance amounted to £Nil (2018: £Nil).

Karen Spencer is part of the Association of Colleges Advisory Group. £32k (2018: £30k) was paid to Association of Colleges which includes an annual membership fee. Association of Colleges paid Harlow College £16k (2018: £20k) which includes training course costs. The year-end debtor balance amounted to £340 (2018: £Nil).

Karen Spencer is a member of the Passmores Co-operative Learning Community (Passmores School). £9k (Restated 2018: £21) 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. The year-end debtor balance amounted to £370 (2018: £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 £25k (2018: £9k) which included the design of new footpath rear of the College. Amounts paid by Essex County Council of £1,076k (2018: £970k) which included payments for High Needs. Essex County Council - the year-end creditor balance amounted to £522 (2018: £251). The year-end debtor balance amounted to £2k (2018: £Nil).

Cllr Eddie Johnson and Cllr Anthony Durcan are members of Harlow District Council. During the year Harlow College had a number of financial transactions with Harlow District Council. £163k (2018: £155k) was paid to Harlow District Council mainly in respect of national non-domestic rates. Amounts paid by Harlow District Council of £1k (2018: £2k) in respect of the Sports Awards. The year-end creditor balance amounted to £78k (2018: £96k).

21 Related party transactions (continued)

Jon Bouffler is Director of Learning Development Services for Anglia Ruskin University. Anglia Ruskin University paid Harlow College £175k (2018: £441k) for the tuition of those of its students who were studying on the Harlow College campus. Harlow College paid Anglia Ruskin £1k (2018: £11k). The year-end balance amount to £Nil (2018: £Nil).

Rod Bristow is the Director of Pearsons and Sotirios Adamopoulos has paid employment with Pearson Education Ltd. £166k (2018: £91k) was paid to Pearson in respect of exam registrations and fees. The year-end creditor balance is £2k (2018:£1k). £Nil (2018: £6k) was paid to Harlow College. The year-end debtor balance was £100 (2018: £Nil)

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

Gail Wootton has paid employment with Manchester Airport Group (owners of Stansted Airport Ltd). £5k (2018: £3k) was received from Stansted Airport and £10k (2018: £7k) from Manchester Airport Group. £287k (2018: £Nil) was paid to Manchester Airport Group which includes delivery of HND Engineering qualification. The year-end debtor for Stansted Airport is £Nil (2018: £3k). The year-end debtor balance for Manchester Airport Group is £33k (2018: £3k)

Declarations of Interest - Key Management Personnel

Will Allanson is a member of Essex Chamber of Commerce. £1k (2018: £1k) was paid to Essex Chamber of Commerce in respect of a yearly subscription. The year-end balance amount to £Nil (2018: £Nil).

Julien Sample is a member of Gateway Qualifications and Paul Whitehead is a trustee of Gateway Qualifications. £248k (2018: £221k) was paid to Gateway Qualifications in respect of exam and qualification fees. The year-end creditor balance amounted to £43k (2018: £34k). Gateway Qualifications Ltd paid Harlow College £200 (2018: £200). The year-end debtor balance amounted to £Nil (2018: £Nil).

Deanne Morgan is a trustee of Passmores Co-operative Learning Community (Passmores School). £9k (Restated 2018: £21) was paid to Harlow College during the year in respect of a school link programme for supported studies. No outstanding balance at year end.

22 Amounts disbursed as agent

Learner support funds

	2019 £'000	2018 £'000
Funding body grants – bursary support	567	522
Funding body grants – discretionary learner support	<u>55</u>	<u>57</u>
	622	579
Disbursed to students	(504)	(482)
Administration costs	(33)	(27)
Balance unspent as at 31 July, included in creditors	<u><u>85</u></u>	<u><u>70</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 13 October 2017 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 2018 to 31 July 2019 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 2018 to 31 July 2019 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 2018 to 31 July 2019 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

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Date: 19 December 2019.

