

**HCUC**

**A merger between**

**Uxbridge College and Harrow College**

**Members' report and financial statements**

For the year ended 31<sup>st</sup> July 2018



## **Members' report and financial statements**

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## **Members' report**

The members present their report and the audited financial statements for the year ended 31 July 2018.

### **Governing Body**

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

### **Mission Statement**

We create choice, opportunities and success. Your future is our priority.

### **Public Value Statement**

Our aim is to meet the education & training needs of learners, employers and the wider community, raising skills levels, contributing to economic growth and maximising individual potential.

### **Public benefit**

HCUC is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 13.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. 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.

In delivering its mission, the College provides the following identifiable public benefit through the advancement of education:

- High quality teaching
- Excellent progression to higher education or employment for students
- Widening participation and tackling social exclusion
- Strong student support systems
- Links with employers, industry and commerce.

### **Strategic aims**

The College prepared a strategic plan for the period 2017/18 to 2020/21, following the merger in August 2017 of Harrow with Uxbridge. This strategic plan includes an accommodation strategy and financial forecasts. The Governing Body monitors the performance of the College against these plans which are reviewed and updated each year.

The key strategic aims of the College, as set out in its Strategic Development Plan for the period are:

- To be recognised for high quality teaching, learning, assessment and support that leads to outstanding success.
- Maximise the volume of high quality education and training, and the opportunities for success of students, employers and communities in the local areas we serve and beyond.
- To maintain a strong financial profile in order to ensure a secure future for HCUC.
- To continue to work with our partners to promote a strong economy and sustainable community development.

**Objectives**

The College's specific objectives for 2017/18 and achievement of them are summarised below:

- the College achieved 6,000 16-18 learners against a target of 6,028; Harrow was under target at 1,873 against a target of 1,960, and Uxbridge over target at 4,127 against a target of 4,068;
- the College achieved an estimated £30,247,000 of 16-18 funding against an allocation of £30,164,000; Harrow achieved £9,199,000 against a target of £9,391,000, with Uxbridge achieving £21,048,000 against a target of £20,773,000.
- student retention of 92.62% was achieved against a target of 92% (all ages), with 16-18 achieving 91.66% and 19+ 93.84%; Harrow achieved 90.14% for 16-18 and 93.88% for 19+, with Uxbridge achieving 92.35% for 16-18 and 93.74% for 19+
- student qualification achievement rate was 92.96% against a target of 90% (all ages); Harrow achieved 85.1% for 16-18 and 88.87% for 19+, with Uxbridge achieving 92.35% for 16-18 and 93.74% for 19+
- student success rate of 86.10% against a target of 83% for all qualifications (all ages);
- cash days in hand at 31 July 2018 were 135.65 against a target of 127.8;
- the current ratio was 1.9:1 against a target of 2.37:1;
- accumulated reserves were 107% of income against a target of 94%;
- EBITDA as a % of income, education specific was 12.12%

**Financial Strategy**

The College's financial policy is to deliver a sound forward planning framework that takes into account the specific challenges the College faces in the 2018-21 period and to achieve the College's overall financial plan by ensuring that decisions within our corporate development plans are grounded in commercial reality.

The principal strategies for achieving these objectives is to maintain high levels of staff efficiency, to achieve good value for money for all non-pay costs, to reduce reliance on Agency income and to maintain excellent financial monitoring procedures.

**Performance indicators**

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency. The Finance Record produces a financial health grading. The College continues to be rated Outstanding.

In 2017/18 the College did not exceed its learner number targets for 16-18 learners, falling short by 28. In particular the recruitment at Harrow was lower than anticipated at 87 below target, whilst Uxbridge was 59 above target.

**Merger**

On 1<sup>st</sup> August 2017, Harrow College Corporation dissolved and merged with Uxbridge College. The College then changed its legal name to HCUC to reflect the merger. Harrow College had previously been rated as Ofsted Requires Improvement, with a financial health rating of Outstanding, significantly boosted by cash reserves resulting from the sale of land and a building at the Harrow Weald campus. Harrow College comprises 2 main campuses and 2 off site units on industrial estates, housing construction related curriculum areas. The estate on both main campuses was designated as 70% category C and D, with poorly maintained and outdated buildings, resulting in the less than ideal position of having the worst accommodation in London. Costs of approximately £800,000 relating to the merger were incurred by HCUC during the period, with a further £350,000 incurred by Uxbridge College in 2016/17.

For the purposes of these statements, the merger has been categorised as an acquisition and accounted for accordingly ie as a combination that is in substance a gift, with the fair value of the net assets recognised as a gain in income and expenditure. Details of the net assets transferred are shown at note 30. 2017 figures are therefore Uxbridge College only.

**Financial Results**

These financial statements cover the financial period 1 August 2017 to 31 July 2018. The Governing Body is pleased to report another successful year in which the financial objectives continue to be met.

The College generated an operating surplus for the period of £547,000 (2017: £892,000). The balance on the income and expenditure account excluding pension reserve stands at £68,950,000 (2017: £43,791,000)

Net assets of £15,226,000 from Harrow College were transferred on merger to HCUC, and are shown in the Income and Expenditure statement for the period, with a detail at note 30.

The College has accumulated reserves of £60,202,000, non-current assets of £90,632,000 and cash balances of £17,698,000.

Reduced surpluses are forecast for future years, due to an expected reduction in funding in real terms from Agency funding bodies, and an increase in staff costs resulting from changes to pension and pressure on salary increases.

Fixed asset additions during the year amounted to £7,730,000 (16/17: £1,697,000). This includes land and buildings development of £5,309,000 (16/17: £527,000), and equipment of £2,421,000 (16/17: £1,170,000). Projects included the completion of the Health & Social Care Building at Harrow Weald, which was started before the merger, the full refurbishment of the Learning Resource Centre also at Harrow Weald, enabling works across the two Harrow campuses in readiness for further estate works in 2018/19, and equipment additions and replacements relating to the IT infrastructure on all campuses, including laptops, PCs and mobile devices, and specialised equipment required for the curriculum.

The College has significant reliance on Agency funding, with total Agency funding accounting for 80.7% (16/17: 83.05%) of income.

**Treasury policies and objectives**

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College's financial regulations detail the institutions the College is authorised to use, and a separate treasury management policy is in place.

**Cash flows**

At £5.5 million (2016/17 £2.2 million), operating cash inflow continued to be very strong during the period. The operating cash inflow resulted from lagged growth in 16-18 student numbers, although the target was not achieved in the year, a close alignment of staff to curriculum requirements and a continued focus on non-pay efficiencies.

**Liquidity**

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

**CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE****Funding target**

The College is funded by the Agencies according to agreed student numbers and student activity targeted for the period. In 2017/18, the College did not achieve its 16-18 learner numbers target, but achieved £30,247,000 against

its funding of £30,164,000. The 19+ adult single budget was not achieved, falling short by £1,410,000, due mainly to the discontinuation of a number of short courses at Harrow. The funding targets were not achieved for the 19+ work based learning with a shortfall of £97,000 and the 16-18 work based learning target by £300,000. The breakdown between the Colleges was as follows:

	16-18 year olds			19+		
	Actual	Target	Variance	Actual	Target	Variance
Harrow	£9,199,000	£9,390,874	(£191,874)	£3,370,000	£4,335,000	(£965,000)
Uxbridge	£21,048,000	£20,773,000	£275,000	£2,397,000	£2,842,000	(£445,000)

### Student numbers

In 2017/18 the College delivered activity that has produced £38,900,000 in Agency main allocation funding (2016/17 – £26,252,000 Uxbridge only). The College achieved 6,000 16-18 learners against a target of 6,028; Harrow was under target at 1,873 against a target of 1,960, and Uxbridge over target at 4,127 against a target of 4,068.

### Student retention

The College continues to meet the aspirations of its students; with 92% of 16-18 learners and 94% of 19+ learners completing their courses in 2017/18. It is the first time the combined HCUC data has been presented. The national averages currently available are 90% and 93% respectively.

### Student achievements

The College has maintained the very high standards of achievement in the current year. The figures for 2017/18 are now finalised, and it is pleasing to report that 93% of 16-18 learners and 94% of 19+ learners have achieved their learning goal. This represents improvements on the previous year and compares well against the available national averages of 88% and 93% respectively.

### Qualification Achievement rates

Success rates, now termed Qualification Achievement rates (QAR), are a measure of those who start the course compared with those who achieve their final qualification. The QAR for 2017/18 is 85.6% for 16-18 learners which is expected to be among the highest in London and well clear of the national average 79.1%. The QAR for 19+ learners is 88.4% which is again clear of the national average of 86.1%.

In the year prior to merger Harrow College and Uxbridge College were ranked equal first among West London GFE colleges for their 16-18 QAR performance.

### Teacher Qualifications

In 2017/18 88% of the permanent College teaching staff was fully qualified, (2016/17, 82%) in line with the College's own target, with 100% of staff either fully qualified or undertaking training.

### Links with Employers and Enterprise

Employers engage with the College through a broad range of activities and these collaborations are mutually beneficial in meeting the employers' community commitment, supporting their workforce development and enriching the learner experience. Some of these events are on a significant scale; hosting the Big Bang London North STEM Fair with 1,200 school age visitors and their teachers and exhibits by 29 external organisations. Work Week expands each year with 69 employer representatives engaging in a range of activities for 1,441 students. Employers engage with apprentices, work experience, support with curriculum design, enterprise challenges, employer branded assignments, commissioned projects, guest lectures, workshops, workplace visits and knowledge exchange. West Met Skills, HCUC's newly formed skills arm, ensures the College secures its position as the largest FE apprentice provider in West London offering over 25 frameworks/standards across diverse sectors and constantly adding new areas to meet

employer demand. West Met Skills has been raising brand awareness and engaging with employers through a variety of network events, including, a partnership event with North West London Chamber of Commerce.

In 2017/18 2,900 students attended work experience placements (2,367 in 2016/17). As well as support from the sixteen Employer Champions, many employers supported students' future careers as well as their own workforce development. The Construction courses funded through S106 via Hillingdon Council continue to remain positive with adult learners accessing work placements via large construction employers such as Farrans. In addition, we continue to explore new opportunities as required by our local large employers to support their workforce development needs and are currently in negotiation with Hillingdon Council in sourcing a further funds to support the logistics sector in recruiting and training its future workforce. We continue to work with employer bodies such as Hillingdon Chamber of Commerce and West London Business to identify and address future skills needs and support events such as Hillingdon Business Expo and West London Business Awards (where our Apprentice was highly commended)

In addition to direct work experience, some students participate in enterprise initiatives and challenges set and delivered by large employers. 25 students set up a business as funded through the Young Enterprise for Business. Our Business student team were again finalists in the TfL challenge, following on from our winning team in 2015/16 and runners up in 2016/17. Challenge finalists won prestigious work experience placements as a result with mentoring and further support provided by the companies.

The success and demand for the Hayes Business Studios led to the opening of an 11<sup>th</sup> studio, providing space for new businesses and is at 100% occupancy with an over flow of office rental space to CfBT in the IT Centre. The training room hire has not only engaged with many more businesses but is also commercially viable.

### **National Targets**

The College continues to make a significant contribution to Agency targets particularly for student participation and achievement, equality and diversity, basic skills and employer engagement.

### **Curriculum developments**

The College has well developed 16-19 Study Programmes offering learners a balanced curriculum centred around a main vocational or academic qualification, with significant emphasis on developing employability skills, in particular Maths & English. This latter area now makes up over forty percent of all learner aim starts and the resources to deliver this have been revised and deployed accordingly. In addition, Study Programmes now have greater emphasis on providing students with experience of the world of work, including direct work experience and opportunities to develop higher study skills as independent learners.

The College continues to adjust its curriculum portfolio in line with the demands of learners and industry. There is a very good match between College provision and the declared LEP and WLA priority sector areas. STEM continues to be a key area of the College's provision, with Schools of Engineering (Technology & Innovation and Mechanical & Electronic) and Science maintaining significant provision and strengthening links with and progression into employment. The College's Academic (A levels/GCSE), Business and Computing curriculum remain popular. ESOL growth continues and qualifications delivered within the two ESOL Schools now deliver 75% of adult qualifications across HCUC. Some of the Creative studies areas have seen a drop in learner numbers, and it is felt this is linked to the decline of the Creative arts curriculum within schools. Similarly, it is felt that some areas have been effected by schools retaining students on specific subjects (eg. HSC at Harrow College).

The College has continued to offer its HE provision which also serves to provide further progression for the College's existing students. There has been a noticeable increase in competition from HE institutions over recent years following the lifting of the HE learner number cap. Strong links with Universities such as Brunel University, Bournemouth University, Buckinghamshire New University and Westminster University have been maintained and these enable students in some higher level courses to progress to second or final year degree courses. In response to increasing emphasis on Basic English & Maths and despite the constrained funding environment, the College has maintained a consistent, School based management structure to oversee this work across HCUC. The College has sought less reliance on sub-contracted partnership work.

**Staff and student involvement**

The College considers good communication with its governing body, staff and students to be critical. A class representation system operates, and students participate on a regular basis in the "Student Voice" and Special Interest Groups, whereby their views are sought on many areas of the College. In addition, a successful Student Council is in place, representing the views of all students across both campuses. A regular newsletter is published for distribution to all staff and students. In addition to representation on the Governing Body, the College encourages staff and student involvement through membership of appropriate committees.

**Future Prospects**

The College is expecting an increase in student applications by 2020 due to an increase in the 16-18 population of the local area, however no growth is expected until 2020. Following the merger with Harrow, significant capital works have been undertaken to bring the Harrow estate up to the standards expected and required to attract learners in a very competitive area. In the Autumn of 2018, the Seacole Building was completed, having been started in 2016, with grant funding from the Greater London Authority. This project offers purpose built accommodation for the Health and Social Care curriculum, and has become a cornerstone on the Weald campus, commencing a series of further improvement projects. During the period, a 90% grant was received from the GLA for the complete refurbishment of the newly named Zephaniah building for the learning resources, also on Weald Campus, which was completed on time and on budget, and provides bright, modern accommodation for learners requiring support in their learning, with all fully accessible facilities on all floors. The first floor provides a zoned learning centre, housing digital hubs, quiet study areas and library in an area that was previously underutilised due to access and noise issues.

Simultaneous to the LRC refurbishment, the College carried out enabling works on both Harrow campuses in readiness for future works. The works included vacating the Newton building, in preparation for its refurbishment in 2018/19 as a construction skills centre, relocation of the science provision from Weald to Harrow on the Hill into purpose built laboratories to consolidate the curriculum, relocating the refectory at Weald to provide an improved social space for all learners, demolition of a block of portacabins in very poor repair at Weald, and rerouting of the campus roads to provide secure pedestrian routes and safe student drop off areas particularly for learners with special needs, in addition to improved external social and sports areas. At Harrow on the Hill, the learning centre was relocated to the Enterprise Building, again in preparation for refurbishment works to be carried out in 18/19, provided grant funding is received. In addition, two lifts were installed to ensure access to all areas of the Harrow on the Hill campus.

The College has planning permission for an additional teaching block at the Uxbridge campus, and is reviewing the requirement to progress with this, following the College's invitation to apply for the second stage to become an Institute of Technology.

**Merger following the West London Area Review**

On 1<sup>st</sup> August 2017, Harrow College merged with Uxbridge College in a type B merger. Although, the Corporation changed its name from Uxbridge College to HCUC at the same time, the trading names of Uxbridge College and Harrow College have been maintained, ensuring local identity. The Governing Body was restructured after the merger, drawing from both previous Governing Bodies, with a new Chair and Vice Chair, as noted under the Statement of Corporate Governance and Internal Control.

The merger of the two Colleges into a single legal entity has taken place in order to maximise future opportunities for students, employers and local communities, through a combination of preserving current provision, and pooling resources and expertise to develop education and training. While Uxbridge College and Harrow College continue to operate as individual Colleges serving their local and regional communities, the HCUC Corporation oversees the running of both Colleges as well as WestMetSkills which serves as the externally focussed training arm of HCUC. Through WestMetSkills, HCUC's partnership work with employers will be developed further with a view to ensuring a responsive approach to employers' needs in tandem with the growth and development of the local and regional economy.



**Resources***Financial*

The College continues to be financially stable, having ensured that efficiencies and value for money are embraced collegewide. Significant activity has taken place following merger to review both pay and non pay expenditure. The College retendered a number of services under the HCUC umbrella to cover both colleges, securing considerable annual savings, whilst also aligning resource needs against the curriculum and business requirements. It is well placed to meet the many priorities and funding restrictions set out by the Agencies, whilst adapting to comply with and benefit from statutory, regulatory and policy changes facing the sector.

The College has £60 million of net assets (16/17: £37 million) including £13.5 million pension liability (16/17: £11.6 million). The Harrow College loan of £3.6 million was refinanced in August 2017 with a revolving credit facility.

*People*

The College employs 765 people (16/17: 467) (expressed as full time equivalents), of whom 431 or 57% are academic staff (16/17: 383).

*Reputation*

The College has an excellent reputation locally and nationally. It has remained in the top 5 London Colleges for long success rates for 16-18 year olds, for the last 5 years, coming top in London for 16-18 and 19+ during the period.

**PRINCIPAL RISKS AND 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 which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of any new areas of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

**1. Government funding**

The College has considerable reliance on continued government funding through the education sector funding bodies and HEFCE. In 2017/18, 80.7% (16/17: 83.05%) of the College's revenue was ultimately publicly funded. However, there can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

Planning at the College is dependent on the receipt of accurate and timely information from Government and the Agency regarding policy changes. Any delay in receipt of policy or funding changes can therefore have a significant effect on the financial and curriculum planning.

The College is aware of several issues which may impact on future funding,

- Further reforms to the funding methodologies, in particular in relation to apprenticeship funding and the effects on the sector following the introduction of the levy in 2017,
- Devolution of 19+ funding
- The introduction of the insolvency regime in the sector, following the completion of the Strategic Area Reviews.

These risks are mitigated in a number of ways:

- The College aims to broaden its income streams, including through other funding bodies, to reduce the reliance on the funding agencies
- By ensuring the College delivers high quality education and training
- By ensuring the College operates at maximum efficiency and effectiveness
- Regular review of curriculum offer to ensure it is relevant and appropriate
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with the local schools to ensure awareness of funding changes and implications for learners
- Regular updating with funding agencies on changes enacted and proposed
- Regular sensitivity analysis on funding changes
- Review of corporate Services at both Harrow and Uxbridge to ensure efficiency is maximised, and effectiveness not compromised.

## 2. Tuition fee policy and student loans

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, HCUC will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change
- Monitoring of the offer of competing providers

## 3. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit in the College's balance sheet in line with the requirements of FRS102.

## 4. The effects of Brexit on the FE sector

The College may be affected further by changes in government policy e.g towards EU and overseas students, staff, and immigration generally. This may impact on the growth of the College.

## STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, HCUC has many stakeholders. These include:

- Students;
- Staff;
- Governing Body;
- Funding bodies;
- Subcontractors;

- Local employers (with specific links);
- Local Authorities;
- Local schools
- Government Offices/ Regional Development Agencies;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.
- Local Enterprise Panel

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by representation on local education, business and community groups.

**Equal opportunities**

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, class, gender reassignment and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College's Equality & Diversity Policy, is published on the College's intranet site along with the College's information on staff and students and the College's equality objectives (in line with the requirements of the Equality Act 2010). The College has adopted proactive strategies to recruit and support staff from black and minority ethnic backgrounds.

The College publishes an annual Equality and Diversity report and objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010.

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 Equality Action Plan is published each year and monitored by managers and governors. An Equality & Diversity Forum, made up of a cross section of staff and chaired by the HR Director, monitors the implementation of the Equality & Diversity Policy and action plans. Equality and Diversity training is provided for all staff and forms part of the College's Training and Development Plan

**Disability statement**

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Act 2001, and the Equality Act 2010:

- a As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2012/13 and the results of this formed the basis of a programme of improvements aimed at improving access. A further internal audit was carried out during the period, assessing the changes since the last review. In addition, all new building work is closely monitored for DDA compliance. Progress of the implementation is monitored at the Equality and Diversity Forum.
- b The College has appointed a Health and Safety Officer and a SENCO, who provide information, advice and arrange support where necessary for students and staff with disabilities.
- c There is a list of specialist equipment, such as radio aids and IT equipment, which the College can make available for use by students and a range of assistive technology is available.

- d The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- e Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- f Support and welfare services are described in the College Student handbook, which is issued to students at induction

**Safeguarding**

A programme of training in safeguarding is currently being implemented with 100% of all staff trained to date with a rolling programme to capture all staff and train new staff. The College has seven designated Safeguarding officers in the permanent staff. The College is also represented at the London Borough of Hillingdon Safeguarding Committee and the HE/FE London Prevent Network.

**Disclosure of information to Auditors**

The members who held office at the date of the approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's Auditors are 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 College's Auditors are aware of that information.

Approved by order of the members of the Governing Body on 11<sup>th</sup> December 2018 and signed on its behalf by:



Nicholas Davies  
Chair

**Professional advisers**

Financial statements and regularity auditors:

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## Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

- i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. In 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. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code ("the Code") issued by the FRC in June 2010. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2018. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges, issued by the Association of Colleges in March 2015, which it formally adopted in July 2015. Prior to this the College took account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in February 2013.

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 in public benefit and that the required statements appear elsewhere in these financial statements.

### *The Governing Body*

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

Name	Date Appointed/ Re-appointed	Term Expires	Date Resigned	Membership Status	Committees served	Attendance %
Mohamad Al Busmait	August 2017	July 2018	May 2018	Student (Uxbridge)	Uxbridge SSC*	75
Kai Barnes	March 2014	March 2018		Staff (Uxbridge)	Quality Curriculum & Students (QCS)	75
Mark Billington	August 2017	August 2021	31 July 2018	External	QCS	100
Steven Cochran	March 2014/ March 2018	March 2020		External	Search, Remuneration	83
Mike Cox	December 2014	Dec 2018		External	Audit	100
Tracey Critchley	August 2017	August 2021		Staff (Harrow)	Audit	100

Name	Date Appointed/ Re-appointed	Term Expires	Date Resigned	Membership Status	Committees served	Attendance %
Nicholas Davies	August 2017	August 2021		External	Search, Remuneration	83
Mark Eastwood	August 2017	August 2021	Nov 2017	External	Audit	0
Nasim Khan	December 2014	Dec 2018		External	Audit	83
Lucy Khennache	June 2018	June 2022		Staff (Uxbridge)	QCS	100
Alasdair MacLeod	March 2016	March 2020		External	Resources	83
Leighton Ngege	August 2017	July 2018		Student (Harrow)	Harrow SSC*	50
Steve Owen	November 2017	Nov 2021		External	Resources	100
Mariann Rand-Weaver	May 2017/ May 2018	May 2022		External	QCS, Uxbridge SSC*	100
Ketan Sheth	August 2017	August 2021		External	Audit	33
Laraine Smith	August 2007	N/A		Principal	QCS, Resources, Search	100
Antonio Weiss	August 2017	August 2021		External	QCS, Harrow SSC*	50
Sally Westwood	August 2017	August 2021		External	Resources	33

\* Stakeholder and Scrutiny Committee

#### **Clerking arrangements**

- Tracy Reeve acted as Clerk to the Corporation.

#### **Chairmanship**

- Nicholas Davies was appointed Chair in August 2017
- Steven Cochran was appointed Vice-Chair in August 2017

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

The Governing Body 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, curriculum and quality matters and personnel related matters such as health and safety, and environmental issues. The Governing Body meets on a termly basis.

The Governing Body conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Governing Body. These committees are finance and property, remuneration, search, audit and teaching, learning and assessment. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available from the clerk to the Corporation at:

Park Road  
Uxbridge  
UB8 1NQ

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 the College's expense and have access to the Clerk to the Governing Body, 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 Governing Body as a whole.



## **Statement of Corporate Governance and Internal Control** *(continued)*

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 Governing Body has a strong and independent non-executive element and no individual or group dominates its decision making process. The Governing Body 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 Chair of the Governing Body and Accounting Officer of the College are separate.

### ***Appointments to the Governing Body***

Any new appointments to the Governing Body are a matter for the consideration of the Governing Body as a whole. The Governing Body has a search committee comprising of The Chair, Vice-Chairs and Principal, which is responsible for the selection and nomination of any new member for the Governing Body's consideration. The Governing Body is responsible for ensuring that appropriate training is provided as required.

Members of the Governing Body are appointed for a term of office not exceeding 4 years.

### **Performance of the Governing Body**

The Governors of HCUC continued to carry out their statutory duties in 2017/18 through well-attended board and sub-committee meetings. The Governors, with the Senior Leadership Team (SLT), provided strong direction for the College. There was active involvement of Governors in the College's strategic planning, and in monitoring the effective use of resources. During the year the Governors continued to drive forward improvements in the effectiveness of governance systems and processes at HCUC in order to support the College's objective of achieving an outstanding grade for leadership and management in any Ofsted inspection. Governors were fully involved in all aspects of strategic planning and decision making which arose from the West London Area Based Review. In July 2017, the Governors voted unanimously to accept the transfer in of all assets and liabilities of Harrow College – in effect a merger of the two. Harrow College Corporation dissolved on 1<sup>st</sup> August 2017, and the Corporation of Uxbridge College immediately changed its name to HCUC.

The Governor Link Scheme which allows Governors closer access to the work of the College continued to be a successful initiative from the perspective of Governors and College staff. This scheme, together with detailed briefings and close attention to audit and risk management issues, ensured that the Corporation remained effective in directing and challenging the work of the College. The composition of the Corporation includes a breadth of knowledge and relevant expertise. The two student governors made a positive contribution to the work of the governing body during 2017/18. Governors' training days were held twice during the year to raise awareness of issues facing the College and to create a forum where the wider Senior Leadership Team could directly access the skills and experience of Governors.

### ***Remuneration Committee***

Throughout the year ending 31 July 2018, the College's remuneration committee comprised The Chair, the Chair of Finance & Property Committee and the Chair of the HR Committee. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post holders.

Details of remuneration for the year ended 31 July 2018 are set out in note 8 to the financial statements.

## **Statement of Corporate Governance and Internal Control** *(continued)*

### ***Audit Committee***

The Audit Committee comprises three members of the Governing Body (who exclude the Accounting Officer and Chair and Chair of the Finance and Property Committee). The committee operates in accordance with written terms of reference approved by the Governing Body. Its purpose is to advise the Governing Body on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets four times a year and provides a forum for reporting by the College's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies, as they affect the College's business.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

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

The Audit Committee also advises the Governing Body on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work.

### **Internal Control**

#### ***Scope of responsibility***

The Governing Body 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 Governing Body 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 the College's 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 the College and the funding bodies. She is also responsible for reporting to the Governing Body any material weaknesses or break-downs 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 College 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 HCUC for the year ended 31 July 2018 and up to the date of approval of the annual report and financial statements.

#### ***Capacity to handle risk***

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

## **Statement of Corporate Governance and Internal Control *(continued)***

### ***The risk and control framework***

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Governing Body
- Regular reviews by the Governing Body of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate

The College has internal audit services, which operate in accordance with requirements of the ESFA's Joint Code of Practice. The work of the internal audit services is informed by an analysis of the 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 Governing Body on the recommendation of the Audit Committee.

As a minimum, Audit Committee annually provides the Governing Body with a report on internal audit activity in the College. The report includes the Committee's opinion based on the results of the audits 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 auditors
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- Comments made by the College's financial statements auditors, the regularity auditors, the appointed funding auditors in the management letters and other reports.

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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and 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 Governing Body's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2018.

Based on the advice of the Audit Committee and the Accounting Officer, the Governing Body 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 safeguarding of its assets".

## **Statement of Corporate Governance and Internal Control** *(continued)*

### **Going Concern**

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

Approved by order of the members of the Governing Body on 11<sup>th</sup> December 2018 and signed on its behalf by:



Nicholas Davies  
*Chair*



Laraine Smith  
*Accounting Officer*

## **Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding**

The Governing body has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's financial memorandum. As part of our consideration we have due regard to the requirements of the financial memorandum.

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

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



Nicholas Davies  
*Chair*

11<sup>th</sup> December 2018



Laraine Smith  
*Accounting Officer*

11<sup>th</sup> December 2018

## **Statement of the responsibilities of the members of the Governing Body**

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

Within the terms and conditions of the College's Financial Memorandum with the EFSA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2017 to 2018 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result 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; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of this matter 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 ESFA are used only in accordance with the Financial Memorandum with the ESFA 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 ESFA are not put at risk.

Approved by order of the members of the Corporation on 11<sup>th</sup> December 2018 and signed on behalf of the Corporation.



Nicholas Davies  
*Chair*



## **Independent auditor's report to the Corporation of HCUC**

### **Opinion**

We have audited the financial statements of HCUC for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of its income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education.

This report is made solely to the Corporation, in accordance with Charters and Statutes of the Institution. Our audit work has been undertaken so that we might state to the Corporation those matters we are required 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, for our audit work, for this report, or for the opinions we have formed.

### **Basis for opinion**

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

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

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

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

### **Other information**

The Corporation is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **Independent auditor's report to the Corporation of HCUC (Continued)**

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

We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice**

In our opinion, in all material respects:

- funds from whatever source administered by the College for specific purposes have been properly applied to these purposes and managed in accordance with relevant legislation
- funds provided by the Higher Education Funding Council for England have been applied in accordance with the Financial Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the requirements of the Higher Education Funding Council for England Accounts Direction have been met.

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

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

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

### **Responsibilities of the members of the Corporation**

As explained more fully in the members of the Corporation responsibilities statement, the members of the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members of the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

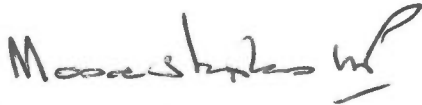
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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



## **Independent auditor's report to the Corporation of HCUC (Continued)**

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Corporation.
- Conclude on the appropriateness of the Corporation's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



for and on behalf of Moore Stephens LLP, Statutory Auditor  
35 Calthorpe Road  
Edgbaston  
Birmingham  
B15 1TS

Date: 18/12/2018

## **Independent Reporting Accountant's Assurance Report on Regularity**

In accordance with the terms of our engagement letter dated 3 July 2018 and further to the requirements of the financial memorandum with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by HCUC during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Corporation of HCUC and the Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of HCUC and the Department 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 HCUC and the Department for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of HCUC and the reporting accountant**

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

### **Approach**

We conducted our engagement in accordance with the Code issued by the Department. We performed a limited assurance engagement as defined in that framework.

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.

## **Independent Reporting Accountant's Assurance Report on Regularity (Continued)**

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<sup>st</sup> August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



**for and on behalf of Moore Stephens LLP, Statutory Auditor**  
35 Calthorpe Road  
Edgbaston  
Birmingham  
B15 1TS

**Date:** 18/12/2018

**Statement of Comprehensive Income**  
*for the year ended 31 July 2018*

	Note	2018 £'000	2017 £'000
<b>Income</b>			
Funding body grants	2	40,027	27,121
Tuition fees and education contracts	3	3,653	2,597
Other grants and contracts	4	4,054	1,297
Other income	5	1,243	1,068
Investment income	6	54	57
<b>Total income</b>		<b>49,031</b>	<b>32,140</b>
<b>Expenditure</b>			
Staff costs	7	33,382	20,965
Fundamental restructuring costs	7	349	61
Other operating expenses	9	9,885	5,933
Depreciation	12	4,308	3,802
Interest and other finance costs	10	560	487
<b>Total expenditure</b>		<b>48,484</b>	<b>31,248</b>
Surplus before other gains and losses		547	892
Loss on disposal of assets		-	-
Surplus before tax		547	892
Taxation	11	-	-
Surplus / (deficit) before gift from Harrow College		547	892
Net assets of Harrow College at point of merger	30	15,226	-
<b>Surplus for the year</b>		<b>15,773</b>	<b>892</b>
Unrealised surplus on revaluation of assets		-	-
Actuarial gain / (loss) in respect of pension schemes		7,437	1,739
<b>Total comprehensive income for the year</b>		<b>23,210</b>	<b>2,631</b>


## Statement of Changes in Reserves


	Income and Expenditure Account £'000	Revaluation Reserve £'000	Pension Reserve £'000	Expendable Endowments £'000	Permanent Endowments £'000	Total £'000
Balance at 31 July 2017	43,791	4,549	(11,567)	187	32	36,992
Surplus from the income and expenditure account	25,160	-	(9,391)	4	-	15,773
Other Comprehensive income	-	-	7,437	-	-	7,437
	25,160	-	(1,954)	4	-	23,210
Balance at 31 July 2018	68,951	4,549	(13,521)	191	32	60,202

**Balance sheet**  
*as at 31 July 2018*

	Note	2018 £'000	2017 £'000
<b>Non Current Assets</b>			
Tangible assets	12	90,632	51,760
Investments	13	-	-
		<hr/> 90,632	<hr/> 51,760
<b>Endowment assets</b>	13	223	219
<b>Current assets</b>			
Stock		41	38
Trade and other receivables	14	1,223	739
Cash and cash equivalents	21	17,698	12,152
		<hr/> 18,962	<hr/> 12,929
<b>Creditors: Amounts falling due within one year</b>	16	(10,074)	(5,848)
<b>Net current assets</b>		<hr/> 8,888	<hr/> 7,081
<b>Total assets less current liabilities</b>		<hr/> 99,743	<hr/> 59,060
<b>Creditors: Amounts falling due after more than one year</b>	17	(25,642)	(10,492)
<b>Provisions for liabilities and charges</b>			
Defined benefit obligations	22	(13,521)	(11,567)
Other provisions		(379)	(9)
<b>Net assets including pension liability</b>		<hr/> 60,202	<hr/> 36,992
<b>Expendable endowments</b>	13	32	32
<b>Permanent endowments</b>	13	191	187
<b>Reserves</b>			
Revaluation reserve		4,549	4,549
Income and expenditure account excluding pension reserve		55,430	32,224
<b>TOTAL RESERVES</b>		<hr/> 60,202	<hr/> 36,992

The financial statements on pages 26 to 51 were approved by the Corporation on 11<sup>th</sup> December 2018 and were signed on its behalf by:

  
.....  
Nicholas Davies  
Chair

  
.....  
Laraine Smith  
CEO and Principal

**Cash flow statement**  
*for the year ended 31 July 2018*

	2018	2017
<b>Cash flow from operating activities</b>		
	£'000	£'000
Surplus for the year	15,773	892
Donation of Net Assets	(15,226)	-
Transfer of cash on acquisition	6,107	-
Depreciation	4,308	3,802
(Increase) / decrease in stocks	(3)	8
(Increase) / decrease in debtors	631	219
Increase / (decrease) in creditors due within one year	(411)	(284)
(Decrease) in creditors due after one year	(19)	(347)
Increase / (decrease) in provisions	(80)	-
Pension costs less contributions payable	1,805	886
<b>Adjustment for investing or financing activities</b>		
Investment income	(54)	(57)
Interest payable	51	183
Release of deferred capital grants	(812)	-
<b>Net cash flow from operating activities</b>	<b>12,069</b>	<b>5,302</b>
 Cash flow from investing activities		
Investment income	54	57
Payments made to acquire fixed assets	(7,193)	(1,697)
Receipts of deferred capital grants	667	
	<b>(6,472)</b>	<b>(1,640)</b>
 <b>Cash flow from financing activities</b>		
Interest paid	(51)	(183)
Repayments of amounts borrowed		(1,320)
	<b>(51)</b>	<b>(1,503)</b>
 <b>Increase / (Decrease) in cash and cash equivalents in the year</b>	<b>5,546</b>	<b>2,159</b>

## **Notes**

*(forming part of the financial statements)*

### **1 Statement of 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 2015 (the 2015 FE HE SORP) and in accordance with Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102). They conform to guidance published in the College Accounts Direction for 2017 to 2018. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

#### ***Basis of accounting***

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

#### ***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. Following merger in August 2017 the merged entity refinanced the Harrow revolving credit facility of £4m available to it on a term of 5 years. The College's forecasts and financial projections indicate that it will continue to be able to operate within this facility and covenants for the foreseeable future. Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

#### ***Recognition of income***

The recurrent grant from the Education and Skills Funding Agency is that receivable as determined by the results of the funding audit undertaken. The recurrent grant from HEFCE represents the funding allocation attributable to the current financial year and is credited direct to the income and expenditure account.

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 or over achievement for the adult learner responsive funding element is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. Employer responsive grant income is recognised based on a year end reconciliation of income claimed and actual delivery with the Education and Skills Funding Agency. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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.



## Notes

*(forming part of the financial statements)*

### 1 Statement of accounting policies *(continued)*

Other discrete grants received during the year are taken to income as expenditure is incurred in line with the specific terms and conditions attached to each fund by the funding bodies.

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

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the Education and Skills Funding Agency (see note 29).

Non-recurrent grants from the Education and Skills Funding Agency 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 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). Contributions to the TPS are charged as incurred.

Contributions to the TPS scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Further details of the pension schemes are given in note 22.

#### *Short term employment benefits*

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

## Notes (continued)

### 1 Statement of accounting policies (continued)

#### *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. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

On adoption of FRS 102, the College followed the transitional provisions to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 102.

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

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(s) may not be recoverable.

##### *Subsequent expenditure on existing fixed assets*

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
- Assets capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the assets life beyond that conferred by repairs and maintenance

##### *Buildings owned by third parties*

Where land and buildings are used, but the legal rights are held by a third party (for example a charitable trust), they are only capitalised if the College has rights or access to ongoing future economic benefit.

These assets are then depreciated over their expected useful economic life.

## **Notes (continued)**

### **1 Statement of accounting policies (continued)**

#### *Assets under construction*

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

#### *Equipment*

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Inherited equipment is depreciated on a straight line basis over its remaining useful economic life. All other equipment is depreciated over its useful economic life as follows:

Motor vehicles and general equipment	-	10 years
Computer equipment	-	3 years
Furniture and fittings	-	5 years

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. 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. The relevant assets 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.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

#### *Investments and endowment assets*

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Listed investments held as fixed assets or endowment assets are stated at market value.

Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

#### *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.

#### *Maintenance of premises*

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

## **Notes** *(continued)*

### **1**      **Statement of accounting policies** *(continued)*

#### ***Foreign currency translation***

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

#### ***Taxation***

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by 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.

#### ***Deferred taxation***

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

#### ***Liquid resources***

Liquid resources include sums on short-term deposits with recognised banks and 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.

#### ***Cash***

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

#### ***Agency arrangements***

College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the main funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 29 except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

## Notes (continued)

### 1 Statement of accounting policies (continued)

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

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

- Determining whether leases entered into by the College either as lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

#### Other Key sources of estimation uncertainty

- **Tangible Fixed Assets**  
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Local Government Pension Scheme**  
The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost / (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## Notes (continued)

### 2 Funding body grants

	2018 £'000	2017 £'000
Recurrent grant – Funding body recurrent	36,780	24,338
Recurrent grant - HEFCE	344	325
Non recurrent grants – Agency		
Work based learning*	1,875	1,807
Programmes for the Unemployed*	202	101
Employer responsive offer*	-	-
Other	60	66
Releases of deferred capital grants:		
Buildings (note 19)	766	434
Equipment (note 19)	-	-
	<u>40,027</u>	<u>27,121</u>

\* The income shown above represents that earned by the College in its capacity both as a provider and as the contracting lead. All payments to subcontractors for delivery of provision towards the main funding body targets have been excluded from the total funding council grant amounts disclosed above. Total income claimed in the year under this arrangement and the related payments to partners were as follows:

Work based learning	2018 £'000	2017 £'000
Work based learning income	1,909	1,875
Payments to non College partners	<u>(34)</u>	<u>(68)</u>
<b>Net income</b>	<u>1,875</u>	<u>1,807</u>
 <b>Programmes for the Unemployed</b>	 2018 £'000	 2017 £'000
Programmes for the Unemployed income	253	101
Payments to non College partners	<u>(51)</u>	<u>-</u>
<b>Net income</b>	<u>202</u>	<u>101</u>

**Notes** *(continued)*

**3 Tuition fees and education contracts**

	2018 £'000	2017 £'000
Tuition Fees	3,568	2,528
Education contracts	85	69
	<u>3,653</u>	<u>2,597</u>

**Tuition fees funded by bursaries**

There are no bursaries included in the above amounts (2015/16: £nil).

**4 Other grants and contracts**

	2018 £'000	2017 £'000
Other grants and contracts	4,054	1,297
	<u>4,054</u>	<u>1,297</u>

**5 Other income**

	2018 £'000	2017 £'000
Catering	838	789
Other income generating activities	181	123
Releases from deferred capital grants (non-Agency)	46	47
Other income	178	109
	<u>1,243</u>	<u>1,068</u>

**6 Investment income**

	2018 £'000	2017 £'000
Income from permanent endowment asset investments (note 13)	-	-
Interest Receivable	54	57
Pension finance income	-	-
	<u>54</u>	<u>57</u>

## Notes (continued)

### 7 Staff numbers and costs

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

	2018	2017
	Number	Number
Teaching staff	431	383
Non Teaching staff	334	84
	<hr/>	<hr/>
	765	467
	<hr/>	<hr/>

The numbers above include estimates of the staff numbers employed through contracting out arrangements.

Staff costs for the above persons were as follows:

	2018	2017
	£'000	£'000
Wages and salaries	22,694	15,599
Social security costs	2,295	1,496
Other pension costs including FRS 102 adjustments of £1,296,000 (2017: £582,000)	5,033	2,770
	<hr/>	<hr/>
<b>Payroll sub total</b>	<b>30,022</b>	<b>19,865</b>
Contracted out lecturing services	3,360	1,100
Exceptional restructuring costs	349	61
	<hr/>	<hr/>
	33,731	21,026
	<hr/>	<hr/>

### 7 Staff numbers and costs (continued)

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

	2018 Number of senior post-holders	2018 Number of other staff	2017 Number of senior post-holders	2017 Number of other staff
£60,001 to £70,000	-	6	-	5
£70,001 to £80,000	-	3	-	-
£80,001 to £90,000	1	-	1	1
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	2	-	2	-
£120,001 to £130,000	1	-	-	-
£140,001 to £150,000	-	-	1	-
£160,001 to £170,000	1	-	-	-

The general pay award of 1.0% (2016/17: 1.0%) was made with effect from 1 August 2017. This was approved by the Governing Body.

### 8 Emoluments of key management personnel

Key management personnel are defined as members of the senior management team.

	2018 Number	2017 Number
The number of key management personnel including the Accounting Officer was	5	4
	<hr/>	<hr/>



## Notes (continued)

Key management personnel emoluments are made up as follows:

	2018 £'000	2017 £'000
Salaries	578	425
Employers' National Insurance	74	54
Benefits in kind	5	6
Pension contributions	109	77
	<hr/> 766 <hr/>	<hr/> 562 <hr/>

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

	2018 £'000	2017 £'000
Salaries	160	146
Benefits in kind	-	-
Pension contributions	35	28
	<hr/> 195 <hr/>	<hr/> 174 <hr/>

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

**Notes** *(continued)*

**9 Other operating expenses**

	2018	2017 Restated
	£'000	£'000
Teaching costs	1,716	815
Non teaching costs	4,589	3,112
Premises costs	3,580	2,006
	<u>9,885</u>	<u>5,933</u>

Other operating expenses include:

Auditors remuneration:

Financial statements audit	39	18
Internal audit	15	24
Other services from external audit	-	2
Other services from internal audit	-	-
Hire of assets under operating leases	<u>13</u>	<u>13</u>
	<u>67</u>	<u>57</u>

**10 Interest payable**

	2018	2017 Restated
	£'000	£'000
On bank loans and overdrafts:		
Repayable within five years, not by instalments	51	183
Pension finance costs	509	304
	<u>560</u>	<u>487</u>

**11 Taxation**

The members do not believe the College was liable for any corporation tax arising out of its activities during either period.

## Notes (continued)

### 12 Tangible fixed assets

	Freehold Land & Buildings £'000	Equipment £'000	Total £'000
<i>Cost or valuation</i>			
At 1 August 2017	63,819	25,999	89,818
Transfer of assets on acquisition	34,556	894	35,450
Additions	5,309	2,421	7,730
Disposals	-	-	-
<b>At 31 July 2018</b>	<b>103,684</b>	<b>29,314</b>	<b>132,998</b>
<i>Accumulated depreciation</i>			
At 1 August 2017	18,056	20,002	38,058
Charge for year	1,833	2,475	4,308
Eliminated in respect of disposals	-	-	-
<b>At 31 July 2018</b>	<b>19,889</b>	<b>22,477</b>	<b>42,366</b>
<i>Net book value</i>			
<b>At 31 July 2018</b>	<b>83,795</b>	<b>6,837</b>	<b>90,632</b>
At 31 July 2017	45,763	5,997	51,760

The transitional rules set out in FRS 102 have been applied. Accordingly, the book values at implementation have been retained.

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £23,574,000 (2017: £10,492,000) have been partly financed from exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Education and Skills Funding Agency, to surrender the proceeds.

**Notes** *(continued)*

**13 Investments**

**Endowment Assets**

	£'000 Restricted Expendable	£'000 Restricted Permanent	£'000 Total
At 1 August 2017:	32	187	219
Appreciation of endowment asset investments	-	12	12
Income for the year (interest received)	-	-	-
Disposal	-	(8)	(8)
At 31 <sup>st</sup> July 2018	32	191	223
	<u>32</u>	<u>191</u>	<u>223</u>
Capital	32	191	223
Accumulated Income	-	-	-
	<u>32</u>	<u>191</u>	<u>223</u>
Restricted Expendable Endowment – Gavin Taylor Fund			
Restricted Permanent Endowment – Ormsby Fund			

**14 Debtors**

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade receivables	865	406
Other taxation and social security	-	-
Prepayments and other debtors	358	333
	<u>1,223</u>	<u>739</u>

**15 Current investments**

	2018 £'000	2017 £'000
Cash and cash equivalents	-	8,376
	<u>-</u>	<u>8,376</u>
<b>Total</b>	<u>-</u>	<u>8,376</u>

**Notes (continued)**

**16 Creditors: Amounts falling due within one year**

	2018 £'000	2017 £'000
Bank loans and overdrafts	450	-
Trade payables	602	132
Lennartz	6	6
Other taxation and social security	1,012	812
Accruals and other creditors	5,211	3,836
Holiday pay	577	582
Deferred income – government capital grants	812	480
Amounts owed to the Education and Skills Funding Agency	1,404	-
	<hr/> 10,074 <hr/>	<hr/> 5,848 <hr/>

The Lennartz creditor relates to VAT recovered on the A Block development and is repayable over 10 years until December 2018.

**17 Creditors: Amounts falling due after more than one year**

	2018 £'000	2017 £'000
Bank loans	2,068	-
Deferred income – government capital grants	23,574	10,492
	<hr/> 25,642 <hr/>	<hr/> 10,492 <hr/>

**18 Analysis of borrowings**

***Bank loans and overdrafts***

	2018 £'000	2017 £'000
Bank loans and overdrafts are repayable as follows:		
Within one year	450	-
Between one and two years	450	-
Between two and five years	1,618	-
In five years or more	-	-
	<hr/> 2,518 <hr/>	<hr/> - <hr/>

The Bank loan was transferred to the college as part of the merger with Harrow College. The loan was refinanced with a 5 year rolling credit facility

## Notes (continued)

### 19 Deferred capital grants

	SFA	Other grants	Total
	£'000	£'000	£'000
At 1 August 2017			
Land and buildings	9,604	756	10,360
Equipment	179	433	612
Transfer of deferred capital grants from Harrow College	13,559	-	13,559
Cash receivable:			
Land and buildings	667	-	667
Equipment	-	-	-
Released to income and expenditure account:			
Land and buildings	(766)	(4)	(770)
Equipment	-	(42)	(42)
<b>At 31 July 2018</b>			
Land and buildings	23,064	752	23,816
Equipment	179	391	570
	<b>23,243</b>	<b>1,143</b>	<b>24,386</b>

### 20 Provisions

	Defined benefit obligation £'000	Enhanced pensions £'000	Total £'000
At 1 August 2017	11,567	9	11,576
Transfer of Provision from Harrow College	7,586	450	8,036
Expenditure in the period	(1,755)	(80)	(1,835)
Additions in the period	(3,877)	-	(3,877)
<b>At 31 July 2018</b>	<b>13,521</b>	<b>379</b>	<b>13,900</b>

Principal assumptions for the enhanced pension provision are

	2018	2017
Price inflation	1.30%	1.30%
Discount rate	0.25%	0.25%

### 21 Cash and cash equivalents

	At 1 August 2017 £'000	Cashflows £'000	Other changes £'000	At 31 July 2018 £'000
Cash and cash equivalents	12,152	5,546	0	17,698
	<b>12,152</b>	<b>5,546</b>	<b>0</b>	<b>17,698</b>

## Notes (continued)

### 22 Pensions 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 Hillingdon Local Authority. Both are multi employer schemes.

Total pension cost for the year	2018 £000	2017 £000
Teachers Pension Scheme: contributions paid	1,982	1,249
Local Government Pension Scheme:		
Contributions paid	1,755	939
FRS 102 charge	1,296	582
Charge to the Income and Expenditure Account (staff costs)	3,051	1,521
<b>Total Pension Cost</b>	<b>5,033</b>	<b>2,770</b>

#### Teachers' Pension Scheme

##### Introduction

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

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

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

## **Notes (continued)**

### **22 Pensions and similar obligations (continued)**

The new employer contribution rate for the TPS was implemented in September 2015. A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

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

#### **Scheme Changes**

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,982,000 (2017: £1,249,000).

#### **FRS 102 (28)**

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

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution 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**

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Hillingdon Local Authority. The total contribution made for the year ended 31 July 2018 was £3,590,000 of which employer's contributions totalled £3,051,000 (inclusive of FRS102 charge) and employees' contributions totalled £539,000. For the period 1 August 2016 to 31 March 2017 the employer's contribution rate was 21.8%. The employee contribution rate for the same period remained in a range between 5.5% and 12.5% dependent on spinal point and whether staff are term time only or full time.



## Notes (continued)

### 22 Pensions and similar obligations (continued)

#### FRS 102 - Principal Actuarial Assumptions

The following information is based on a full actuarial valuation of the fund as at 31<sup>st</sup> March 2017 updated to 31<sup>st</sup> July 2018 by a qualified independent actuary:

	31 July 2018	31 July 2017	31 July 2016	31 July 2015
RPI Inflation	n/a	n/a	n/a	n/a
Inflation assumption (CPI)	2.4%	2.4%	1.9%	2.6%
Rate of increase in salaries	2.8%	2.9%	2.9%	3.5%
Rate of increase in pensions	2.4%	2.5%	1.9%	2.6%
Discount rate for liabilities	2.8%	2.7%	2.4%	3.6%

On advice from our actuaries we have assumed an allowance for 65% of future retirements to elect additional tax-free cash up to HMRC limits for pre April 2008 service and 85% for post April 2008 service.

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. Life expectancy as at 31 July 2018 is based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non-pensioners and 2017 for pensioners. Average future life expectancies at retirement age 65 are summarised below:

	At 31 July 2018	At 31 July 2017
<i>Current pensioners</i>		
Males	22.6 years	22.6 years
Females	24.6 years	24.6 years
<i>Future pensioners</i>		
Males	24.0 years	24.0 years
Females	26.5 years	26.5 years

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

	2018		2017		2016	
	Long term rate of return expected at 31 July 2018	Value at 31 July 2018 £	Long term rate of return expected at 31 July 2017	Value at 31 July 2017 £	Long term rate of return expected at 31 July 2016	Value at 31 July 2016 £
Equities		28,887,000		13,944,000		13,663,000
Bonds		16,507,000		5,397,000		5,558,000
Property		7,074,000		2,699,000		2,779,000
Cash		6,485,000		450,000		1,158,000
Total market share of assets	2.7%	<u>58,953,000</u>	2.7%	<u>22,490,000</u>	2.4%	<u>23,158,000</u>

	2018 £'000	2017 £'000	2016 £'000
College's estimated asset share	58,953	22,490	23,158
Present value of scheme liabilities	(72,447)	(34,047)	(35,567)
Present value of unfunded liabilities	(27)	(10)	(11)
Deficit in the scheme	<u>(13,521)</u>	<u>(11,567)</u>	<u>(12,420)</u>

## Notes (continued)

### 22 Pensions and similar obligations (continued)

#### Analysis of the amount recognised in Statement of Comprehensive Income

	2018 £'000	2017 £'000
Amounts included in staff costs		
Employer (current) service cost (net of employee contributions)	3,051	1,521
Past service cost	-	-
	<hr/>	<hr/>
Total operating charge	3,051	1,521
	<hr/>	<hr/>

#### Analysis of pension finance cost

	2018 £'000	2017 £'000
Expected return on pension scheme assets	1,437	563
Interest on pension scheme liabilities	(1,946)	(867)
	<hr/>	<hr/>
Pension finance costs	(509)	(304)
	<hr/>	<hr/>

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

	2018 £'000	2017 £'000
Fair value of plan assets	58,953	22,490
Present value of plan liabilities	(72,447)	(34,047)
Present value of unfunded liabilities	(27)	(10)
	<hr/>	<hr/>
Net pensions (liability)	(13,521)	(11,567)
	<hr/>	<hr/>

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

	2018 £'000	2017 £'000
<b>Amounts included in staff costs</b>		
Current service cost	3,051	1,521
Past service cost	-	-
	<hr/>	<hr/>
Total	3,051	1,521
	<hr/>	<hr/>
<b>Amount included in investment income</b>		
Net interest (cost)	(509)	(304)
	<hr/>	<hr/>
	(509)	(304)
	<hr/>	<hr/>
<b>Amounts recognised in Other Comprehensive Income</b>		
Return on pension plan assets	3,328	(1,841)
Experience losses arising on defined benefit obligations	(19)	4,905
Changes in assumptions underlying the present value of plan liabilities	3,195	(1,325)
	<hr/>	<hr/>
Amount recognised in Other Comprehensive Income	6,504	1,739
	<hr/>	<hr/>

## Notes (continued)

### 22 Pensions and similar obligations (continued)

#### Asset and Liability Reconciliation

	2018 £'000	2017 £'000
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of period</b>	<b>34,057</b>	<b>35,578</b>
Transfer of Liabilities from Harrow College	36,623	-
Service cost	3,051	1,521
Interest cost	1,946	867
Employee contributions	539	322
Experience gains and losses on defined benefit obligations	19	(5,112)
Changes in financial assumptions	(3,195)	1,532
Estimated benefits paid	(637)	(650)
Estimated unfunded benefits paid	(2)	(1)
Effect of business combinations and disposals	73	-
<b>Liabilities at end of period</b>	<b>72,474</b>	<b>34,057</b>
<b>Reconciliation of Assets</b>		
<b>Assets at start of period</b>	<b>22,490</b>	<b>23,158</b>
Transfer if Assets from Harrow College	29,037	-
Interest on plan assets	1,437	563
Return on plan assets	3,328	(1,841)
Employer contributions	1,755	939
Contribution by scheme participants	539	322
Estimated benefits paid	(637)	(650)
Estimated unfunded benefits paid	(2)	(1)
Effect of business combinations and disposals	1,006	-
<b>Assets at end of period</b>	<b>58,953</b>	<b>22,490</b>

#### Movement in deficit during year

	2018 £'000	2017 £'000
Net deficit in scheme at beginning of year	(11,567)	(12,420)
Movement in year:		
Transfer of Deficit from Harrow College	(7,586)	-
Current service charge	(3,051)	(1,521)
Employer contributions	1,755	939
Past service costs	-	-
Net interest on the defined (liability) / assets	(509)	(304)
Actuarial gain / (loss)	7,437	1,739
<b>Net defined benefit liability at 31 July</b>	<b>(13,521)</b>	<b>(11,567)</b>

## Notes (continued)

### 23 Capital commitments

	2018 £'000	2017 £'000
Authorised and contracted	706	894
Authorised not yet contracted	-	-
	<u>706</u>	<u>894</u>
Commitments contracted for at 31 July	<u>706</u>	<u>894</u>

### 24 Financial commitments

At 31 July 2018, the College had annual commitments under non-cancellable operating leases as follows:

	2018 £'000	2017 £'000
<b>Future minimum lease payments due</b>		
Not later than one year	13	13
Later than one year and not later than five years	-	16
Later than five years	-	-
	<u>13</u>	<u>29</u>

### 25 Related Party Transactions

Due 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 organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 102.

### 26 Post balance sheet events

Details of post balance sheet events are given in the report of the members of the Corporation.

### 27 Cash flow relating to exceptional items

There were no cash outflows relating to exceptional items (2016/17: £nil).

### 28 Major non-cash transactions

There were no major non-cash transactions (2016/17: £nil).

## Notes (continued)

### 29 Amounts Disbursed as Agent

#### Learner support funds

	2018 £'000	2017 £'000
Discretionary Learner Support Fund Allocations (including Bursary for 24+ Loans)	1,443	985
	<hr/> 1,443	<hr/> 985
Learner Support Funds Disbursed	(1,190)	(925)
Administration costs	(63)	(38)
	<hr/> (1,253)	<hr/> (963)
Balance at 31 July	<hr/> <hr/> 191	<hr/> <hr/> 22

Agency grants are available solely for students. In the majority of instances, the College acts only as paying agent. In these circumstances, the grants and related disbursements have therefore been excluded from the accounts, other than when the College has directly incurred expenditure itself.

### 30 Business acquisitions and mergers

On 1 August 2017, Harrow College combined with Uxbridge College and all the operations, assets and liabilities of Harrow College were transferred for £NIL consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the Balance Sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of Comprehensive income.

The following table sets out the fair value of identifiable assets and liabilities transferred.

	2018 £'000
Freehold/land and buildings	35,450
Cash equivalents	6,107
Bank loan	(2,518)
LGPS Pension surplus/(deficit)	(7,586)
Other creditors	(16,227)
	<hr/> <hr/> 15,226