

# **HARLOW COLLEGE**

**Annual Report and Financial Statements  
for the year ended 31 July 2016**

## **HARLOW COLLEGE**

### **Annual Report and Financial Statements for the year ended 31 July 2016**

#### **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 2015/16:

Karen Spencer – Principal, Chief Executive and Accounting officer  
Michael Stokes – Deputy Principal  
Louise Turner – Deputy Principal  
Sallyann Abdelmoula – Assistant Principal  
Rebecca Jones – Assistant Principal  
Ann King – Assistant Principal  
Kathryn Rigby – Assistant Principal (resigned March 2016)  
Will Alanson – Executive Director of Business Development  
Sally Appleby – Executive Director of HR  
Ben Nicholls – Executive Director of Information  
Alan Phillips – Executive Director of Finance & MIS (resigned February 2016)

##### **Board of Governors**

A full list of Governors is given on page 22 of these financial statements.  
Mrs Debbie Sheridan acted as Clerk to the Corporation throughout the period.

##### **Professional advisers**

##### **Financial statements auditors and reporting accountants:**

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

##### **Internal auditors:**

Scrutton Bland  
Fitzroy House  
Crown Street  
Ipswich  
Suffolk  
IP1 3LG

##### **Bankers:**

Clydesdale Bank PLC  
88 Wood Street  
London  
EC2V 7QQ

##### **Solicitors:**

Eversheds LLP  
Bridgewater place  
Water Lane  
Leeds  
LS11 5DR

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

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**HARLOW COLLEGE**  
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**Members' Report**

**NATURE, OBJECTIVES AND STRATEGIES:**

The Corporation present their report and the audited financial statements for the year ended 31 July 2016, which also includes the subsidiaries.

**Legal status**

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

**Mission**

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

**Public Benefit**

Harlow College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Department for Education as Principal Regulator for all FE Corporations in England. The members of the Corporation, who are trustees of the charity, are disclosed on page 22 and 23.

In setting and reviewing the College's strategic objectives, the Corporation has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

We have excellent student progress. Learners on graded qualifications achieve significantly above average points per qualification and overall student progress scores (value added) are excellent. For academic and vocational qualifications nationally 221.4 average points compared to the national rate of 211.2, and 227.2 compared to the national rate of 219.4 respectively (DfE school and college performance tables January 2016). Student progress scores are significant for both vocational and academic qualifications at 0.32 and 0.27 respectively compared to the 0 base-line. The A Level value added score is the highest for all colleges in England and 42<sup>nd</sup> for all schools and colleges in England. Draft data for 2015/16 indicates that this remains an area of excellence for the College.

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

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

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

#### **Strategic Plan 2013-2016**

Over the past years (2013-2016) our focus has been:

- To provide a **14-21 plus Campus** providing learning opportunities and qualification pathways for meaningful careers within our community
- To build **self-confident students** who can fulfil their aspirations, are prepared for later life, multiple careers and for a changing world
- To be **recognised for Innovation** in Learning, Teaching, Assessment and Support
- To **extend our partnerships** with employers, the community and other skills providers within our LEP, contributing to economic growth and prosperity
- To **consider expanding our successful model** of Education within our region where there are identified skills shortages
- To **continue to maintain organisational flexibility** that allows for quick responses to a changing environment.

#### **Vision 2020 – Not just courses. Careers.**

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

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

At the core of our strategy are our values:

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

#### **Students at the heart**

- **Personalised curriculum**

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

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

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

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

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

- **Support**

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

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

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

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

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

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

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

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- Be recognised through the achievement of national awards, for example Beacon awards for our student achievements
- Continue investment in our infrastructure to simulate the workplace and provide industry standard equipment and facilities

#### **Work hard, work together**

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

- University Centre Harlow in partnership with Anglia Ruskin University

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

- Harlow Advanced Manufacturing and Engineering Centre (HAMEC)

We will launch our HAMEC and technical partnership with DMG Mori (the largest machine tooling supplier in the world) in January 2017. This partnership will provide access to Engineering and Manufacturing businesses across the South East of England, placing us as a lead hub for training the engineers of the future.

- Stansted Airport Technical and Professional Centre

Our aim is to open a new centre of Harlow College on Stansted's Airport campus by September 2018. This will assist in securing the supply of skills needed for the fastest growing airport in the UK and developing the London, Stansted, Cambridge Innovation Corridor (LSCC). This is a partnership initiative with the Manchester Airport Group (owners of Stansted Airport), the South East Local Enterprise Partnership and Essex County Council.

- Health Services Training Centre

We will explore the co-location of Princess Alexandra Hospital's training facilities on our Harlow Campus, to provide clear routes for students to progress into health, science, support and medical roles in our local hospital.

- Public Health England

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

- Supporting adults back into work

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

None of these projects would be possible without the support of our students, staff and wider community. We will ensure we engage with schools, parents, employers and other stakeholders

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to ensure we are working at the highest levels. We are also indebted to wider key partners, including Harlow Council, Uttlesford Council, Essex County Council, SELEP and Clydesdale Bank.

#### **Be innovative and enterprising**

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

- the development of our employer sponsored work-readiness programmes to ensure meaningful technical routes into careers
- continue the roll-out of iPads and new technologies to support the development of the digital skills required by our economy and work in a more efficient way
- establish new types of partnerships that bring industry and the further education sector closer to each other, for example, our UCH partnership, the Stansted Technical and Professional Centre, the HAMEC and our Health Services Training Centre
- be a core member of the LSCC group and the Harlow Enterprise Zone, supporting our innovation corridor to attract new business through the supply of high quality skills
- develop our partnership with China, through established Essex networks to share good practice internationally

#### **Our Objectives and Intentions – GO FOR IT!**

Grow & Diversify	To grow and diversify our business portfolio, capitalising on opportunities for growth.
Outstanding	To be outstanding in all that we do, preparing students for their future careers.
Financial stability	To ensure financial security and stability.
Our staff	To invest in our greatest resource, our staff, ensuring they have the necessary skills for the future.
Raise profile	To raise our profile by strengthening network relationships.
Infrastructure	To have high quality buildings and estates.
Technology	To invest in our infrastructure and technology for both learning and business environment.



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### Members' Report

These are reviewed at executive group on a monthly basis through a dashboard. Key objectives and performance for 2015/16 are shown below:

	Key objectives achieved	Performance
Growth & diversification	<ul style="list-style-type: none"> <li>HE Strategy - written, approved, planned and implemented</li> <li>Harlow Advanced Manufacturing Centre on track and in budget</li> <li>Manchester Airport Group (MAG) - Securing funding from LEP and ECC stage 1 - securing signed statement of intent and submitting Business Case to ECC</li> </ul>	<p>Approved and implemented</p> <p>On track and in budget Business Proposal with ECC &amp; SELEP for consideration. Early feedback is positive. SOI signed. Feasibility studies commissioned.</p>
Outstanding	<ul style="list-style-type: none"> <li>95% Retention</li> <li>88% FE Success Rate (excluding E&amp;M)</li> <li>84% FE Success Rate Overall</li> <li>0.3 Progress/value added</li> <li>Apprenticeship Success Rate Overall &amp; timely 75/65</li> <li>90% Attendance overall</li> <li>&lt;5% Punctuality</li> <li>87% Teaching and Learning (Good % and Outstanding %)</li> </ul>	<p>93.2%</p> <p>89.3%</p> <p>84.2%</p> <p>0.3</p> <p>73.6% / 64.4%</p> <p>88.5%</p> <p>2.7%</p> <p>91%</p>
Financial stability	<ul style="list-style-type: none"> <li>To have 'Good' financial health</li> <li>To meet bank covenants</li> </ul>	<p>Finance Record – Good SFA financial health rating</p> <p>Yes (Audited accounts)</p>
Our staff	<ul style="list-style-type: none"> <li>Staff satisfaction and engagement with the college</li> </ul>	<p>Health &amp; Well-being days. HR Business Partner has been embedded into teams.</p>
Raise profile	<ul style="list-style-type: none"> <li>Develop employer relationships to increase Apprenticeship numbers and increase repeat business</li> </ul>	<p>Achieved</p> <p>Improved destination opportunities for learners and greater conversion rate from apprenticeship to actual job.</p>
Infrastructure	<ul style="list-style-type: none"> <li>Capital/equipment bid submitted SELEP/ECC</li> <li>Reduction in percentage of C and D Condition buildings</li> </ul>	<p>Yes and approved</p> <p>Reduced from 26% to 18%</p>
Technology	<ul style="list-style-type: none"> <li>Pro-product implementation and reporting</li> <li>Pro-Monitor usage for tracking learners by team</li> </ul>	<p>Systems purchased have been embedded and requested reports have been produced. Exception is ProMatrix where dashboard exists in place of this.</p> <p>All teams use ProMonitor.</p>

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#### Financial Strategic Priorities

The College's financial objectives are:

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

The College's financial performance indicators are:

Indicator	Target	Achieved
Overall income	£21.7m	£20.8m
Full cost and project	£450k	£298k
Apprenticeship income (16-18)	£1.549m	£1.189m
High Needs Funding	£450k	£330k
24+ loan income	£360K	£208k
Adult (College £5.344 m)	£4.340m	£4.180m
HE income (note £2.1m not realistic, target re-set)	£1.544m	£1.324m
Staff cost to income	64%	66%
Creditors paid within 30 days	95%	81%
Surplus (Planned / non covenant)	£300k	£328k
Borrowing as a % of turnover	<40%	25%

The College consistently achieves income of approximately £1m in 16-18 Apprenticeship income. The College planned reduction of work with partners and the partners target was added to the College's target. Although there is growth in 2016/17 this did not materialise in 2015/16.

The "underachievement" in Adult income is due to a mid-year funding body reconciliation and relates to the Apprenticeship element of the Adult income.

High Needs Funding - The College has historically under-claimed for students requiring high levels or additional support, particularly for those being taught within our supported studies area of the college. During 2015/16 the college carried out a detailed review of the quality of high needs provision. This review was not able to have a significant impact in 2015/16, but will see a significant increase in 2016/17.

HE Income has been a challenging area in terms of recruiting students. The College has re-aligned its academy structure to provide more direct pathways for learners progressing from Level 3 to Levels 4, 5 and 6 academic and professional studies, which will improve future years recruitment.

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 Skills Funding Agency. The College is assessed by the Skills Funding Agency as having a "Good" financial health grading. The current rating of Good is considered an acceptable outcome.

#### Other Performance Measures

Harlow College students continue to be very successful with students achieving high grades. Harlow College has maintained its generation of a surplus proving that the teaching and

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learning strategy is sustainable. The most recent Ofsted Inspection of the College dates from January 2016 when Ofsted concluded that Harlow College is a good College. The College's current self-assessment report for 2015/16 rates the College as 'Good'.

## **FINANCIAL POSITION**

### **Financial Results**

The Group generated an operating surplus in 2015/16 of £328k (in 2014/15 surplus of £412k) with total comprehensive loss of £2,703k, (2014/15 loss £1,221k). The total comprehensive is stated after the impairment of nil assets (2014/15 £1,140) and actuarial loss in respect of pension schemes of £3,031k (2014/15 £493k).

The Group has accumulated reserves of £11,675k (2014/15 £10,979k) before pension deficit and revaluation reserve and has closing cash balances of £534k. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund to support the strategic plan and create funding for future improvements and developments.

Tangible and intangible fixed asset additions during the year amounted to £5,236k. This was split between land and buildings including enhancements of £3,999k, equipment £1,212k and software £25k. Of the building enhancements £3,548k was spent on the Harlow Advance Manufacturing and Engineering Centre as assets under construction. The new building is due for completion December 2016. The fixed assets at cost include land that has been revalued to £10m (previously £1.5m), buildings have not been revalued.

The College relies extensively on the education sector funding bodies for its principal funding source. In 2015/16 this represented 85% (2014/15 85%) of the group's total income.

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

### **Treasury Policies and Objectives**

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

### **Cash Flow and Liquidity**

At £4.527million (2014/5 £2.396 million), operating cash inflow was more than in previous years due to successful bids and receipts of capital funding.

The College successfully applied for grant funding (£4.5m) to finance the new £7.5m Harlow Advance Manufacturing and Engineering Centre, which therefore mitigated the strain on the College's cash flow. In addition, the College successfully applied for a £3m loan for the new building, this loan was not drawn down until August 2016.

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The College has invested in its e-strategy to provide ubiquitous wifi, additional broadband capacity, mobile device management solution, i-pads issued to full-time 16-18 year olds and new student management systems.

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

#### **Reserves Policy**

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve stands at -£809k (2015: £1,788k). The negative reserve is due to the pension Local Government Pension Scheme (LGPS) deficit £10,799k (2014/15 £7,436k). The total pension deficit movement during 2015/16 is £3,031k (2014/15 £493k). The LGPS deficit is not an immediate liability, it would be met in the form of incremental employer contributions over an agreed time period. It is the Corporation's intention to increase income and expenditure reserves by the generation of annual operating surpluses.

## **CURRENT, FUTURE DEVELOPMENT AND PERFORMANCE**

### **Students**

Type of provision	2014/15 Number of Learners	2015/16 Number of Learners	2015/16 Target
16 to 19 Study Programmes	2507	2422	2517
Apprenticeships	774	864	To funding contract
Adult learning programmes	3243	2481	To funding contract
Traineeships	0	5	To funding contract
Provision for learners with high needs	11	45	To funding contract (9)
Full-time provision for 14- to 16-year-olds	0	0	0
Higher Education	264	214	275

Although the number of 16 to 19 learners dropped there was a rise in the number of full time learners - the College will continue to capitalise on this growth area. Apprenticeships are an area of growth development for the College – the College intends to increase this area. 2015/16 was the College's first year for traineeships; the College intends to grow this offer. With regard to HE the College has re-aligned its academy structure to provide more direct pathways for learners progressing from Level 3 to Levels 4, 5 and 6 academic and professional studies to improve prospects for students and future years recruitment.

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**The Success of Our Students**

Overall success remained static between 13/14 and 14/15 and then rose in 15/16. Three year success rates, including functional skills are shown below. Overall success rates have risen steadily over the last three years.

<b>Including English and maths</b>	<b>15/16</b>	<b>14/15</b>	<b>13/14</b>
Leavers Overall	9713	8343	8705
Success %	84.2%	83.1%	83.0%
Retention %	93.2%	93.8%	95.1%
Achievement %	90.3%	88.6%	87.3%

<b>Excluding English &amp; Maths</b>	<b>15/16</b>	<b>14/15</b>	<b>13/14</b>	<b>National rate (13/14)</b>
Leavers Overall	7667	6857	7364	n/a
Success %	89.3%	88.5%	86.0%	81.0%
Retention %	94.5%	94.5%	95.3%	86.6%
Achievement %	94.5%	93.6%	90.2%	87.5%

Learners at Harlow College gain significantly larger qualifications than learners at other institutions, as well as gaining significantly more average points per entry. Their progress is also significant, with an average value added score of 0.32, placing the College 6<sup>th</sup> Nationally in DfE performance tables. The table below includes schools and colleges. Across our sub-region the range is between 454.5 and 523.5 points on average, which is significantly lower performance than at Harlow College.

<b>Vocational Results</b>	<b>Average point score per</b>		
	vocational entry	vocational entry expressed as a grade	vocational student (full-time equivalent)
England - state funded schools and colleges	216.6	Distinction (minus)	559.6
Harlow College 2013/14	226	Distinction	668.1
Harlow College 2014/15	227.1	Distinction	644.2
Applied General	225	Distinction	35.45*
Tech Level	249	Distinction	30.31*

\*New points score – Distinction\* is equal to 50, Distinction to 35, Merit to 25 and 15 for Pass grade.

Destination data for 2015/16 will be available January 2017.

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Performance on A level programmes is good and overall value added is excellent compared to nationally published DfE rates for English schools and colleges.

	15/16	14/15	13/14	National rate 13/14
<b>A2 Levels</b>				
Leavers Overall - Xfr	213	211	162	59,700
Retention %	99.5%	99.5%	99.4%	97.0%
Achievement %	100.0%	99.5%	100.0%	97.2%

The national performance data for English schools and colleges published in January 2016 shows Harlow College students make more significant progress from their GCSE starting points than their peers do elsewhere.

	A level points per entry	Expressed as an average grade	Student Progress score
<b>Harlow College</b>	221.4	C+	0.32
<b>National rate</b>	216.1	C+	0

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

The College is committed to supporting students so that they make a successful transition to their next destination whether that is to university, an apprenticeship or employment. Students undertake a planned programme to develop their work-readiness through activities within their course (including the Realistic Work Environments), working independently on 'live briefs' from organisations and external work experience. Students and employers identify the benefits of these arrangements.

Progression to Higher Education is good from level 3 programmes; however a number of students are making the decision not to go to University because of financial concerns. The College introduced a 3 stage destination tracking process for 2014/15 learners which includes collecting intended destinations of leavers, a 3 month and a 6 month check to finalise actual destinations. Data listed below.

Destination	Percentage of 2014/15 students
Apprenticeships	5%
Employment	22%
Further Education	34%
Higher Education	23%
Not in Education, Employment or Training	4%
Unknown	7%
Other	4%

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##### **Success for All**

Harlow College wants all of its students and trainees to succeed and therefore tracks their success rate to ensure that it is not penalising any student.

##### **Developments**

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

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

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

Harlow College has signed a statement of intent with Stansted Airport for the establishment of a Professional and Technical Centre focused on Airport Industries. This will meet a much needed Skills gap in geographical areas where there is no further education provision. The centre will support the growth of the airport and will focus on three broad disciplines of Engineering, Business and Service Industries.

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

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

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

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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 81% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

**Events after the end of the reporting period**

The Advance Manufacturing and Engineering Centre is under construction, the £3m loan was drawn down from August 2016.

**Plans for 2016-17 onwards**

The College is a going concern and has adopted this basis of accounting in preparing the accounts. The College believes that it will be able to continue in operation and meet its liabilities for the foreseeable future. The 2016/17 student recruitment numbers are on target for securing Skills Funding Body income for 2016/17 and Education Funding Body income for 2017/18. The College continues to look outward and forward to other avenues of funding. In January 2016 the college was assessed by Ofsted as 'Good'. During the period November 2016 to March 2017 the College is undergoing a national programme of post 16 area-based review; the College has no reason to doubt that its status will change following the published review.

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

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

**RESOURCES**

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

*Financial*

The group has £12 million of net assets (2014/15 £14 million) including £12.484 million pension liabilities (2014/15 £9.2 million), long term debt of £4 million (2014/15 £5 million), long term capital grant funding of £11m, (2014/15 £7 million)

*People*

During the year the College employed on average 340 people (in 2014/15 this figure was 377) expressed as full time equivalents, of whom 218 are teaching staff (in 2014/15 this figure was 237).

*Physical Resources*



## HARLOW COLLEGE

### Annual Report and Financial Statements for the year ended 31 July 2016

#### Members' Report

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

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

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

#### *Reputation*

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

## PRINCIPAL RISKS & UNCERTAINTIES

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

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

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

#### Key risks identified:

Risk	Risk Control Measure
Government selects a funding policy for further education which runs counter to Harlow College's strategic direction, for example: It imposes cuts in further education budget which would be hard for the College to absorb without impact on student success and other performance measures or the Strategic Area Review process proposes a significant change to funding and structures.	There are no wholly effective measures the College is able to put in place for this risk. However the College will seek to limit the impact of the risk by assuming that government policy could change at any time (and adversely impact on the college strategic direction). Funding allocations for 16-18 year olds are set for 15/16 and the College will model cuts of between 5-10% in the base rate for 16/17. The College needs to effectively meet SFA targets for apprenticeships by maintaining its approach to flexibility in staffing. It will model budget cuts of between 25-40% for classroom based adult provision. It needs to grow new income streams, for example full-cost, project work and its own HNC/HND provision where there is demand. It will seek

# HARLOW COLLEGE

## Annual Report and Financial Statements for the year ended 31 July 2016

### Members' Report

	to maximise any natural wastage in its staffing base and reduce non-pay costs.
The College fails to recruit to its HE target (275) and does not meet the set income targets for its staffing profile.	Executive monitor recruitment and make interventions to ensure target is achieved - report on numbers expected October of each year. Marketing reflects our HE offer and promotes our provision. Clearer links are made between FE and HE. Provision and resources allocation is systematically reviewed when targets not met and action taken. New HE Strategy written and approved by Governors. Implementation monitored. Strategic discussion with ARU required around levels 4-5 provision.
Failure to grow College apprenticeship provision.	Apprenticeship monitoring meetings conducted monthly by Heads of Academy to ensure new business converts to timely starts which are against profile. Pipeline and performance data reports now presented to the Executive. Get my First job actively used. New marketing strategy in place. Review of structures to support the provision. College currently static and partner provision dropping.
Competition in the local area from other colleges, training providers or school sixth forms impacts on student numbers and provision.	Executive to be proactive in identifying market competition and informing marketing/business development so that suitable action can be taken to mitigate the risk of that specific competitor. On-going marketing campaigns will keep the profile of the College high. On-going investment in the A-level offer critical as this improves overall applications. Executive to represent the College at local Harlow School events. Additional marketing campaigns and open events planned. Further development of the 'work readiness' programme. Continues investment in high quality resources. Plan for Free School in Harlow to be monitored. Meeting with Regional Skills Commissioner and Head of Education at ECC.
Staff morale is impacted by the increase in expectations from funding bodies against a climate of efficiency savings.	Hold awareness/discussion events with staff teams/academies to better ensure they understand the context in which the College works and how such changes may impinge on the College's operations. Delegated budgets provide greater ownership of context and decisions. Ensure good working relationships between Unions and Executive. Ensure investment in frontline delivery is the top priority - clear review of curriculum and offer as part of planning to ensure investment is in growth and quality.
Special Educational Needs And Disability (SEND) reforms are not implemented fully with consequential impact on Foundation/LDD provision and college income	Develop robust process for interview, offer and costings for HNS. Establish strong links with ECC officers. Regular updates at Executive/HoA meetings. Leading in West Essex segment in Preparing for Adulthood project. Review of curriculum with external expertise used - ex-OFSTED HMI used.

## **HARLOW COLLEGE**

### **Annual Report and Financial Statements for the year ended 31 July 2016**

#### **Members' Report**

New conditions of funding (i.e. English and maths) impact on staff and student morale - consequentially this has an impact on success and improvement.	Training programme in place for staff to deliver GCSE and FS, support provided weekly by E&M team. New reports on student attendance developed. Regularly monitoring through quality reviews and HoA meetings. ProMonitor reports with teams risk assessed and reviewed by HoA. Non-attenders a key focus for Assistant Principal. Use of central team reviewed. Timetables for Construction, Engineering & Building Services amended. Review of Maths and English Strategy May 2016.
Local Government Pension Scheme Pension – significant increase in deficit	The key assumptions on the pension calculations are reviewed and challenged. Collectively Essex Colleges are reviewing the pension deficit and working together. Key finance personnel keeping up to date with pension news.

#### **STAKEHOLDER RELATIONSHIPS**

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

- Our students and trainees
- Education sector funding bodies
- Our staff
- Local employers
- The local authorities responsible for the areas we serve in particular – Harlow District Council and both Essex and Hertfordshire County Councils
- Our delivery partners
- Government offices / Regional Development Agencies / LEPs
- Local community groups and employers
- Other FE institutions
- Trade Unions
- Professional bodies
- Anglia Ruskin University

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

#### **EQUALITY AND DIVERSITY**

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

We want to create a supportive and inclusive environment where everyone can reach their full potential and have a real choice to participate in and contribute to our activities and processes, without prejudice and discrimination. We are committed to a culture where respect and

## **HARLOW COLLEGE**

### **Annual Report and Financial Statements for the year ended 31 July 2016**

#### **Members' Report**

understanding is fostered and the diversity of people's backgrounds and circumstances will be positively valued.

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

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

#### **How we implement and monitor our effectiveness**

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

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

#### **EQUAL OPPORTUNITIES STATEMENT**

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

#### **Our Vision**

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

# **HARLOW COLLEGE**

## **Annual Report and Financial Statements for the year ended 31 July 2016**

### **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 8<sup>th</sup> December 2016 and signed on its behalf by:

Signature:

  
Paul Taylor, Chair

**HARLOW COLLEGE**  
**Financial Statements year ended 31 July 2016**  
**Statement of corporate governance and internal control**

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1<sup>st</sup> August 2015 to 31<sup>st</sup> July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with the provisions of the Code, and it has complied throughout the year ended 31 July 2016. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 2 July 2015

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

**The Corporation**

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

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Sotirios Adamopoulos	Elected 22.10.2014	4 years		Teaching Staff	Standards	60% (3/5)
Jacob Adams	Elected 1.8.2015	1 year	Term ended 31.7.2016	Student Governor	-	100% (5/5)
Neil Allen	Reappointed 22.03.2016	4 years	22.11.2016	Governor	Audit	80% (4/5)

# HARLOW COLLEGE

Financial Statements year ended 31 July 2016

## Statement of corporate governance and internal control

Paul Bartlett	Reappointed 16.07.14	4 years		Governor	Vice-Chair of Corporation, Chair of Audit Remuneration	80% (4/5)
Julian Bedford	Appointed 22.01.2015	4 years		Governor	Resources	40% (2/5)
Jon Bouffler	Appointed 14.07.2016	4 years		Governor	Standards & Curriculum	100% (1/1)
Jo Breen	Appointed 01.05.2013	4 years		Governor	Resources	40% (2/5)
Chris Christofides	Reappointed 13.12.2015	4 years		Governor	Standards & Curriculum, Remuneration	80% (4/5)
Martin Coleman	Reappointed 25.09.2012 Reappointed 14.07.2016	4 years	Term ended 19.10.2016	Governor	Resources, Search & Gov	40% (2/5)
Anthony Durcan	Appointed 11.12.2014	4 years		Governor	Audit	80% (4/5)
Eddie Johnson	Reappointed 15.12.2014	4 years		Governor	Resources, Remuneration	40% (2/5)
Luke Jones	Elected 1.8.2015	1 year	Term ended 31.7.2016	Student Governor	Standards & Curriculum	80% (4/5)
Liz Laycock	Appointed 19.05.2016	4 years		Governor	Standards & Curriculum	100% (2/5)
Ray Levy	Appointed 19.10.2016	4 years		Governor	Audit	100% (1/1)
Robert Locke	Appointed 13.03.2012	4 years	Term ended 12.3.2016	Governor	Search & Gov	50% (1/2)
Debbie Palmer	Appointed 17.10.2013	4 years	4.9.2015	Governor	Audit	N/A
Myrtle Prodger	Reappointed 12.12.2013	4 years		Governor	Vice-Chair of Corporation, Chair of Search & Gov, Standards & Curriculum, Remuneration	100% (5/5)
Brian Spencer	Reappointed 18.05.2015	4 years		Governor	Resources	80% (4/5)
Karen Spencer	01.09.2013	Ex Officio		Principal	Resources, Search & Gov, Standards	100% (5/5)
Paul Taylor	Reappointed 05.01.2013	4 years		Governor	Chair of Corporation, Resources, Remuneration	80% (4/5)
Mike Thorne	Reappointed 15.12.2011	4 years	10.12.2015	Governor	Standards & Curriculum	100% (2/2)
Paul Whitehead	Elected 21.03.2013	4 years		Support Staff	Audit	60% (3/5)

**HARLOW COLLEGE**  
**Financial Statements year ended 31 July 2016**  
**Statement of corporate governance and internal control**

Deborah Sheridan acts as Clerk to the Corporation.

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

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

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

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

Harlow College  
Velizy Avenue  
Harlow  
Essex  
CM20 3LH

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

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

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

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

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

**Appointments to the Corporation**

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



**HARLOW COLLEGE**  
**Financial Statements year ended 31 July 2016**  
**Statement of corporate governance and internal control**

Members of the Corporation are appointed for a term of office not exceeding four years.

**Corporation performance**

The Corporation is committed to the vision set out in its current strategic plan, underpinned by core values, which is to provide transformational opportunities through delivering exceptional student success, enrichment and progression into work or further study. The Corporation has continued to take a strong focus on the progress, success and destinations of the learners at Harlow College in order that they can reach sustainable careers. In January 2016, Ofsted judged that Governors know the college well, challenge senior leaders effectively and are well informed about the performance and direction of the college. Through Board and Committee meetings, the Corporation has considered at length the strategic direction of the College and has approved major developments including capital projects. Governors are also in receipt of regular reports from the College Executive Officers on the day-to-day operations of the College's business and considerable consideration is given to financial reports. In conducting this business, however, learners and employers are represented well on the governing body and their views are sought regularly.

**Remuneration Committee**

Throughout the year ending 31 July 2016, the Remuneration Committee comprised five members of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation regarding the salaries, conditions of service and benefits of the Accounting Officer and other senior post-holders, as well as those of the Clerk. The Committee did not meet in 2015/16.

Details of senior post holders' remuneration for the year ended 31 July 2016 are set out in note 6 to the financial statements.

**Audit Committee**

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

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

The Committee considers the risk register each time it meets.

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.

**HARLOW COLLEGE**  
**Financial Statements year ended 31 July 2016**  
**Statement of corporate governance and internal control**

**Internal control**

*Scope of responsibility*

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

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

*The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Harlow College's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Harlow College for the year ended 31 July 2016 and up to the date of approval of the annual report and accounts.

*Capacity to handle risk*

The Corporation has reviewed the key risks to which Harlow College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2016 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 governing body
- regular reviews by the governing body 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 EFA and SFA's Joint 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

## **HARLOW COLLEGE**

### **Financial Statements year ended 31 July 2016**

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

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. At least once annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity in the College. At minimum, annually, the HIA provides the governing body with a report on internal audit activity in the College. The report includes the HIA'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
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

The Executive Group, consisting of the Principal, Deputy Principals and Executive members receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Group and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Group and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its meeting on 8 December 2016, the Corporation carried out the annual assessment of internal control for the year ended 31 July 2016 by considering the Audit Committee's annual report and making enquiries of the Committee, the auditors and the executive team, and taking account of events since 31 July 2016.

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

#### **Going concern**

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


## **HARLOW COLLEGE**

**Financial Statements year ended 31 July 2016**

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

The Skills Funding Agency, in their letter to the Principal 26 February 2016, confirmed their conclusion that the College's financial health grade for 2014/15, based on the outturn forecast, was Good and that the College's underlying financial health grade was Good. The projections and assumptions approved by governors in the Financial Forecast 2016-2018 indicate that the College will maintain Good financial health for 15/16, 16/17 and 17/18 and that bank covenants will be met. The College has also undertaken a sensitivity analysis that models scenarios related to changes in income and expenditure. Again, this analysis has been used to test that the College maintains 'Good' financial health.

**Approved by order of the members of the Corporation on 8<sup>th</sup> December 2016 and signed on its behalf by:**

  
Paul Taylor, Chair

  
Karen Spencer, Accounting Officer


**HARLOW COLLEGE**  
**Financial Statements year ended 31 July 2016**

**Corporation's Statement on Regularity, Propriety and Compliance with Funding Body Terms and Conditions**

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

We confirm on behalf of the Corporation that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency and Education Funding Agency's terms and conditions of funding under the College's financial memorandum.

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

  
Paul Taylor, Chair

  
Karen Spencer, Accounting Officer

## **HARLOW COLLEGE**

### **Financial Statements year ended 31 July 2016**

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

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

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

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

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

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

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

Members of the Corporation are responsible for ensuring that funds from the Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the Skills Funding Agency Approved by order of the members of the Corporation on 8<sup>th</sup> December 2016 and signed on its behalf by:

  
Paul Taylor, Chair

## **HARLOW COLLEGE**

**Financial Statements year ended 31 July 2016**

### **INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HARLOW COLLEGE**

We have audited the College financial statements set out on pages 32 to 65. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as set out in our engagement letter dated 18 November 2015.

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 18 November 2015. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 18 November 2015 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.

#### **Respective Responsibilities of the Corporation of Harlow College and Auditor**

As explained more fully in the Statement of the Corporation's Responsibilities on pages 30, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with the terms of our engagement letter dated 18 November 2015, Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

#### **Opinion on financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Groups' and the College's affairs as at 31 July 2016 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.

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

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education 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.

*RSM UK Audit LLP*

#### **RSM UK AUDIT LLP**

Chartered Accountants  
Marlborough House  
Victoria Road South  
Chelmsford  
Essex  
CM1 1LN

*19 December 2016*

**Harlow College**  
**Consolidated Statements of Comprehensive Income**

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Funding body grants	2	17,555	17,555	19,774	19,774
Tuition fees and education contracts	3	1,631	1,631	1,898	1,898
Other income	4	1,612	1,612	1,480	1,480
Investment income	5	7	7	9	9
<b>Total income</b>		<b>20,805</b>	<b>20,805</b>	<b>23,161</b>	<b>23,161</b>
<b>EXPENDITURE</b>					
Staff costs	6	14,055	14,055	15,410	15,410
Exceptional restructuring costs	6	276	276	268	268
Other operating expenses	7	4,136	4,171	4,941	4,981
Depreciation	9,10	1,255	1,166	1,270	1,160
Interest and other finance costs	8	755	755	860	860
<b>Total expenditure</b>		<b>20,477</b>	<b>20,423</b>	<b>22,749</b>	<b>22,679</b>
<b>Surplus before other gains and losses</b>		<b>328</b>	<b>382</b>	<b>412</b>	<b>482</b>
Impairment		-	-	(1,140)	(1,140)
Actuarial loss in respect of pensions schemes		(3,031)	(3,031)	(493)	(493)
<b>Total Comprehensive Income for the year</b>		<b>(2,703)</b>	<b>(2,649)</b>	<b>(1,221)</b>	<b>(1,151)</b>



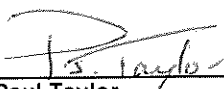
**Harlow College**  
**Consolidated and College Statement of Changes in Reserves**

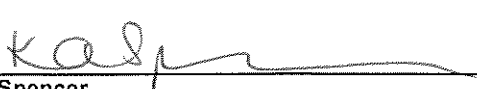
	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
<b>Group</b>			
<b>Balance at 1st August 2014</b>	1,735	13,924	15,659
Surplus from the income and expenditure account	412	-	412
Other comprehensive income	(493)	-	(493)
Transfers between revaluation and income and expenditure reserves	134	(134)	-
Impairment	-	(1,140)	(1,140)
	53	(1,274)	(1,221)
<b>Balance at 31st July 2015</b>	1,788	12,650	14,438
Surplus from the income and expenditure account	328	-	328
Other comprehensive income	(3,031)	-	(3,031)
Transfers between revaluation and income and expenditure reserves	106	(106)	-
<b>Total comprehensive income for the year</b>	(2,597)	(106)	(2,703)
<b>Balance at 31st July 2016</b>	(809)	12,544	11,735
<b>College</b>			
<b>Restated balance at 1st August 2014</b>	4,267	13,924	18,191
Surplus from the income and expenditure account	482	-	482
Other comprehensive income	(493)	-	(493)
Transfers between revaluation and income and expenditure reserves	134	(134)	-
Intercompany debtor	(2,560)		(2,560)
Impairment		(1,140)	(1,140)
	(2,437)	(1,274)	(3,711)
<b>Balance at 31st July 2015</b>	1,830	12,650	14,480
Surplus from the income and expenditure account	382	-	382
Other comprehensive income	(3,031)	-	(3,031)
Transfers between revaluation and income and expenditure reserves	106	(106)	-
<b>Total comprehensive income for the year</b>	(2,543)	(106)	(2,649)
<b>Balance at 31st July 2016</b>	(713)	12,544	11,831

**Harlow College**  
**Balance sheets as at 31 July**

	Notes	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
<b>Fixed assets</b>					
Tangible fixed assets	9	40,534	37,584	36,523	33,484
Intangible fixed assets	10	166	166	197	197
		<b>40,700</b>	<b>37,750</b>	<b>36,720</b>	<b>33,681</b>
<b>Current assets</b>					
Stocks		23	23	20	20
Trade and other receivables	12	1,734	4,773	629	5,724
Cash and cash equivalents		534	534	2,127	2,127
		<b>2,291</b>	<b>5,330</b>	<b>2,776</b>	<b>7,871</b>
<b>Less: Creditors – amounts falling due within one year</b>	13	(3,854)	(3,848)	(3,650)	(5,665)
<b>Net current (liabilities)/assets</b>		<b>(1,563)</b>	<b>1,482</b>	<b>(875)</b>	<b>2,206</b>
<b>Total assets less current liabilities</b>		<b>39,136</b>	<b>39,232</b>	<b>35,845</b>	<b>35,887</b>
<b>Less: Creditors – amounts falling due after more than one year</b>	14	(14,917)	(14,917)	(12,216)	(12,216)
<b>Provisions</b>					
Defined benefit obligations	20	(10,799)	(10,799)	(7,436)	(7,436)
Other provisions	17	(1,685)	(1,685)	(1,755)	(1,755)
<b>Total net assets</b>		<b>11,735</b>	<b>11,831</b>	<b>14,438</b>	<b>14,480</b>
<b>Unrestricted reserves</b>					
Income and expenditure account		(809)	(713)	1,788	1,830
Revaluation reserve		12,544	12,544	12,650	12,650
<b>Total unrestricted reserves</b>		<b>11,735</b>	<b>11,831</b>	<b>14,438</b>	<b>14,480</b>

The financial statements on pages 32 to 65 were approved and authorised for issue by the Corporation on 8th December 2016 and were signed on its behalf on that date by:

  
 Paul Taylor  
 Chair

  
 Karen Spencer  
 Accounting Officer

**Harlow College**  
**Consolidated Statement of Cash Flows**

	Notes	2016 £'000	2015 £'000
<b>Cash inflow from operating activities</b>			
Surplus for the year		328	412
<b>Adjustment for non cash items</b>			
Depreciation	9,10	1,255	1,270
Pensions costs less contributions payable		332	431
Investment income	5	(7)	(9)
Interest payable	8	452	509
(Increase)/decrease in stocks		(3)	20
(Increase)/decrease in debtors	12	(1,105)	161
Increase/(decrease) in creditors due within one year	13	2	41
Increase/(decrease) in creditors due after one year	14	3,344	(378)
Increase/(decrease) in enhanced pension provision	17	(70)	(61)
		<u>4,528</u>	<u>2,396</u>
<b>Net cash flow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Investment income		7	9
Payments made to acquire fixed assets		(5,236)	(1,281)
		<u>(5,229)</u>	<u>(1,272)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(358)	(385)
Interest element of finance lease rental payments		(94)	(124)
New secured loans		-	1,000
New finance leases		662	-
Repayments of amounts borrowed		(697)	(638)
Capital element of finance lease rental payments		(404)	(75)
		<u>(891)</u>	<u>(221)</u>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<u>(1,592)</u>	<u>903</u>
Cash and cash equivalents at beginning of the year		2,127	1,224
Cash and cash equivalents at end of the year		535	2,127

**HARLOW COLLEGE**  
**Financial Statements for the year ended 31 July 2016**  
**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.

**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 2015 to 2016* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

**Transition to the 2015 FE HE SORP**

The Group is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The governors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 ‘Transition to this FRS’.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 23.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold buildings as being deemed cost and measured at fair value. Land has been revalued as 1<sup>st</sup> August 2014.
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition
- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

**HARLOW COLLEGE**  
**Financial Statements for the year ended 31 July 2016**  
**Notes to the Accounts**

**Basis of accounting**

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

**Basis of consolidation**

The consolidated financial statements include the College and its subsidiaries: East Harlow Contracts Limited, East Harlow Leasing Limited, Harlow College Commercial Services Limited, Harlow College Facilities Limited, Harlow College Training Limited and the Joint Arrangement: East Harlow Contracts Limited and East Harlow Leasing Limited. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student memorial trust have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2016.

**Going concern**

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

The College currently has £4.663m of loans outstanding with bankers on terms negotiated in 2014. The terms of the existing agreements are for up to another 11 years. The College has approval for a new £3m loan to fund the new Harlow Advance Manufacturing and Engineering Centre, which was drawn down from August 2016. The College's forecasts and financial projections indicate that it will now be able to operate within this existing facility and covenants for the foreseeable future.

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

**Recognition of income**

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the statement of total comprehensive income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

## **HARLOW COLLEGE**

### **Financial Statements for the year ended 31 July 2016**

#### **Notes to the Accounts**

Any recurrent grant from HEFCE and HE income from Anglia Ruskin University represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

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

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

#### **Accounting for post-employment benefits**

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other comprehensive income.

Actuarial gains and losses are recognised immediately in other comprehensive income.

**HARLOW COLLEGE**  
**Financial Statements for the year ended 31 July 2016**  
**Notes to the Accounts**

**Short term Employment benefits**

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

**Enhanced Pensions**

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

**Non-current Assets - Tangible fixed assets**

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

There has been a change of estimation technique for buildings to reflect the useful economic life (60 to 91 years) reported in the FRS102 revaluation, applied prospectively from 1<sup>st</sup> August 2015. Previously buildings were depreciated over 50 years.

*Land and buildings*

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

Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the College of between 10 and 91 years. Freehold land is not depreciated.

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

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset. Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All

**HARLOW COLLEGE**  
**Financial Statements for the year ended 31 July 2016**  
**Notes to the Accounts**

other impairment losses are recognised in comprehensive income. Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and 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 brought into use.

*Subsequent expenditure on existing fixed assets*

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

*Equipment*

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

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

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

**Non-current Assets - Intangible fixed assets**

Intangible fixed assets includes software which is measured at cost less accumulated amortisation. It is amortised over 3 to 5 years straight-line basis

**Borrowing costs**

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

**Leased assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term. 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



## **HARLOW COLLEGE**

### **Financial Statements for the year ended 31 July 2016**

#### **Notes to the Accounts**

exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1<sup>st</sup> August 2014.

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

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

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

#### **Investments**

##### *Investments in subsidiaries*

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

#### **Inventories**

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

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

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

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

#### **Financial liabilities and equity**

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

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

**HARLOW COLLEGE**  
**Financial Statements for the year ended 31 July 2016**  
**Notes to the Accounts**

**Foreign currency translation**

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

**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 a minimal amount 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. The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

**Provisions and contingent liabilities**

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

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

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

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

**Agency arrangements**

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

**HARLOW COLLEGE**  
**Financial Statements for the year ended 31 July 2016**  
**Notes to the Accounts**

**Critical accounting estimates and areas of judgement**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical accounting estimates and assumptions*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined on page 17 to 19 under key risks and uncertainties.

*Critical areas of judgement*

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Group as lessee, or the lessee, where the Group is a lessor.

**Harlow College**  
**Notes to the Accounts (continued)**

**2 Funding council grants**

	Year ended 31 July 2016		Year ended 31 July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Recurrent grants</b>				
Skills Funding Agency	5,419	5,419	6,894	6,894
Education Funding Agency	11,806	11,806	12,664	12,664
Higher Education Funding Council	57	57	-	-
<b>Specific Grants</b>				
Skills Funding Agency	54	54	54	54
Releases of government capital grants	219	219	162	162
<b>Total</b>	<b>17,555</b>	<b>17,555</b>	<b>19,774</b>	<b>19,774</b>

The income shown above includes that earned by the College in its capacity as a provider and as a consortium lead. All other income claimed from the 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

	Year ended 31 July 2016		Year ended 31 July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Funding Body Income	17,865	17,865	20,177	20,177
Payments to College partners	(310)	(310)	(403)	(403)
<b>Total</b>	<b>17,555</b>	<b>17,555</b>	<b>19,774</b>	<b>19,774</b>

**3 Tuition fees and education contracts**

	Year ended 31 July 2016		Year ended 31 July 2015	
	Group	College	Restated Group	Restated College
	£'000	£'000	£'000	£'000
Tuition fees	487	487	365	365
Education contracts	1,144	1,144	1,533	1,533
<b>Total</b>	<b>1,631</b>	<b>1,631</b>	<b>1,898</b>	<b>1,898</b>

Included within the above amounts are tuition fees funded by bursaries of £208k (2015: £442k).

**Harlow College**  
**Notes to the Accounts (continued)**

**4 Other income**

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering	338	338	357	357
Other income generating activities	969	969	730	730
Other grant income	276	276	222	222
Non government capital grants	-	-	129	129
Miscellaneous income	29	29	42	42
	<u>1,612</u>	<u>1,612</u>	<u>1,480</u>	<u>1,480</u>

**Total**

**5 Investment income**

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	<u>7</u>	<u>7</u>	<u>9</u>	<u>9</u>
	<u>7</u>	<u>7</u>	<u>9</u>	<u>9</u>

**Harlow College**  
**Notes to the Accounts (continued)**

**6 Staff costs - Group and College**

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

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	218	237
Non teaching staff	<u>122</u>	<u>140</u>
	<b><u>340</u></b>	<b><u>377</u></b>
<b>Staff costs for the above persons</b>		
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	11,149	12,302
Social security costs	942	964
Other pension costs	<u>1,711</u>	<u>1,762</u>
<b>Payroll sub total</b>	<b>13,802</b>	<b>15,028</b>
Contracted out staffing services	<u>253</u>	<u>382</u>
	<b>14,055</b>	<b>15,410</b>
Exceptional restructuring costs - contractual	215	268
non contractual	61	-
	<b><u>14,331</u></b>	<b><u>15,678</u></b>

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

**Harlow College**  
**Notes to the Accounts (continued)**

**6 Staff costs - Group and 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. Staff costs include compensation paid to key management personnel for loss of office.

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

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
The number of key management personnel including the Accounting Officer was:	11	14

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

	<b>Key Management Personnel</b>	
	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
£50,001 to £60,000	6	8
£60,001 to £70,000	2	2
£70,001 to £80,000	-	1
£80,001 to £90,000	2	2
£120,001 to £130,000	1	1
	<b>11</b>	<b>14</b>

No other staff (non key management personnel) were remunerated over £60,000.

**Harlow College**  
**Notes to the Accounts (continued)**

**6 Staff costs - Group and College (continued)**

Key management personnel emoluments are made up as follows:

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Salaries	759	882
Benefits in kind	<u>2</u>	<u>2</u>
	<b>761</b>	<b>884</b>
Pension contributions	<u>113</u>	<u>115</u>
<b>Total emoluments</b>	<b>874</b>	<b>999</b>
Employers NI contributions	<u>79</u>	<u>90</u>
<b>Total Remuneration</b>	<b>953</b>	<b>1089</b>

The above emoluments includes £48k of severance payments for key management personnel (2015: £28k).

The above emoluments also include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Salaries	121	120
Benefits in kind	<u>2</u>	<u>2</u>
	<b>123</b>	<b>122</b>
Pension contributions	<u>20</u>	<u>17</u>

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

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

The salaries of senior post-holders are dealt with by the Corporation's Remuneration Committee. The Remuneration Committee did not meet in 2015/16.

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 incurred in the course of their duties (2015: none).



**Harlow College**  
**Notes to the Accounts (continued)**

**7 Other operating expenses**

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	687	687	1,131	1,131
Non teaching costs	2,188	2,145	2,366	2,328
Premises costs	1,261	1,339	1,444	1,522
<b>Total</b>	<b>4,136</b>	<b>4,171</b>	<b>4,941</b>	<b>4,981</b>

Other operating expenses includes the following charges:

	2016	2015
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	41	35
Financial statements audit (prior year)	11	-
Internal audit	32	32
Other services provided by the financial statements auditors	17	19
Lease Service Charge	11	-
Operating Lease expense	-	-

**8 Interest payable - Group and College**

	2016	2015
	£'000	£'000
On bank loans, overdrafts and other loans:	358	385
	358	385
On finance leases	94	124
Pension finance costs (note 20)	263	281
Enhanced pension provision interest	40	70
<b>Total</b>	<b>755</b>	<b>860</b>

Harlow College  
Notes to the Accounts (continued)

9 Tangible fixed assets (Group)

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2015	44,007	103	5,092	501	49,703
Additions	450	-	1,212	3,549	5,211
<b>At 31 July 2016</b>	<b>44,457</b>	<b>103</b>	<b>6,304</b>	<b>4,050</b>	<b>54,914</b>
<b>Depreciation</b>					
At 1 August 2015	9,372	103	3,706	-	13,181
Charge for the year	693	-	506		1,199
<b>At 31 July 2016</b>	<b>10,065</b>	<b>103</b>	<b>4,212</b>	<b>-</b>	<b>14,380</b>
<b>Net book value at 31 July 2016</b>	<b>34,392</b>	<b>-</b>	<b>2,092</b>	<b>4,050</b>	<b>40,534</b>
Net book value at 31 July 2015	34,635	-	1,387	501	36,523

Assets under the course of construction relate to the new Harlow Advance Manufacturing Centre due for completion December 2016.

**Harlow College**  
**Notes to the Accounts (continued)**

**9 Tangible fixed assets (College only)**

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2015	39,301	103	5,083	501	44,988
Additions	450	-	1,212	3,549	5,211
<b>At 31 July 2016</b>	<b>39,751</b>	<b>103</b>	<b>6,295</b>	<b>4,050</b>	<b>50,199</b>
<b>Depreciation</b>					
At 1 August 2015	7,617	103	3,785	-	11,505
Charge for the year	604	-	506	-	1,110
<b>At 31 July 2016</b>	<b>8,221</b>	<b>103</b>	<b>4,291</b>	<b>-</b>	<b>12,615</b>
<b>Net book value at 31 July 2016</b>	<b>31,530</b>	<b>-</b>	<b>2,005</b>	<b>4,050</b>	<b>37,584</b>
Net book value at 31 July 2015	31,684	0	1,299	501	33,484

Value of land not depreciated

Assets in the course of construction refer to a £7.5m build project for an Advance Manufacturing and Engineering Centre due to open December 2016.

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.

The College agreed for a UTC to build on College land which was valued by independent valuers at £518k in 2016 (£476k in 2013). A 125 year lease for £5,000 per annum has been in place from when the building opened in January 2015. The College remains the freeholder of the land.

The net book value of tangible fixed assets includes an amount of £718k (2015: £145k) in respect of equipment held under finance leases. The depreciation charge on these assets for the year was £355k (2015: £17k). There are no leased assets in the subsidiaries.

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

	£'000
Cost	39,611
Aggregate depreciation based on cost	(11,621)
<b>Net book value based on cost</b>	<b>27,990</b>

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

**Harlow College**  
**Notes to the Accounts (continued)**

**10 Intangible fixed assets (College and Group)**

	Software £'000
<b>Cost or valuation</b>	
At 1 August 2015	621
Additions	25
<b>At 31 July 2016</b>	<b>646</b>
<b>Amortisation</b>	
At 1 August 2015	424
Charge for the year	56
Elimination in respect of disposals	
<b>At 31 July 2016</b>	<b>480</b>
<b>Net book value at 31 July 2016</b>	<b>166</b>
<b>Net book value at 31 July 2015</b>	<b>197</b>

**11 Non current Investments**

			College 2016 £	College 2015 £
<b>Investments in subsidiary companies</b>	Principal Activity	College ownership		
Harlow College Facilities	Dormant	100%	100	100
Harlow College Training	Dormant	100%	100	100
East Harlow Contracts Limited	Property	100%	-	-
East Harlow Leasing Limited	Construction	100%	-	-
Joint Tenants	Property	100%	-	-
Harlow College Commercial Services	Dormant	100%	100	100
<b>Total</b>			<b>300</b>	<b>300</b>

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

East Harlow Contracts Limited has losses of £13k, (2015: £15k) for the year and a closing deficit in reserves of £95k, (2015: £82k). East Harlow Leasing Limited has losses of £8k, (2015: £8k) and a closing deficit in reserves of £62k, (2015: £54k). Joint Tenants losses of £35k, (2015: £40k) for the year and deficit reserves of £2.466m, (2015: £2.424m). It is the College's intention to continue to support its subsidiary companies in order to meet their current liabilities and not prejudice their trading positions. There are no third party liabilities and there was no trading.

**Harlow College**  
**Notes to the Accounts (continued)**

**12 Debtors**

	<b>Group 2016 £'000</b>	<b>College 2016 £'000</b>	<b>Group 2015 £'000</b>	<b>College 2015 £'000</b>
Amounts falling due within one year:				
Trade receivables	237	237	178	178
Subsidiary undertakings	-	3,039	-	5,096
Prepayments and accrued income	1,388	1,388	320	320
Amounts owed by the Skills Funding	109	109	131	131
<b>Total</b>	<b><u>1,734</u></b>	<b><u>4,773</u></b>	<b><u>629</u></b>	<b><u>5,724</u></b>

Within Trade Receivables is a bad debt provision of £8k (2015: £26k)

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

	<b>Group 2016 £'000</b>	<b>College 2016 £'000</b>	<b>Group 2015 £'000</b>	<b>College 2015 £'000</b>
Bank loans and overdrafts	578	578	697	697
Obligations under finance leases	430	430	108	108
Trade payables	1,062	1,062	453	453
Subsidiary undertakings	-	-	-	2,019
Other taxation and social security	555	555	575	575
Accruals and deferred income	765	759	1,083	1,079
Deferred income - government capital grants	335	335	223	223
Deferred income - government revenue grants	-	-	159	159
Amounts owed to the Skills Funding Agency	-	-	228	228
Amounts owed to the Education Funding Agency	129	129	124	124
<b>Total</b>	<b><u>3,854</u></b>	<b><u>3,848</u></b>	<b><u>3,650</u></b>	<b><u>5,665</u></b>

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

	<b>Group 2016 £'000</b>	<b>College 2016 £'000</b>	<b>Group 2015 £'000</b>	<b>College 2015 £'000</b>
Bank loans	4,085	4,085	4,663	4,663
Obligations under finance leases	196	196	260	260
Deferred income - government capital grants	10,625	10,625	7,204	7,204
Other taxation (Lennartz)	11	11	89	89
<b>Total</b>	<b><u>14,917</u></b>	<b><u>14,917</u></b>	<b><u>12,216</u></b>	<b><u>12,216</u></b>

**Harlow College**  
**Notes to the Accounts (continued)**

**15 Maturity of debt**

**(a) Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	578	578	697	697
Between one and two years	419	419	578	578
Between two and five years	1,559	1,559	1,706	1,706
In five years or more	2,107	2,107	2,379	2,379
<b>Total</b>	<b>4,663</b>	<b>4,663</b>	<b>5,360</b>	<b>5,360</b>

A bank loan to replace the existing loan for phase 1 of the college's accommodation strategy totalling £2,070,540 was drawn-down on the 17 December 2007. The loan is subject to a loan rate of 7.78%. The outstanding balance on the bank loan, totalling £150,740 (2015: £437,519) for phase 1 of the college's accommodation strategy is repayable by instalments between 17 December 2007 and 19 December 2016 and are secured on a portion of freehold land and buildings of the college.

Two bank loans for phase 2 of the college's accommodation strategy totalling £1,947,000 were drawn-down on the 31 July 2003. The loans are subject to loan rates of 6.76% and 2.09% (variable rate) on the original loan values of £1,460,000 and £487,000 respectively. The outstanding balance on the bank loans, totalling £310,263 (2015: £476,283) for phase 2 of the college's accommodation strategy are repayable by instalments between 01 August 2007 and 29 June 2018 and are secured on a portion of freehold land and buildings of the college.

As part of the college's phase 4 accommodation strategy the college has arranged a facility for a drawdown of two loans totalling £4,566,000. The loans are subject to loan rates of 8.07% and 8.29% on loan values of £3,044,000 and £1,522,000 respectively. The outstanding balance on the bank loans, totalling £3,290,600 (2015: £3,480,970) for phase 4 of the college's accommodation strategy are repayable by instalments between 01 December 2007 and 30 July 2027 and are secured on a portion of freehold land and buildings of the college.

To refurbish and improve an older building on the campus a £1,000,000 loan was taken out December 2014. The loan is subject to a variable loan rate of 2.75% margin + LIBOR. The outstanding balance of £911,432 (2015: £965,148) is repayable by instalments between December 2014 and November 2019, with a final lump sum balance due in November 2019.

**(b) Finance leases**

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

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	430	430	108	108
Between two and five years	196	196	260	260
<b>Total</b>	<b>626</b>	<b>626</b>	<b>368</b>	<b>368</b>

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

**Harlow College**  
**Notes to the Accounts (continued)**

**16 Financial Instruments**

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

	<b>Group 2016 £'000</b>	<b>College 2016 £'000</b>	<b>Group 2015 £'000</b>	<b>College 2015 £'000</b>
Financial assets:				
Debt instruments measured at amortised cost	345	3,385	309	5,405
<b>Total</b>	<b><u>345</u></b>	<b><u>3,385</u></b>	<b><u>309</u></b>	<b><u>5,405</u></b>
Financial liabilities:				
Measured at amortised cost	7,670	7,664	8,006	8,001
<b>Total</b>	<b><u>7,665</u></b>	<b><u>7,659</u></b>	<b><u>8,006</u></b>	<b><u>8,001</u></b>

**17 Provisions**

	<b>Defined benefit Obligations £'000</b>	<b>Group and College Enhanced pensions £'000</b>	<b>Total £'000</b>
At 1 August 2015	7,436	1,755	9,191
Expenditure in the period	(612)	(115)	(727)
Transferred from income and expenditure account	3,975	45	4,020
<b>At 31 July 2016</b>	<b><u>10,799</u></b>	<b><u>1,685</u></b>	<b><u>12,484</u></b>

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

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

The principal assumptions for this calculation are:

	<b>2016</b>	<b>2015</b>
Interest rate	2.3%	3.5%
Inflation rate	1.3%	1.7%

**Harlow College**  
**Notes to the Accounts (continued)**

**18 Capital commitments**

	<b>Group and College</b>	
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted for at 31 July	<u>4,529</u>	<u>-</u>

**19 Lease Obligations**

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

	<b>Group and College</b>	
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	41	19
Later than one year and not later than five years	143	56
later than five years	39	-
	<u>223</u>	<u>75</u>

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



## Harlow College

### 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 Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Essex County Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year	2016 £'000	2015 £'000
Teachers Pension Scheme: contributions paid	880	903
Local Government Pension Scheme:		
Contributions paid	612	554
FRS 102 (28) charge	219	305
Charge to the Statement of Comprehensive Income	831	859
Enhanced pension charge to Statement of Comprehensive Income	5	80
<b>Total Pension Cost for Year</b>	<b>1,716</b>	<b>1,842</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £140,790 (2015:£139,249) 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 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

#### The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

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

## **Harlow College**

### **Notes to the Accounts (continued)**

#### **20 Defined benefit obligations (continued)**

##### **Valuation of the Teachers' Pension Scheme**

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

- employer contribution rates were set at 16.48% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2015.

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

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

##### **Scheme Changes**

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

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

The pension costs paid to TPS in the year amounted to £1,113,499 (2015: £1,155,688)

## Harlow College

### Notes to the Accounts (continued)

#### 20 Defined benefit obligations (continued)

##### FRS 102 (28)

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

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

#### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Essex County Council. The total contributions made for the year ended 31 July 2016 were £831,000, of which employer's contributions totalled £612,000 and employees' contributions totalled £219,000. The agreed contribution rates is 14.4% for employers plus an agreed deficit contribution of £149,959 (2015: £143,784). The contribution rates for employees range from 5.5% to 12.5% depending on salary.

#### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.90%	4.30%
Future pensions increases	2.10%	2.50%
Discount rate for scheme liabilities	2.50%	3.70%
Inflation assumption (CPI)	2.10%	2.50%
Commutation of pensions to lump sums	60%	60%

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

	At 31 July 2016 years	At 31 July 2015 years
<i>Retiring today</i>		
Males	22.90	22.80
Females	25.30	25.20
<i>Retiring in 20 years</i>		
Males	25.20	25.10
Females	27.70	27.60

**Harlow College**  
**Notes to the Accounts (continued)**

**20 Defined benefit obligations (continued)**

**Local Government Pension Scheme (Continued)**

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

	Employer Asset Share at 31 July 2016	Fair Value at 31 July 2016 £'000	Employer Asset Share at 31 July 2015	Fair Value at 31 July 2015 £'000
Equities	69.00%	13,885	65.00%	12,049
Bonds	8.00%	1,638	14.00%	2,548
Property	11.00%	2,242	12.00%	2,144
Cash	3.00%	613	2.00%	458
Other	9.00%	1,874	7.00%	1,334
<b>Total fair value of plan assets</b>		<b>20,252</b>		<b>18,533</b>

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

	Enhanced £'000	LGPS £'000	Total 2016 £'000	2015 £'000
Fair value of plan assets		20,252	20,252	18,533
Present value of plan liabilities	(1,685)	(30,897)	(32,582)	(25,820)
Present value of unfunded liabilities	-	(154)	(154)	(149)
<b>Net pensions (liability) (Note 17)</b>	<b>(1,685)</b>	<b>(10,799)</b>	<b>(12,484)</b>	<b>(7,436)</b>

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

	2016 £'000	2015 £'000
<b>Amounts included in staff costs</b>		
Current service cost	677	634
<b>Total</b>	<b>677</b>	<b>634</b>
<b>Amounts included in interest expenditure</b>		
Net interest expenditure	(263)	(281)
Administrative expenses	(9)	(9)
	<b>(272)</b>	<b>(290)</b>

**Harlow College**  
**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:**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
(Deficit) in scheme at 1 August	(7,436)	(6,653)
Movement in year:		
Current service cost	(677)	(634)
Employer contributions	612	554
Net interest on the defined (liability)/asset	(263)	(281)
Administrative costs	(9)	(9)
Benefit changes, gain/(loss) on curtailment and gain/(loss) in settlement	(3,026)	(413)
<b>Total</b>	<b><u>(10,799)</u></b>	<b><u>(7,436)</u></b>

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

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Defined benefit obligations at start of period</b>	<b>25,969</b>	<b>23,261</b>
Current Service cost	677	634
Interest cost	951	978
Contributions by Scheme participants	169	180
Experience gains and losses on defined benefit obligations	(1)	-
Changes in financial assumptions	3,955	1,691
Estimated benefits paid	(669)	(775)
<b>Defined benefit obligations at end of period</b>	<b><u>31,051</u></b>	<b><u>25,969</u></b>

**Reconciliation of Assets**

<b>Fair value of plan assets at start of period</b>	<b>18,533</b>	<b>16,608</b>
Interest on plan assets	688	697
Return on plan assets	928	1,278
Administration expenses	(9)	(9)
Employer contributions	612	554
Contributions by Scheme participants	169	180
Estimated benefits paid	(669)	(775)
<b>Assets at end of period</b>	<b><u>20,252</u></b>	<b><u>18,533</u></b>

## **Harlow College**

### **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 nil (2015:£39). This represents travel and subsistence expenses, courses and other incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or payments from the College or its Subsidiaries (2015: none).

#### **Declarations of Interest - Governors**

Cllr Eddie Johnson and Cllr Anthony Durcan are members of Essex County Council. During the year Harlow College had a number of financial transactions with Essex County Council. Amounts paid to Essex County Council of £4k (2015: £22k) which included teachers of the deaf support and for outdoor activities. Amounts paid by Essex County Council of £275k (2015: £189k) which included payments for High Needs. Essex County Council - the year end creditor balance amounted to £1k (2015: £100). The year-end debtor balance amounted to £Nil (2015: £73k).

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. £120k (2015: £96k) was paid to Harlow District Council mainly in respect of national non-domestic rates. The year-end creditor balance amounted to £67k (2015: £75k).

Professor Michael Thorne was Vice-Chancellor of Anglia Ruskin University (resigned Dec 2015) and was replaced by Jon Bouffler, Director of Learning Development Services, Anglia Ruskin University. Anglia Ruskin University has built a University Centre on land it has leased from Harlow College for a peppercorn rent. Anglia Ruskin University paid Harlow College £1,144k (2015: £1,533k) for the tuition of those of its students who were studying on the Harlow College campus. Harlow College paid Anglia Ruskin £273k (2015: £195k). The year-end balance amounted to Nil.

Professor Thorne and Karen Spencer are governors of the Sir Charles Kao UTC. Amounts paid by Sir Charles Kao UTC £178k (2015: £240k) for various service charges, rent and contracted services provided by Harlow College, including HR, payroll and financial services. The year-end debtor balance was £63k (2015: Nil).

The College agreed for the UTC to build on College land which was valued at £476k in 2013. Arrangements for payment for the lease and other services provided are currently under consideration. The College remains the freeholder of the land.

#### **Declarations of Interest - Key Management Personnel**

Deborah Sheridan is a trustee of the Young Concern Trust. During the year Harlow College paid the trust £20k (2015: £9k) for counselling services. The year-end balance was £2k (2015: Nil).

**Harlow College**  
**Notes to the Accounts (continued)**

**22 Amounts disbursed as agent**

<b>Learner support funds</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Funding body grants – bursary support	623	546
Funding body grants – discretionary learner support	<u>121</u>	<u>152</u>
	744	698
Disbursed to students	(691)	(524)
Administration costs	(31)	(21)
Balance unspent as at 31 July, included in creditors	<u><u>22</u></u>	<u><u>153</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.

**Harlow College**  
**Notes to the Accounts (continued)**

**23 Transition to FRS 102 and the 2015 FE HE SORP**

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

	1st August 2014		31st July 2015	
	Note			
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Financial Position</b>				
Total reserves under previous SORP		7,412	9,943	6,190
Land revaluation		7,939	7,939	7,940
Employee leave accrual		(84)	(84)	(84)
Release of non-government capital grants		392	392	392
		<u>8,247</u>	<u>8,247</u>	<u>8,248</u>
Total effect of transition to FRS 102 and 2015 FE HE				
		<u>15,659</u>	<u>18,190</u>	<u>14,438</u>
Total reserves under 2015 FE HE SORP				
		<u>15,659</u>	<u>18,190</u>	<u>14,480</u>

Year ended 31st July 2015		
	Group	College
	£'000	£'000
<b>Financial Performance</b>		
Surplus for the year after tax under previous SORP	678	741
Depreciation		
Impairment	(1,140)	(1,140)
Pensions provision – actuarial loss	(493)	(493)
Prior year group adjustment	(7)	(7)
Changes to measurement of net finance cost on defined benefit plans	(259)	(259)
	<u>(1,899)</u>	<u>(1,899)</u>
Total effect of transition to FRS 102 and 2015 FE HE SORP		
	<u>(1,221)</u>	<u>(1,158)</u>
Total comprehensive income for the year under 2015 FE HE SORP		
	<u>(1,221)</u>	<u>(1,158)</u>



## **Harlow College**

### **Notes to the Accounts (continued)**

#### **23 Transition to FRS 102 and the 2015 FE HE SORP (continued)**

##### **a) Recognition of short term employment benefits**

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st July each year for both teaching and non-teaching staff. At the reporting date there was an average of 1.3 days of unused leave for teaching staff and 1.4 days unused leave for non-teaching staff. All employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £84k was recognised at 31 July 2015. Following a re-measurement exercise in 2015/16 the provision is £87k, the difference is within the Comprehensive Income in the year ended 31 July 2016.

##### **b) Non-government grants accounted for under performance model**

The College has previously been in receipt of certain capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met.

##### **c) Change in recognition of defined benefit plan finance costs**

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

##### **d) Presentation of actuarial gains and losses within Total Comprehensive Income**

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

## **HARLOW COLLEGE**

### **Financial Statements year ended 31 July 2016**

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

In accordance with the terms of our engagement letter dated 18 November 2015 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Harlow College during the period 1 August 2015 to 31 July 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. 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 Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Harlow College and the Secretary of State for Education acting through the Skills Funding Agency 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 Skills Funding Agency 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 Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

#### **Respective responsibilities of Harlow College and the reporting accountant**

The corporation of Harlow College is responsible, under the financial memorandum 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.

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 Joint Audit Code of Practice. 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 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

#### **Approach**

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework and our engagement letter

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

## **HARLOW COLLEGE**

### **Financial Statements year ended 31 July 2016**

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

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 high level financial control areas where we identified areas where a material irregularity is likely to arise. We undertook detailed testing, based on our identification of the 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 on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

#### **Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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*19 December 2016*

