

HARLOW COLLEGE
Report and Financial Statements
for the year ended 31 July 2015

HARLOW COLLEGE

Annual Report and Financial Statements for the year ended 31 July 2015

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Harlow College
Annual Report and Financial Statements for the year ended 31 July 2015
Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

The corporation present their report and the audited financial statements for the year ended 31 July 2015.

Legal status

Harlow College is the name of the further education corporation established under the Further and Higher Education Act 1992 for the purpose of running Harlow College.

Public Benefit

Harlow College is an exempt charity under Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Corporation, who are trustees of the charity, are disclosed on pages 16 and 17. 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 delivery of public benefit is covered throughout the operating and financial review.

Ambition and Mission

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

We have outstanding student success and exceptional Value Added. We aim to be an Outstanding College, striving for 100% in all we do.

We have some of the best performing provision in the country and we are always looking to innovate and improve. We are a double Beacon Award winning College – recognised for Outstanding Leadership of Improvement and Innovation in Learning and Teaching.

We have created a College that genuinely puts the learner at its heart.

We are even more ambitious for the future. Our focus will be firmly on the quality and range of our curriculum delivery. Over the next three years our focus will be:

- 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.

Implementation of Strategic Plan

Shared values

We believe that our work has a fundamental moral and social purpose. The prosperity of the region and its families is not simply an economic indicator, it affects the lives of us all and good Further Education can make the difference between poverty and well-being for young people and adults. We are proud to accept this duty and make it a reality for the people who come to study with us. So, underpinning our work, we will abide by a set of values that will guide our decisions:

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

A Shared Culture

In a complex organisation there are many different ways of working. We recognise that these need to be drawn together effectively and a single set of leadership characteristics will inform our conduct. These behaviours will be:

- Ambitious, above all: high expectations of the curriculum and our services, promoting students' attainment, success and progression
- A clear focus on learning: Students at the Heart
- Healthy delegation: empowered, accountable teams, responsible for their performance and with the means and desire to improve it
- Excellent communication: good internal systems and plenty of shared knowledge
- Disciplined innovation: creative actions and new ideas harnessed to our central task
- Developing students with attitudes: positive, capable people ready for the workplace and the world
- Stability where we can achieve it
- Investment in our infrastructures: systems, people and buildings

We will support this approach by ensuring that all training develops our leaders and managers to adopt these behaviours successfully. We will also strengthen our communication processes to ensure good contact throughout the organisation, opportunities to exchange views and share practice and better collaborative working across structural boundaries. We will review and update our Learning, Teaching and Assessment strategy with the purpose of supporting our delivery and support staff to ensure learning is outstanding in our own terms by the end of this Strategic Plan. An E Technology investment schedule was instigated in the previous financial year which included the implementation of new information systems, the provision of further training and development of our buildings over the next three years subject to affordability. This is identified in the key performance indicators underpinning the corporate strategy and is monitored routinely by the executive group.

We will also pursue three whole-organisation themes in the spine of the curriculum:

- E-learning

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- Enrichment
- Employability and Enterprise

Each of these themes is intended to promote our students' readiness for the world beyond College, delivering more than a qualification into their hands as they face a demanding future as workers, parents and citizens.

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.

These are reviewed at executive group on a monthly basis through a dashboard. Key objectives and performance for 2014/15 are shown below:

	Key objectives achieved	Performance
Growth & diversification	• Meet English and mathematics condition of funding requirement • Secure funding for the Advanced Manufacturing and Engineering Centre	100% £7.5 million secured
Outstanding	• To achieve an overall success rate (excluding English & maths) of 88% • To maintain a value added score of 3 ALPs, point 0.3 DfE	87.7% 3 and 0.3
Financial stability	• To have 'Good' financial health • To meet bank covenants	'Good' unaudited Financial statements – current 'satisfactory' SFA rating Yes
Our staff	• To achieve a staff satisfaction rating of over 60% (benchmark figure) • To implement phase 1 of a new HR system	69.2% Complete
Raise profile	• To increase employer satisfaction through repeat business	80% repeat business rate
Infrastructure	• To invest in our estate reducing the amount of C and D condition buildings	K building investment £800k
Technology	• To implement phase 1 of a new management information system and related monitoring systems	Complete

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Financial Strategic Priorities

The College's financial objectives are:

1. A financial health rating by the SFA of good
2. To implement and embed a new finance system equipping managers with the skills to ensure spends are forecast to within budgets
3. To develop a finance strategy that builds our reserves over the period of the plan
4. To maintain a level of cash in relation to total income in excess of thirty days
5. To develop procurement and re-investment strategies

The College's financial performance indicators are:

	Target	Achieved
1. Year end surplus/turnover	2.0% +	2.95%
2. SFA Financial Health rating	good	satisfactory/good
3. Staff to income ratio	to 65%	68.3%
4. Creditors paid within 30 days	95%	78%
5. Bank covenants - cash/debt and net assets	Fully met	Fully met

Performance Indicators

The DfE have published the new performance measure for 16-19 learners which are:

- Attainment (average points per entry and average grade)
- Progress (value added)
- English and mathematics
- Retention and
- Destinations

These are routinely monitored against National benchmarks as part of the learning, teaching and assessment strategy. The latest published DfE performance shows the College in the top 1% of colleges in the country for progress and attainment. Nationally published figures are shown below.

Academic	A level points per entry	Expressed as a grade	Student progress Score
Harlow College	224.7	C+	0.30
National rate	211.2	C	N/A

Vocational	Average points per entry	Expressed as a grade	Student progress Score
Harlow College	226	Distinction	0.32
National rate	217.1	Distinction	N/A

Overall performance including English and mathematics was 82.3% in terms of a success rate. Retention on programmes was 94%. 92% of 2013/14 full-time leavers who responded to our survey had a positive destination. 43% of benefit learners leaving in 2012/13 had a sustained destination, compared to the national rate of 41% (Please note these are the latest figures available from the SFA).

The College is committed to observing the importance of these and measures appropriate to adult learners. The College is required to complete the annual Finance Record for the Skills

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Funding Agency. The Finance Record produces a financial health grading. The current underlying rating of good is considered an acceptable outcome.

Summary of Achievements

Harlow College students continue to be very successful with students achieving high grades. The College has been the recipient of two Beacon Awards and two Good Schools Guide Awards for 2015. Harlow College has maintained its generation of a surplus proving that the teaching and learning strategy is sustainable. The most recent Ofsted Inspection of the College dates from January 2011 when Ofsted concluded that "Harlow College is a good College with several outstanding features". The College's current self-assessment report for 2014/15 rates the College as 'Good'.

FINANCIAL POSITION

Financial Results

The Group generated an operating surplus in 2014/15 of £678k (in 2013/14 surplus of £275k).

The Group has accumulated reserves of £10,670k (2013/14 £9,806k) before pension deficit and revaluation reserve and has closing cash balances of £2,127k. 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 fixed asset additions during the year amounted to £2,031k. This was split between land and buildings enhancements of £1,233k and equipment purchases of £798k. Of the building enhancements £257k was spent on the advanced manufacturing centre as assets under construction. An impairment has been recognised of £1,140k relating to building H as it will be demolished in readiness for the construction of the advanced manufacturing centre. The net liability of the subsidiary undertakings are £2.6m, which is consolidated in the group.

The College relies extensively on the education sector funding bodies for its principal funding source. In 2014/15 this represented 85% (2013/14 89%) 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. Harlow College Facilities has been dormant throughout the period.

Treasury Policies and Objectives

Treasury management embraces the effective control of the College's cash flow, banking, the mitigation of the risks associated with those activities and the pursuit of optimum performance. The College has a separate treasury management policy in place. All borrowing requires the authorisation of the Corporation.

Cash Flow and Liquidity

At £2.397million (2013/14 £1.457 million), operating cash inflow was good. New borrowings were raised during the year in the amount of £1.0million.

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The College's ability to service its debt and day to day working capital requirements is good. The loan liability increased from £5m to £5.4m. During the year the College received £596k capital funding from the funding bodies. The pension deficit increased from £8.4m to £9.2m. The Skills Funding Agency review of the College's financial plan 2014/15 to 2015/16 in March 2015 concluded that the underlying financial health grade was good.

CURRENT, FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

The approximate number of students and trainees served by Harlow College in 2014/15 and projected for 2015/16 is as set out in table A below:

Table A: Harlow College – number of students and trainees served

FTE students		
Student type	14/15 (Act)	15/16 (Target)
16-18	2507	2517
Adult Full Time	190	207
Adult Part Time	2894	2700
HE	250	250
Apprenticeships	788	800

In addition to the students and trainees reported in table A above there was significant provision for adults (i.e. aged 19 or more) who were not studying for particular qualifications and also in programmes designed to support people looking for work.

The Success of Our Students

In their January 2011 inspection report, Ofsted commented that "Exceptionally high proportions of learners that start their programmes complete and pass them successfully". A principal aspect of Harlow College's teaching learning and assessment strategy is the emphasis it places on ensuring that each student and trainee succeeds on the programme they have embarked upon.

The Grades Students and Trainees Gain in Their Exams and Other Assessments

The Teaching, Learning and Assessment Strategy not only places an emphasis on students succeeding but also on students succeeding well. Harlow College wants its students to gain good grades in their exams.

The progress of our students from their GCSE starting point places us in the top 1% of colleges according to Government published performance data. The students average vocational grade achievement is Distinction+ and one in four A level grades awarded in August 2015 were A and A* grades.

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

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organisations and external work experience. Students and employers identify the benefits of these arrangements.

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 or promoting the interests of students who possess any of the protected characteristics (including but not exclusively - ethnicity, gender and sexuality).

Developments

The College was successful in securing firstly the funding to build an Advanced Manufacturing and Engineering Centre on the footprint of building H on the Campus and secondly with a subsequent bid to equip the centre with the latest technology, machinery and equipment. This will emerge as a major step forward for the College realising its vision in preparing young people to find future employment in the manufacturing and engineering sector.

The College has excellent links with employers - giving access to work placements and Apprenticeships. Apprenticeship numbers continue to grow and 80% of employers return to take on further apprentices.

The College and London Stansted Airport (The Manchester Airport Group) have jointly developed a business case for an education centre based at the Stansted airport location to equip the young people of East Hertfordshire and Uttlesford with the skills to take advantage of the employment opportunities at the airport.

The College continues to assist the government in tackling the challenge of unemployment through specific programmes and projects aimed at the unemployed.

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 per cent. During the early part of the year the College paid 51% of its invoices within 30 days rising to 79% by July 2015 and continues its progress towards the 95% target. The College incurred no interest charges in respect of late payment for this period. The College has continued to invest in a new finance system to bring about improvements which should improve creditor days going forward.

Post-balance Sheet Events

During the year the College entered into a five year lease for the premises in East Walk in Harlow town centre. Refurbishment was undertaken pre and post the year-end and the centre opened in September 2015.

The College approved the advanced manufacturing centre project in January 2015 and has now entered into the first phase of a pre-construction agreement with the contractor, Wilmott Dixon, to undertake the demolition of building H in readiness for the construction contract.

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The College has been finalising a letter of intent to reflect the joint agreement with London Stansted Airport to the provision of the education centre referred to in the Developments section above.

Plans for 2015-16

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.

The College will be securing the phase two building contract with the main contractor and the procurement of the machinery and equipment required for the centre.

The College will commission a feasibility study of the suitability of the nominated site at Stansted airport for the location of the education centre. Further consultation will be undertaken with stakeholders regarding the most appropriate curriculum and further bids will be made for the relevant funding.

RESOURCES

Harlow College has various resources that it can deploy in pursuit of its strategic objectives. The most important of these resources are the staff.

People

During the year the College employed on average 377 people (in 2013/14 this figure was 405) expressed as full time equivalents, of whom 237 are teaching staff (in 2013/14 this figure was 248).

Physical Resources

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

The majority of teaching and training is delivered from Harlow College's main site, a central location close to Harlow's principal shopping centre and a short walk away from Harlow's bus station and main railway station. Subsequent to July 2015 the College has 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, subsequent to July 2015, 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.

Information Technology

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During the year the College continued to implement its IT strategy towards enabling learners to make use of e-learning opportunities and college staff to benefit from more efficient and effective information systems.

Financial

The group has £14 million of net assets (2013/14 £15million) including £9.2m million pension liability (2013/14 £8.4 million) and long term debt of £5 million (2013/14 £4.8 million). The College is paying close attention to the November HMG Autumn spending review and has sought the opinions of the Association of Colleges and Members of Parliament for Harlow to prepare for further potential cuts in funding body income streams.

Reputation

Harlow College has a reputation for achieving very high success rates and value added within further education.

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 a) assuming that government policy could change at any time (and adversely impact on the college strategic direction). Funding allocations for 16-18 year olds are set for 15/16 and the College will model cuts of between 5-10% in the base rate fro 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 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.
Failure to recruit to 16-18 apprenticeship target.	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.
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. Member of Executive now reviewing non-offers. Apprenticeships summer camps scheduled, supported by local employers.
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.
A number of Academy teams or Partners fail to achieve the required performance (our assessment is that the following teams are a high risk...Plumbing (including apprentices), Electrical (including apprentices), Construction (including Apprentices) , Journalism, Travel, Public Service and Partners (Automotive and Engineering added 6.5.2015)	For direct delivery teams a regular meeting with Heads of Academy (usually weekly) to examine the progress of students, and the team, towards their targets. Regular monitoring of Partners by our MIS/Quality teams will to highlight any increase in risk (including financial viability) Engineering and Automotive added as a new risk with additional monitoring.
The College is unable to deliver on a range of E-technology projects for improving business processes by July 2015.	Establish risk assessment, project plan and team for each project with key milestones. Monthly reports to Executive members. Identify a project manager to assist in planning/monitoring all projects. Ensure Phase 1 of all projects is implemented.
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. Move to having in place delegated budgets. Ensure good working relationships between Unions and Executive.

Not recruiting to the right mix of programmes for the 19+ ALR target that meet Government expectations for example, Maths & English, Traineeships	EIS academy profile and income monitored monthly by DP. PT offer for term 1, term 2 and term 3 in place across the rest of campus. New Maths/English & traineeship offer.
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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
- 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.

EQUAL OPPORTUNITIES

Harlow College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in any protected characteristics. We strive vigorously to remove conditions which place people at a disadvantage. This policy will be resourced, implemented and monitored on a planned basis. The College's Equality and Diversity policy is published on the College's Internet site.

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. The College has an Equality and Diversity Steering Group to ensure there are frequent opportunities for staff, students and others working in partnership with the College to discuss, evaluate, review and influence our policies and performance. The College published a five year Equality scheme "Putting people at the heart of the College community" (2011-2015) both of which are available on the College's website. The Equality and Diversity Steering group produces an annual report on the implementation of the scheme in December each year. A new Equality Scheme will be consulted on and written during the calendar year 2016. These publications ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies.

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

The College is committed to a programme of action to make this policy fully effective. To support the implementation of this policy we have an Equality Scheme and the Action Plan to mainstream equality and diversity into key functions. The plan focuses on nine priority areas:

- Gender - To advance opportunity to take up of non-traditional gender roles/pathways
- Embedding Diversity in the curriculum - To embed diversity in the curriculum
- Lesbian Gay, Bisexual, Transgender (LGBT) - To raise awareness of and foster good relations with LGBT staff and students
- Disability - To raise awareness amongst all staff and students of our rights and responsibilities
- Multi-Faith/Belief - To raise awareness among all students and staff and foster good relations amongst those of faith, belief and non-belief
- Student Voice - To involve students in the decision making process
- Employers and other external partners - To emphasise the business case for equality with employers and other external partners
- Monitoring diversity data - To improve opportunities to obtain disclosure of diversity data (students and staff) – particularly with regard to the new protected characteristics
- Equality Training - To raise staff and student awareness of equality rights and responsibilities

Disability Statement

Harlow College seeks to achieve the objectives set down in the Equality Act 2010:

Staff

We are a large employer in Harlow and, as such, our aim is that our staff should experience an inclusive environment and culture. We aim to attract and retain more staff with disabilities and will work, in accordance with the Equality Act 2010, to achieve this. The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. An equalities plan is published each year and monitored by managers and governors.

Students

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We aim to raise the aspirations of all of our students to achieve excellence. We will strive to make the College accessible to all and will work with schools, agencies, regional and national organisations in order to recruit more under-represented groups of learners.

We aim to provide an environment where students feel safe and sufficiently secure to disclose a disability and to be able to discuss the level/type of support they need.

We aim to provide support that encourages independence and autonomy to enable learners to succeed and progress. The appropriate level and nature of support is determined by a detailed assessment of need using information from the learner on application, from parents and carers, previous schools/services, interviews, as well as screening and diagnostic tests.

Involving people with disabilities

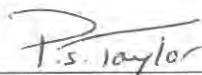
We aim to involve all staff and students in developing College policies. We actively seek their opinions through questionnaires e.g. learner satisfaction questionnaire, staff development evaluation forms, equality impact assessments and focus groups that include those with physical disabilities, mental health issues etc. Whilst Disability Discrimination act (DDA 1995 as amended by the Special Educational Needs and Disability Acts 2001 and 2005) compliance is generally good, the College's property strategy (January 2015) is seeking to bring the College up to full compliance by requiring all new projects to specify full DDA compliance.

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 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 10th December 2015 and signed on its behalf by:

Signature:



Paul Taylor, Chair

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Financial Statements for the year ended 31 July 2015

Professional Advisors:

Financial statement and regularity auditor

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)
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Internal auditor

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Principal Bankers

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EH3 9WJ

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Statement of corporate governance and internal control

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.

The College endeavours to conduct its business:

- i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
- iii. having due regard to the UK Corporate Governance Code ("the Code") 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 Foundation 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 all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2015. 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 English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted on 5 July 2012.

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	100% (5/5)
Riccardo Abela	Elected 19.10.2010	4 years	Term ended 18.10.2014	Teaching Staff	Standards	0% (0/0)
Neil Allen	Appointed 22.03.2012	4 years		Governor	Audit	40% (2/5)
Sarah Banks	Elected 11.12.2014	1 year	Term ended 31.07.2015	Student Governor	-	75% (3/4)
Paul Bartlett	Reappointed 16.07.14	4 years		Governor	Vice-Chair of Corporation,	100% (5/5)

HARLOW COLLEGE**Financial Statements year ended 31 July 2015****Statement of corporate governance and internal control**

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
					Chair of Audit Remuneration	
Jo Breen	Appointed 01.05.2013	4 years		Governor	Resources	100% (5/5)
Chris Christofides	Reappointed 15.12.2011	4 years		Governor	Standards, Remuneration	100% (5/5)
Martin Coleman	Reappointed 25.09.2012	4 years		Governor	Resources, Search & Gov	100% (5/5)
Anthony Durcan	Appointed 11.12.2014	4 years		Governor	Audit (from 11.12.2014)	33% (1/3)
Nishall Garala	Re-elected 11.12.2014	1 year	Term ended 31.07.2015	Student Governor	Standards	100% (5/5)
Eddie Johnson	Reappointed 15.12.2014	4 years		Governor	Resources, Remuneration	60% (3/5)
Robert Locke	Appointed 13.03.2012	4 years		Governor	Search & Gov	80% (4/5)
Debbie Palmer	Appointed 17.10.2013	4 years		Governor	Audit	80% (4/5)
Myrtle Prodger	Reappointed 12.12.2013	4 years		Governor	Vice-Chair of Corporation, Chair of Search & Gov, Audit (until 11.12.2014), Standards, Remuneration	100% (5/5)
Brian Spencer	Reappointed 18.05.2015	4 years		Governor	Resources	100% (5/5)
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	100% (5/5)
Mike Thorne	Reappointed 15.12.2011	4 years		Governor	Standards	60% (3/5)
Paul Whitehead	Elected 21.03.2013	4 years		Support Staff	Audit	60% (3/5)
Debbie Sheridan, acts as Clerk to the Corporation						

In addition, Governors attended Corporation committee and working group meetings, College working group meetings, governor training events, academy walk-through meetings, 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

HARLOW COLLEGE

Financial Statements year ended 31 July 2015

Statement of corporate governance and internal control

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 Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the website www.harlow-college.ac.uk or from the Clerk to the Corporation at:

Harlow College
Velizy Avenue
Harlow
Essex
CM20 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 four members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Remuneration Committee

Throughout the year ending 31 July 2015, 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 2014/15.

HARLOW COLLEGE
Financial Statements year ended 31 July 2015
Statement of corporate governance and internal control

Details of senior post holders' remuneration for the year ended 31 July 2015 are set out in note 7 to the financial statements.

Audit Committee

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

The Audit Committee meets four times per year, at least once per term and provides a forum for reporting by the internal auditor and the regularity and financial statements auditor, who have access to the Committee for independent discussion, without the presence of 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, usually, governance processes in accordance with an agreed plan of input and the auditors report their findings to management and the Audit Committee.

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

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

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

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

HARLOW COLLEGE

Financial Statements year ended 31 July 2015

Statement of corporate governance and internal control

Harlow College for the year ended 31 July 2015 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 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation.
- regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Harlow College has an internal audit service, which operated in accordance with the requirements of the EFA and SFA's Joint Code of Practice. The work of the internal audit service is informed by an analysis of risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. 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 regularity reporting accountant and financial statements auditor 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.

HARLOW COLLEGE

Financial Statements year ended 31 July 2015

Statement of corporate governance and internal control

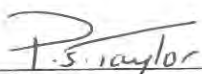
The Executive Group, consisting of the Principal, Deputy Principals and Executive members receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the College. The Executive 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 regular items 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 10 December 2015, the Corporation carried out the annual assessment of internal control for the year ended 31 July 2015 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 2015.

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.

Approved by order of the members of the Corporation on 10th December 2015 and signed on its behalf by:


Paul Taylor, Chair

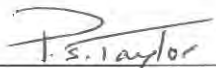

Karen Spencer, Accounting Officer

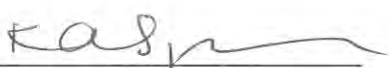
Governing Body's Statement on Regularity, Propriety and Compliance with Funding Body Terms and Conditions

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 funding agreements 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 funding agreement.

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 funding agreement.

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 2015

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 terms and conditions of the Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2007 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *Accounts Direction for 2014/15 financial statements* issued jointly by the Skills Funding Agency and Education Funding Agency, and which give a true and fair view of the state of affairs of the group and College and the result of the group for that year.

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.

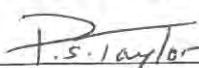
The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the group and College, and which enable it to ensure that the financial statements are prepared in accordance with the Charities' Act 2011 and other relevant accounting standards. It is responsible for taking steps 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 expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency / Education Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency, Education Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency / Education Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 10th December 2015 and signed on its behalf by:


Paul Taylor, Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HARLOW COLLEGE

We have audited the Group and College financial statements ("the Financial Statements") set out on pages 26 to 58. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) 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 set out on page 24, 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 2015 and of the Group'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 (formerly Baker Tilly UK Audit LLP)

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

HARLOW COLLEGE
Financial Statements for the year ended 31 July 2015

Consolidated Income and Expenditure Account

	Notes	£'000	2015 £'000	2014 £'000
INCOME				
Funding body grants	2		19,774	20,059
Tuition fees and education contracts	3		1,677	1,610
Other income	4		1,480	886
Investment income	5		9	10
Total income			22,940	22,565
EXPENDITURE				
Staff costs	6	15,410		15,801
Exceptional restructuring costs	6	268		43
Other operating expenses	8	4,704		4,710
Depreciation	11	1,270		1,170
Interest and other finance costs	9	610		565
Total expenditure			22,262	22,289
Surplus on continuing operations after depreciation of assets at valuation and before exceptional items and tax			678	275
Taxation			-	-
Surplus on continuing operations after depreciation of assets at valuation and taxation and exceptional items	10		678	275
Surplus for the year retained within general reserves			678	275

The income and expenditure account is in respect of continuing activities.

HARLOW COLLEGE**Financial Statements for the year ended 31 July 2015****Consolidated Note of Historical Cost Surpluses and Deficits**

	Notes	2015 £'000	2014 £'000
Surplus on continuing operations before taxation		678	275
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	19/20	134	132
Historical cost surplus for the year after taxation		<u>812</u>	<u>407</u>

Consolidated Statement of Total Recognised Gains and Losses

	Notes	2015 £'000	2014 £'000
Surplus on continuing operations after depreciation and disposal of assets and tax		678	275
(Impairment) / Reversal	11/19	(1,140)	898
Actuarial loss in respect of the pension scheme	27	(752)	(68)
Group adjustment	20	(7)	
Total recognised (losses) / gains relating to the year		<u>(1,222)</u>	<u>1,105</u>

Reconciliation

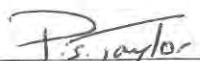
Opening reserves	7,412	6,307
Total recognised (losses) / gains for the year	(1,222)	1,105
Closing reserves	<u>6,190</u>	<u>7,412</u>

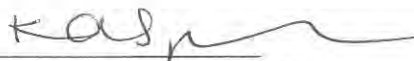
HARLOW COLLEGE
Financial Statements for the year ended 31 July 2015

Balance sheets as at 31 July

	Notes	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Fixed Assets					
Tangible assets	12	28,780	25,742	29,159	26,011
Investments	13	-	-	-	-
Total Fixed Assets		28,780	25,742	29,159	26,011
Current Assets					
Stock		20	20	40	40
Debtors	14	628	5,724	790	8,404
Cash at bank and in hand		2,127	2,127	1,224	1,224
Total Current Assets		2,775	7,871	2,054	9,668
Less: Creditors - amounts falling due within one year	15	(3,344)	(5,361)	(3,118)	(5,053)
Net Current Assets/(Liabilities)		(569)	2,510	(1,064)	4,615
Total Assets less Current Liabilities		28,211	28,252	28,095	30,626
Less: Creditors - amounts falling due after more than one year	16	(5,012)	(5,012)	(4,791)	(4,791)
Net assets excluding pension liability		23,199	23,240	23,304	25,835
Net pension liability	27	(9,191)	(9,191)	(8,379)	(8,379)
NET ASSETS INCLUDING PENSION LIABILITY		14,008	14,049	14,925	17,456
Deferred capital grants	18	7,818	7,818	7,513	7,513
Reserves					
Income and expenditure account excluding pension reserve	20	10,670	10,711	9,806	12,337
Pension reserve	27	(9,191)	(9,191)	(8,379)	(8,379)
Income and expenditure account including pension reserve	20	1,479	1,520	1,427	3,958
Revaluation reserve	19	4,711	4,711	5,985	5,985
		6,190	6,231	7,412	9,943
TOTAL FUNDS		14,008	14,049	14,925	17,456

The financial statements on pages 24 to 55 were approved and authorised for issue by the corporation on the 10th December 2015 and were signed on its behalf on that date by:


Paul Taylor, Chair


Karen Spencer, Accounting Officer

HARLOW COLLEGE**Financial Statements for the year ended 31 July 2015****Consolidated Cash Flow Statement**

	Notes	2015 £'000	2014 £'000
Cash flow from operating activities	21	2,396	1,457
Returns on investments and servicing of finance	22	(500)	(359)
Capital expenditure and financial investment	23	(1,280)	(474)
Financing	24	287	(642)
Increase / (Decrease) in cash in the period		<u>903</u>	<u>(17)</u>
Reconciliation of net cash flow to movement in net debt			
Increase / (Decrease) in cash in the period		903	(17)
Cash inflow from new secured loan	24	(1,000)	-
Cash outflow from decrease in debt and lease financing	24	713	642
Change in net debt resulting from cash flows		<u>616</u>	<u>625</u>
New finance leases	26	(154)	(242)
Movement in net debt in the period		<u>462</u>	<u>383</u>
Net Debt at 1 August		(4,063)	(4,446)
Net Debt at 31 July		<u>(3,601)</u>	<u>(4,063)</u>

HARLOW COLLEGE
Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

Notes to the Financial Statements

1. Accounting policies

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 2007* (the SORP) and the *Accounts Direction for 2014-15 financial statements* and in accordance with applicable Accounting Standards.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention except for the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Going concern

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

The College currently has £5.4m of loans outstanding with bankers on terms negotiated in 2014. The terms of the existing agreements are for up to another 12 years. The College negotiated a new loan of £1m to fund the refurbishment of Building K on the college campus. 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.

Basis of consolidation

The consolidated financial statements include Harlow 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. In accordance with FRS2, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2015.

Recognition of income

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement of the Adult Skills Budget is adjusted for and reflected in the level of recurrent

Notes to the Financial Statements (continued)

grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end, and the results of any funding audits.

16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments; the income recognised is the allocation for the year.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS) (until April 2016) and the assets are held separately from those of the college. The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective benefit method. As stated in note 27, 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 scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the college in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to 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 gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown

HARLOW COLLEGE
Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

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 and expenditure account 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.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. 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 land is not depreciated. Freehold and Leasehold buildings are depreciated over their expected useful economic life to the College of between 10 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 50 years.

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 capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the statement of total recognised gains and losses.

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993, but not to adopt a policy of annual revaluation of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Subsequent expenditure on existing fixed assets

HARLOW COLLEGE
Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Buildings owned by third parties

Where the College enjoys the use of an asset which it does not own and for which no rental or a nominal rental is paid, if practicable, a value is attributed to this benefit and capitalised, with a corresponding credit to deferred capital grants which are subsequently released to the income and expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the related asset(s).

Equipment

Equipment costing less than £500 per individual item is written off to the income and expenditure account 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. Equipment inherited from the local education authority is included in the balance sheet at valuation.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and four years from incorporation and is now fully depreciated. All other equipment is depreciated over its 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 on a straight-line basis.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased assets

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

HARLOW COLLEGE
Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Investments and endowment assets

Listed investments held as fixed assets are stated at cost.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

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 Chapter 3 Part 11 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 minor element of 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.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

Provisions

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.

Notes to the Financial Statements (continued)

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 31, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Discretionary Support Fund applications and payments.

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

2 FUNDING BODY GRANTS

	Group Total 2015 £'000	Group Total 2014 £'000
Revenue grants	19,612	19,905
Releases of deferred capital grants (note 18)	162	154
Total	19,774	20,059

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

	Group Total 2015 £'000	Group Total 2014 £'000
Funding Body Income	20,176	20,518
Payments to College partners - apprenticeships	(403)	(456)
Payments to College partners - other	-	(3)
Net Income	19,773	20,059

3 TUITION FEES AND EDUCATION CONTRACTS

	Group Total 2015 £'000	Group Total 2014 £'000
Tuition fees	1,553	1,427
Education contracts	124	183
Total	1,677	1,610

Included within the above amounts are tuition fees funded by bursaries of £221k. (2014: £221k)

4 OTHER INCOME

	Group Total 2015 £'000	Group Total 2014 £'000
Consortium levy	42	44
Other (incl. catering)	1,309	711
Release of other deferred capital grants (note 18)	129	131
Total	1,480	886

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

5 ENDOWMENT AND INVESTMENT INCOME

	Group Total 2015 £'000	Group Total 2014 £'000
Other interest receivable	9	10
Total	9	10

6 STAFF COSTS

The average number of persons (including senior post holders) employed by the College during the year, expressed as full-time equivalents, was :

	2015 Number	2014 Number
Non teaching staff	140	157
Teaching staff	237	248
	377	405

Staff costs for the above persons

	2015 £'000	2014 £'000
Wages and salaries	12,302	12,817
Social security costs	964	1,016
Other pension costs (including FRS 17 adjustments of £305k; 2014: £325k)	1,762	1,750
Payroll subtotal	15,028	15,583
Contracted out staffing services	382	217
	15,410	15,801
Exceptional restructuring costs	268	43
Total Staff costs	15,678	15,844

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

6 STAFF COSTS (continued)

The number of senior post-holders and other staff who received emoluments, excluding pension contributions but including benefits in kind, in the following full time equivalent ranges was:

	Senior post holders		Other staff	
	2015 Number	2014 Number	2015 Number	2014 Number
£60,001 to £70,000	0	0	1	2
£70,001 to £80,000	0	0	1	0
£80,001 to £90,000	2	2	0	0
£100,001 to £110,000	0	0	0	0
£110,001 to £120,000	0	1	0	0
£120,001 to £130,000	1	0	0	0
	3	3	2	2

7 SENIOR POST-HOLDERS' EMOLUMENTS

Senior post-holders are defined as the Accounting Officer and holders of the other senior posts whom the Corporation has selected for the purposes of the articles of government of the college relating to the appointment and promotion of staff who are appointed by the Corporation.

	2015 Number	2014 Number
The number of senior post-holders including the Accounting Officer was:	3	3

Senior post-holders' emoluments are made up as follows:

	2015 £'000	2014 £'000
Salaries	294	282
Benefits in kind	2	1
Pension contributions	41	40
Total emoluments	337	323

HARLOW COLLEGE**Financial Statements for the year ended 31 July 2015****Notes to the Financial Statements (continued)****7 SENIOR POST-HOLDERS' EMOLUMENTS (continued)**

The above emoluments include amounts payable to the Accounting Officer (who was also the highest paid senior post-holder).

	2015 £'000	2014 £'000
K Spencer - Principal		
Salary	120	110
Benefits in kind	2	1
	<u>122</u>	<u>111</u>
Pension contributions	17	16
	<u>17</u>	<u>16</u>
E McMahon - Interim Principal		
Salary	-	15
Benefits in kind	-	-
	<u>-</u>	<u>15</u>
Pension contributions	-	-
	<u>-</u>	<u>-</u>

E McMahon was the Interim Principal from April 2013 until K Spencer was appointed as the permanent Principal from September 2013.

The pension contributions in respect of the Accounting Officer and senior post-holders 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 2014/15.

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.

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

8 OTHER OPERATING EXPENSES

	Group Total 2015 £'000	Group Total 2014 £'000
Teaching costs	1,131	1,138
Non teaching costs	2,344	2,274
Premises costs	1,229	1,298
Total	4,704	4,710

	Group Total 2015 £'000	Group Total 2014 £'000
Other operating expenses include :		
Auditor remuneration (inclusive of VAT)		
Financial statements audit	35	39
Internal audit	32	29
Other services provided by the financial statements auditors	19	8

9 INTEREST AND OTHER FINANCE COSTS

	Group Total 2015 £'000	Group Total 2014 £'000
On bank loans, overdrafts and other loans :		
Repayable wholly or partly in more than 5 years	385	360
	385	360
On finance leases	124	9
Pension finance costs (note 27)	31	118
Interest on enhanced pension provisions b/fwd (note 27)	70	78
Total	610	565

10 SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

The surplus on continuing operations for the year is made up as follows:

	Group Total 2015 £'000	Group Total 2014 £'000
College's surplus for the year	741	330
Loss generated by subsidiary undertakings	(63)	(55)
Total	678	275

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

11 TANGIBLE FIXED ASSETS (GROUP)

	Land and buildings Freehold	Long leasehold	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 August 2014	37,397	103	4,914	42,414
Additions	1,232	-	799	2,031
Impairment	(2,060)	-	-	(2,060)
At 31 July 2015	36,569	103	5,713	42,385
Depreciation				
At 1 August 2014	9,389	103	3,763	13,255
Charge for the year	903	-	367	1,270
Impairment	(920)	-	-	(920)
At 31 July 2015	9,372	103	4,130	13,605
Net book value at 31 July 2015	27,197	-	1,583	28,780
Net book value at 31 July 2014	28,008	-	1,151	29,159

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

12 TANGIBLE FIXED ASSETS (COLLEGE ONLY)

	Land and buildings Freehold	Long leasehold	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 August 2014	32,691	103	4,906	37,700
Additions	1,233	-	798	2,031
Impairment	(2,060)	-	-	(2,060)
At 31 July 2015	31,864	103	5,704	37,671
At 1 August 2014	7,742	103	3,844	11,689
Charge for the year	795	-	365	1,160
Impairment	(920)	-	-	(920)
At 31 July 2015	7,617	103	4,209	11,929
Net book value at 31 July 2015	24,247	-	1,495	25,742
Net book value at 31 July 2014	24,949	-	1,062	26,011

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

Land and Buildings were valued on the 18 February 1993 for the purpose of the financial statements at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the Local Education Authority at incorporation have been valued by the College on a depreciated replacement cost basis.

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.

Land and Buildings with a net book value of £4.7m (2014 £5.9m) have been funded from Local Education Authority sources. The major movement in 2015 is due to the closure of Building H for demolition in 2015/16 for which there is an impairment and an appropriate entry in the revaluation reserve.

Fixed assets include land and buildings with a net book value of £6m (2014 £6.2m) which is funded by a grant from the Skills Funding Agency and Learning support grant.

The net book value of tangible fixed assets includes an amount of £145k (2014: £213k) in respect of equipment held under finance leases. The depreciation charge on these assets for the year was £17k (2014: £78k). There are no leased assets in the subsidiaries.

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

13 INVESTMENTS (COLLEGE)

Investments in subsidiary companies

	Principal	College	College 2015	College 2014
	Activity	Percentage	Cost £	Cost £
Harlow College Facilities Ltd.	Dormant	100%	100	100
Harlow College Training Ltd.	Dormant	100%		
East Harlow Contracts Limited	Letting and operating of own estate	100%		
East Harlow Leasing Limited	Construction of commercial buildings	100%		
Joint Tennants	Owens property leased by the College	100%		
Harlow College Commercial Services Ltd	Dormant	100%		
Total			100	100

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 Tennants.

East Harlow Contracts Limited has losses of £15k, (2014: £14k) for the year and a closing deficit in reserves of £82k, (2014: £67k). East Harlow Leasing Limited has losses of £8k, (2014: £9k) and a closing deficit in reserves of £54k, (2014: £46k). Joint Tennants losses of £40k, (2014: £32k) for the year and deficit reserves of £2.424m, (2014: £2.384m). 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.

14 DEBTORS

	Group Total 2015 £'000	College 2015 £'000	Group Total 2014 £'000	College 2014 £'000
Trade debtors	178	178	122	122
Amounts owed by subsidiary undertakings	-	5,096	-	7,615
Prepayments and accrued income	319	319	510	509
Amounts owed by the Skills Funding Agency	131	131	158	158
Total	628	5,724	790	8,404

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group Total 2015 £'000	College 2015 £'000	Group Total 2014 £'000	College 2014 £'000
Bank loans (note 17)	697	697	601	601
Obligations under finance leases (note 17)	108	108	102	102
Payments on account	159	159	259	259
Trade creditors	453	453	391	391
Amounts owed to subsidiary undertakings	-	2,019	-	1,936
Tax and Social security	574	574	622	622
Accruals	999	999	701	700
Amounts owed to the Skills Funding Agency	228	228	363	363
Amounts owed to the Education Funding Agency	124	124	79	79
Total	3,344	5,361	3,118	5,053

16 CREDITORS : AMOUNTS FALLING DUE AFTER ONE YEAR

	Group Total 2015 £'000	College 2015 £'000	Group Total 2014 £'000	College 2014 £'000
Bank loans (note 17)	4,663	4,663	4,397	4,397
Obligations under finance leases (note 17)	260	260	187	187
Other taxation (including Lennartz) and social security	89	89	207	207
Total	5,012	5,012	4,791	4,791

HARLOW COLLEGE**Financial Statements for the year ended 31 July 2015****Notes to the Financial Statements (continued)****17 BORROWINGS****a) Bank Loans and Overdrafts**

Bank loans and overdrafts are repayable as follows:

	Group Total 2015 £'000	College 2015 £'000	Group Total 2014 £'000	College 2014 £'000
In one year or less	697	697	601	601
Between one and two years	578	578	643	643
Between two and five years	1,706	1,706	1,295	1,295
In five years or more	2,379	2,379	2,459	2,459
	5,360	5,360	4,998	4,998

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 £437,519 (2014: £705,703) for phase 1 of the college's accommodation strategy is repayable by instalments between 17 December 2007 and 19 September 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 5.46% on the original loan values of £1,460,000 and £487,000 respectively. The outstanding balance on the bank loans, totalling £476,283 (2014: £683,476) 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 £3,480,970 (2014: £3,658,302) 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 £965,148 is repayable by instalments between December 2014 and November 2019, with a final lump sum balance due in November 2019.

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

17 BORROWINGS (continued)**b) Finance Leases**

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

	Group Total 2015 £'000	College 2015 £'000	Group Total 2014 £'000	College 2014 £'000
In one year or less	108	108	102	102
Between two and five years	260	260	187	187
Total	368	368	289	289

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

18 DEFERRED CAPITAL GRANTS

	Group and College		Total
	Funding Body grants £'000	Other grants £'000	£'000
At 1 August	4,963	2,550	7,513
Cash received	596	-	596
Released to income and expenditure account	(162)	(129)	(291)
At 31 July	5,397	2,421	7,818

19 REVALUATION RESERVE

	Group Total 2015 £'000	College 2015 £'000	Group Total 2014 £'000	College 2014 £'000
At 1 August	5,985	5,985	5,219	5,219
(Impairment) / Reversal	(1,140)	(1,140)	898	898
Transfer from revaluation reserve to general reserve in respect of depreciation on revalued assets.	(134)	(134)	(132)	(132)
At 31 July	4,711	4,711	5,985	5,985

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

20 MOVEMENT ON GENERAL RESERVES

	Group Total 2015 £'000	College 2015 £'000	Group Total 2014 £'000	College 2014 £'000
Income and expenditure account reserve				
At 1 August	1,427	3,958	1,088	3,564
Surplus retained for year	678	741	275	330
Adjustment	(7)	-	-	-
Intercompany debtor	-	(2,560)	-	-
Transfer from revaluation reserve	134	134	132	132
Actuarial loss in respect of pension scheme	(752)	(752)	(68)	(68)
At 31 July	1,480	1,521	1,427	3,958
Balance represented by:				
Pension reserve	(9,191)	(9,191)	(8,379)	(8,379)
Income and expenditure account reserve excluding pension reserve	10,671	10,712	9,806	12,337
At 31 July	1,480	1,521	1,427	3,958

21 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group Total 2015 £'000	Group Total 2014 £'000
Surplus on continuing operations after depreciation of assets at valuation	678	275
Depreciation (note 12)	1,270	1,170
Deferred capital grants released to income (note 18)	(291)	(284)
Loss on disposal of tangible fixed assets	-	19
Interest payable (note 9)	509	369
Interest receivable (note 5)	(9)	(10)
FRS 17 pension cost less contributions payable (note 27)	111	196
Decrease / (Increase) in stocks	20	(14)
Increase in debtors	161	953
Decrease in creditors	(53)	(1,216)
Net cash inflow from operating activities	2,396	1,457

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

22 RETURNS ON INVESTMENTS AND SERVICING OF INCOME

	Group Total 2015 £'000	Group Total 2014 £'000
Other interest received	9	10
Interest paid	(385)	(360)
Interest element of finance lease rental payment	(124)	(9)
Net cash outflow from returns on investments and servicing of finance	(500)	(359)

The College entered into a new leasing arrange in 2015, to finance the purchase of a large volume of assets.

23 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	Group Total 2015 £'000	Group Total 2014 £'000
Purchase of tangible fixed assets	(1,877)	(874)
Deferred capital grants received	596	400
Net cash outflow from capital expenditure and financial investment	(1,281)	(474)

24 FINANCING

	Group Total 2015 £'000	Group Total 2014 £'000
Debt due beyond a year:		
New secured loans	1,000	-
Repayments of amounts borrowed	(638)	(564)
Capital element of finance lease rental payments	(75)	(78)
Net cash inflow / (outflow) from financing	287	(642)

25 ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2014 £'000	Cashflows £'000	Other non-cash changes	At 31 July 2015 £'000
Cash in hand and in bank	1,224	903	-	2,127
	1,224	903	-	2,127
Debt due within 1 year	(601)	638	(734)	(697)
Debt due after 1 year	(4,397)	(1,000)	734	(4,663)
Finance leases	(289)	75	(154)	(368)
Total	(4,063)	616	(154)	(3,601)

HARLOW COLLEGE**Financial Statements for the year ended 31 July 2015****Notes to the Financial Statements (continued)****26 MAJOR NON-CASH TRANSACTIONS****a) Restructuring costs**

During the year the College made no provision for future restructuring costs

b) New finance leases

Group Total 2015 £'000	Group Total 2014 £'000
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Value of new finance leases

154

242

27 PENSION AND SIMILAR OBLIGATIONS

The College's employees belong to two principal pension schemes: 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 defined-benefit schemes.

Total pension cost for the year

**2015
£'000**

**2014
£'000**

Teachers Pension Scheme: contributions paid

903

837

Local Government Pension Scheme:

Contributions paid

554

588

FRS 17 charge

305

325

Charge to Income and Expenditure Account (staff costs)

859

913

Total pension cost for the year

1,762

1,750

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

Contributions amounting to £139,249 Teachers' Pension (2014: £154,976) and £44,722 LGPS (2014: £69,785) were payable to the schemes at 31 July and are included within creditors (other taxation).

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

27 PENSION AND SIMILAR OBLIGATIONS (continued)

Teachers' Pension Scheme (TPS)

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 members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension 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.

Valuation Of The Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value and future costs, design of benefits and many other factors.

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 and the subsequent consultation are:

- employer contribution rates were set at 16.4% of pensionable pay with effect from 1 April 2015;
- 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 assumed rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed gross rate of return is 5.06%. During the year the employer contribution rate was 14.1%.

The new employer contribution rate for the TPS will be 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:

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

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 will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,155,688 (2014: £1,656,027)

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, 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 17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Essex County Council. The contribution made for the year ended 31 July 2015 was £734,000 (2014: £588,000) of which employer's contributions totalled £374,103 (2014: £356,767) and employees' contributions totalled £179,897 (2014: £231,223). The agreed contribution rate is 17.3% plus a deficit funding payment of £143,784 (2014: £195,781) for employers and ranges from 5.5% to 7.5% for employees, depending on salary.

The estimated value of employer contributions for the year ended 31 July 2016 is £550,000 (2015: £636,000)

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

27 PENSION AND SIMILAR OBLIGATIONS (continued)

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund as 31 March 2013 updated to 31 July 2015 by a qualified independent actuary.

	2015	2014
Rate of increase in salaries	4.30%	4.40%
Rate of increase in pensions	2.50%	2.60%
Discount rate for scheme liabilities	3.70%	4.20%
Rate of CPI inflation	2.50%	2.60%

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

	2015	2014
<i>Retiring today</i>		
Male	22.8	22.7
Female	25.2	25.1
<i>Retiring in 20 years</i>		
Male	25.1	24.9
Female	27.6	27.4

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

	Employer Asset Share 31 July 2015	Fair value at 31 July 2015 £'000	Employer Asset Share 31 July 2014	Fair value at 31 July 2014 £'000
Equities	65%	12,049	64%	10,745
Government bonds	4%	750	6%	1,030
Other bonds	10%	1,798	11%	1,787
Property	12%	2,144	12%	1,930
Cash/liquidity	2%	458	3%	475
Other	7%	1,334	4%	641
Total market value of assets		18,533		16,608
Present value of scheme liabilities				
- Funded		(25,820)		(23,114)
- Unfunded		(149)		(147)
Deficit in the scheme		(7,436)		(6,653)

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

27 PENSION AND SIMILAR OBLIGATIONS (continued)

Amounts charged to the income and expenditure account

	Group Total 2015 £'000	Group Total 2014 £'000
Current service cost	(634)	(707)
Total operating charge	(634)	(707)

Analysis of pension finance income / (costs)

Expected return on pension scheme assets	947	903
Interest on pension liabilities	(978)	(1,021)
Pension finance costs	(31)	(118)

Amount recognised in the statement of total recognised gains and losses (STRGL)

Actuarial (loss) / gain on pension scheme assets	(1,691)	85
Actuarial gain / (loss) on scheme liabilities	1,019	(214)
Actuarial gain/(loss) recognised in STRGL	(672)	(129)

Cumulative actuarial gains and losses recognised in the STRGL since the adoption of FRS17 is (£3,475,000) (2014: (£2,723,000))

The actual return on scheme assets was £1,966,000 (2014: £1,098,000)

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

27 PENSION AND SIMILAR OBLIGATIONS (continued)

Movement in deficit during year

	Group Total 2015 £'000	Group Total 2014 £'000
Deficit in scheme at 1 August	(6,653)	(6,287)
Movement in year :		
Current service cost	(634)	(707)
Employer contributions	554	588
Past service gain / (cost)	-	-
Net interest on assets	(31)	(118)
Actuarial (loss) / gain	(672)	(129)
Deficit in scheme at 31 July	(7,436)	(6,653)

Reconciliation of Liabilities

	Group Total 2015 £'000 Amounts arising from wholly unfunded schemes	Group Total 2015 £'000 Amounts from other schemes	Group Total 2015 £'000 Total	Group Total 2014 £'000
Liabilities at start of period	147	23,114	23,261	22,060
Service Cost	-	634	634	707
Interest Cost	6	972	978	1,021
Employee contributions	-	180	180	224
Actuarial gain / (loss)	6	1,685	1,691	(85)
Benefits Paid	(10)	(765)	(775)	(666)
Liabilities at end of period	149	25,820	25,969	23,261

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

27 PENSION AND SIMILAR OBLIGATIONS (continued)

Reconciliation of Assets

	Group Total 2015 £'000	Total 2014 £'000 Restated
Assets at start of period	16,608	15,773
Expected return on assets	947	903
Actuarial gain/(loss)	1,019	(214)
Employer contributions	554	588
Employee contributions	180	224
Benefits Paid	(775)	(666)
Assets at end of period	18,533	16,608

Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions of £137,543, £143,784, £150,308 in the years 2014, 2015, 2016 respectively in addition to normal funding levels until the next full valuation at which point the situation will be reviewed.

History of experience adjustments

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Present value of defined benefit obligations	25,969	23,261	22,060	20,770	17,842
Fair value of share of scheme assets	(18,533)	(16,608)	(15,773)	(12,901)	(12,351)
Deficit on the scheme	<u>7,436</u>	<u>6,653</u>	<u>6,287</u>	<u>7,869</u>	<u>5,491</u>

Experience adjustments on scheme liabilities

Amount £'000	1,019	(214)	1,879	(675)	(549)
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Experience adjustments on scheme liabilities:

Amount £'000	-	330	(6)	(8)	848
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HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

27 PENSION AND SIMILAR OBLIGATIONS (continued)

<i>Movement in deficit during year</i>	LGPS	EPP	Total	2014
	£'000	£'000	£'000	£'000
Deficit in scheme at 01 August	(6,653)	(1,726)	(8,379)	(8,113)
Expenditure in the period	(111)	(70)	(181)	(315)
Actuarial gain/(loss) in the period	(672)	(80)	(752)	(68)
Transferred from Income and Expenditure Account	-	121	121	117
Total deficit at 31 July	(7,436)	(1,755)	(9,191)	(8,379)

28 CAPITAL COMMITMENTS

	Group Total 2015 £'000	Group Total 2014 £'000
Commitments contracted for at 31 July	<u>NIL</u>	<u>848</u>
Authorised but not yet committed to at 31 July	<u>7,500</u>	<u>NIL</u>

29 FINANCIAL COMMITMENTS

At 31 July the College had annual commitments under non-cancellable operating leases as follows:

	Group Total 2015 £'000	Group Total 2014 £'000
Land and Buildings		
Expiring within two and five years inclusive	<u>75</u>	<u>-</u>
	<u>75</u>	<u>-</u>

The operating lease relates to the lease of a premises in the local town for the delivery of adult courses.

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

30 RELATED PARTY TRANSACTIONS

The objective of FRS 8 is to ensure that financial statements contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

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 £39 (2014: £1,342). 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 (2014: £0k).

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 £22,190 (2014: £12,852) which included teachers of the deaf support and for outdoor activities. Amounts paid by Essex County Council of £189,304 (2014: £8,950) which included payments for High Needs. Harlow College received Nil from Essex County Council Youth Training and Employment (2014: £132k). Essex County Council - The year end creditor balance amounted to £100 (2014: Nil). The year end debtor balance amounted to £72,802 (2014: Nil).

Cllr Eddie Johnson and Cllr Anthony Durcan are members of Harlow District Council. During the year Harlow College had a number of financial transactions with Harlow District Council - £96k (2014: £106k) was paid to Harlow District Council mainly in respect of national non-domestic rates. The year end creditor balance amounted to £75k (2014: 52k).

Prof Michael Thorne is Vice-Chancellor of Anglia Ruskin University. Anglia Ruskin University has built a University Centre on land it had leased from Harlow College for a peppercorn rent. Anglia Ruskin University paid Harlow College £1,533k (2014: £932k) for the tuition of those of its students who were studying on the Harlow College campus. Harlow College paid Anglia Ruskin £195k (2014: £83k). The year end balance amounted to Nil.

Mike Thorne and Karen Spencer are governors of the Sir Charles Kao UTC. Amounts paid by Sir Charles Kao UTC £240k (2014: £134k) for various contracted services provided by Harlow College, including payroll and financial services. The year end debtor balance was nil and the year end creditor balance was nil.

The College agreed for the UTC to build on College land which was valued at £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.

Elaine McMahon is a director of Overdee Consulting Ltd. She left 31 August 2013. During the year Harlow College paid £22k (2013: £33k) for Elaine to act as interim principal of Harlow College. Debbie Palmer is employed by Pearson Shared Services. During the year Harlow College paid £164k (2014: £176k) to Pearson Shared Service and Pearson Education for registration and examination. There was Nil outstanding at year end (2014: £29.30).

Declarations of Interest - senior posts

Deborah Sheridan and Anne King are both trustees of the Young Concern Trust. During the year Harlow College paid the trust £9k (2013: £14k) for counselling services. Harlow College received £1k (2014: Nil) for employer contributions for apprenticeships. The year end balance is NIL.

HARLOW COLLEGE

Financial Statements for the year ended 31 July 2015

Notes to the Financial Statements (continued)

31 AMOUNTS DISBURSED AS AGENT

(A) Discretionary support fund	Group Total 2015 £'000	Group Total 2014 £'000
B/fwd unspent	78	131
Additional receipts	620	444
Utilised	(524)	(482)
Administration costs	(21)	(15)
Balance unspent at 31 July, included in creditors	153	78

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 income & expenditure account.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF HARLOW COLLEGE AND THE SECRETARY OF STATE FOR BUSINESS, INNOVATION AND SKILLS 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 2014 to 31 July 2015 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 Business, Innovation and Skills 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 Business, Innovation and Skills 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 Business, Innovation and Skills 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 2014 to 31 July 2015 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.

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 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

RSM UK Audit LLP

RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP)

Chartered Accountants

Marlborough House

Victoria Road South

Essex

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Dated: *21 December 2015*