

HCUC

A merger between Uxbridge College and Harrow College

Members' report and Financial Statements

For the year ended 31st July 2020



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 2020.

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 14.

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 2018/19 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 2019/20 and achievement of them are summarised below:

- the College achieved 6,005 16-18 learners against a target of 5,942; Harrow was over target at 1,770 against a target of 1,722, and Uxbridge over target at 4,235 against a target of 4,220;
- the College achieved £30,955,863 of 16-18 funding against an allocation of £30,352,496; Harrow achieved £9,037,168 against a target of £8,678,028, with Uxbridge achieving £21,918,695 against a target of £21,674,468.
- HCUC 16-18 QAR is 2.1% up on 2018/19 at 89.6% (NA 83.4%)- HC 89.9% (88% 2018/19) and UC 89.5% (87.5% 2018/19). 16-18 learners headline QAR is high very at 88.6% and is significantly above the NA (83.4%). This reflects a positive five year trend and is improved on HCUC's DfE rating as best 16-18 QAR in London for both 2018/19 & 2017/18.
- Similarly, 19+ headline QAR is high at 91.1% and is above both the less relevant NA (89.9%) and importantly the weighed-NA (89.3%). The 0.6% difference between the 19+ NA and HCUC's weighted-NA evidences through national data that the HCUC offer is a more challenging curriculum vs. other providers.
- Consistency is high across both constituent colleges. Both HC & UC have high 16-18 QAR and have positive trends over four years (HC 89% up 0.8% on 2018/19 and UC 89.5% up 2% on 2018/19). Similarly, for 19+ both constituent colleges have high 19+ QAR and have positive trends over five years (HC 91.6% and UC 91.4%).
- Overall WBL QAR is at 63.6%, is on NA and continues to improve but remains an AFI. WBL outcomes were impacted on significantly by COVID-19 which resulted in at least 23/336 apprentices losing their placements. HCUC has made good progress to be both above Minimum Standards (29% vs the 40% of overall provision threshold).
- Cash days in hand at 31 July 2020 were 131.8 against a target of 119.1;
- The current ratio was 2.23:1 against a target of 1.74:1, due to reclassification of loan settlement due in one year;
- Accumulated reserves were 144% of income against a target of 137%;
- EBITDA as a % of income, education specific was 13.18%

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 2019-21 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 are 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 IFMC for the Education and Skills Funding Agency. The ESFA Financial Health Calculator produces a financial health grading and the College continues to be rated Outstanding.

In 2019/20 the College did exceed its learner number targets for 16-18 learners, by 63. In particular the recruitment at Harrow was higher than anticipated at 48 and Uxbridge was at 15 above target.

Financial Results

These financial statements cover the financial period 1 August 2019 to 31 July 2020. 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 £3,434,000 (2019: £1,006,000). The balance on the income and expenditure account excluding pension reserve stands at £77,162,000 (2019: £71,777,000)

The College has accumulated reserves of £41,150,000, non-current assets of £105,388,000 and cash balances of £19,360,000.

Fixed asset additions during the year amounted to £16,558,000 (2019: £6,833,000). This includes land and buildings development of £4,315,000 (2019: £5,366,000), and equipment of £1,264,000 (2019: £1,467,000). Projects include the Armstrong Building at Harrow Weald, Newton Building at Harrow on the Hill, the Institute of Technology building at Uxbridge. 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 82.7% (2019: 81.4%) of income.

Despite HCUC showing a strong financial performance in year, COVID 19 has adversely affected the financial results. The following income streams were affected – Other Income £55,000, Commercial activity £92,000, Work-Based Learning Provision £329,000. There were also additional costs of £89,000 incurred in relation to PPE sourced. There were savings in staffing of £212,000 due to HMRC Coronavirus Job Retention Scheme.

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 £0.6 million outflow (2019: £2.2 million inflow), operating cash continued to be very strong during the period. The operating cash outflow resulted from growth in 16-18 student numbers, higher adult provision, alignment of staff to curriculum requirements, receipt of Capital Grants offset by repayment of loans and fixed asset additions.

Liquidity

The loan of £2.5m was settled in full based on strong operating cash flow from prior year.

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 2019/20, the College exceeded its 16-18 learner numbers target by 63 learners but achieved £30,955,863 against its funding of £30,352,496. The 19+ adult single allocation was exceeded due to increase in English & Maths and ESOL provision. The work based learning funding targets for both 16-18 and 19+ were not achieved by £234,000 and £286,000 respectively mainly due to COVID19.

The breakdown between the Colleges was as follows:

	16-18 year olds			19+		
	Actual	Target	Variance	Actual	Target	Variance
Harrow	£9,037,168	£8,678,028	£359,140	3,972,205	3,523,570	448,635
Uxbridge	£21,918,695	£21,674,468	£244,227	3,331,169	2,470,699	860,470
HCUC	£30,955,863	£30,352,496	£603,367	7,303,374	5,994,269	1,309,105

Student numbers

In 2019/20 the College delivered activity that has produced £43,775,000 in Agency main allocation funding (2018/19 – £40,648,000). The College achieved 6,005 16-18 learners against a target of 5,942; Harrow was 48 above target and Uxbridge was 15 above target.

Student retention

16-18 student retention of 92.83% was achieved against a target of 92% (NA 91.2%) , and 19+ at 94.85% against a target of 92% (WNA 93.5%); Harrow achieved 93.25% for 16-18 and 94.68% for 19+, with Uxbridge achieving 92.65% for 16-18 and 95.16% for 19+. All are well above NA and improvements on 2018/19.

Qualification Achievement rates

The College has maintained the very high standards of achievement in the current year. The figures for 2019/20 are now finalised.

16-18 learners headline QAR is high very at 88.6% and is significantly above the NA (83.4%). This reflects a positive five year trend and is improved on HCUC's DfE rating as best 16-18 QAR in London for both 2018/19 & 2017/18.

Consistency across HCUC is very good, including between the constituent colleges, subject areas and qualification types. To ensure consistency across HCUC's full provision, the college will continue to measure its performance using wider comparisons at Qualification Type by Age, Level and Subject Sector Area (SSA) at both the HCUC and local college level.

Consistency is high across both constituent colleges. Both HC & UC have high 16-18 QAR and have positive trends over four years (HC 89% up 0.8% on 2018/19 and UC 89.5% up 2% on 2018/19). Similarly, for 19+ both constituent colleges have high 19+ QAR and have positive trends over five years (HC 91.6% and UC 91.4%).

The WBL 19/20 overall QAR is now settled for HCUC in line with predictions at 63.6 %, (18/19 Provider National Average 66.7% and Provider Average 64.7%), however we are unable to make like for like comparison due to Covid 19. Our Minimum Standards are at 29.4% below the 40% threshold. This is in part due to the impact of COVID but also due to quality issues for specific sector apprenticeships where retention fell below the national averages (Business Admin, Electrical, Health and Social Care, IT and Management). Going forward there remains a focus on ensuring the effective management of functional skills, robust IAG and strong support for the younger learners, also IAG for the employers on their roles and responsibilities during the Apprenticeship programme.

Teacher Qualifications

In 2019/20 82% of the permanent College teaching staff was fully qualified, (2018/19, 88%) in line with the College's own target, with 100% of staff either fully qualified or undertaking training.

Links with Employers and Enterprise

The College engages with employers 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. The impact of COVID has seen a significant impact on our continued delivery of apprenticeships and support for the unemployed in the latter part of 19/20. However, it was also an opportunity to test remote delivery to JCP claimants. The small pilot carried out identified issues for claimants regarding digital exclusion but where this is overcome the sessions were viewed positively. Local JCPs are now interested in how we can take this forward for 20/21. The next set of paragraphs gives an overview of work we do with employers, JCPs and other stakeholders.

Some of the partnerships are significant in their depth of anticipated outcomes; the Heathrow Skills Partnership provides opportunities for new apprenticeships, work experience for full time students including extended industry placements and employment and skills opportunities for adult learners. Equally, the employer partnerships created by the West London Mayors' Construction Academy Hub (of which we collaborate) will generate increased employment and work experience opportunities in London in the sector. In 19/20, for example, we delivered a 'hard hats' programme for female students. However, Covid had halted higher level apprenticeships due to start with Heathrow in 20/21 as well as management apprenticeships to start in April 2020, for example. Outcomes for apprentices were also impacted and HCUC is carrying forward 80 learners with 19/20 end dates to 20/21 due to fact they did not have access to work based assessments or external exams/EPA due to lockdown.

The College is awaiting confirmation from the GLA that it has retained London Mayor's Construction Academy Quality Kite Mark, endorsed by some of our employers in the sector in recognition of how we our provision and its quality meets the needs of the sector. The College remains an active member of the West London MCA Hub. Confirmation should be received in early 20/21. The College is embedding its relationship with the North West London NHS Trust to again, address the skills gaps across all roles within the NHS through apprenticeships, upskilling existing employees and through work experience and had planned a new pilot programme to start at Ealing Hospital in March 2020 which was postponed due to COVID. However, the College is a member of the West London Health and Care Group (all FE colleges represented) to take forward a more strategic approach to supporting the workforce needs of the NHS in West London.

Further to this significant partnership work, locally, we engage with employers to support the curriculum, our annual Work Week remains a successful event, for example, in February 2020 HS2 supported daily engagements with students introducing them to different sectors and jobs culminating in a visit from the Prime Minister who had the opportunity to talk with engineering apprentices. We have over 450 employers engaging with apprentices, work experience provided for over 4,000 FT students across HCUC, support with curriculum design, enterprise challenges, employer branded assignments, commissioned projects, guest lectures, workshops, workplace visits and knowledge exchange. Although our work placements were significantly interrupted due to COVID prior to lockdown we were on target to meet general work placements though SIPs were more challenging.

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 30 frameworks/standards across diverse sectors and constantly adding new areas to meet employer demand. Advanced level apprenticeships make up 67% of our 34 Frameworks and Standards, which span 17 SSA2s, delivered to 668 live learners who are employed across 415 different employers. Although, West Met Skills has been raising brand awareness and engaging with employers through a variety of network events feedback from employers is that they understand and value the HCUC, Harrow and Uxbridge college brands and find WMS as not as important. This has led to work to rebrand WMS website and rename our services under HCUC. In addition, work to agree consolidation of STEM apprenticeships into a new school was completed. The new 'Technical and Apprenticeship School' will be launched in 20/21. This is to improve quality and flexibility re delivery going forward.

In addition to the support we receive from employers for our full time learners, our newly formed Employer Advisory Board drives the relevance of our curriculum of the recently approved West London Institute of Technology. Along with our Anchor Employers, Heathrow and Fujitsu and supported by Brunel University and West London Business, the expertise of the wider employer board ensures we are providing a highly relevant curriculum and student experience.

For example, in 19/20 employers aligned to sector curriculum areas reviewed all qualifications and said they were fit for purpose. The also identified essential skills develop and gaps in curriculum e.g., BIM in construction.

S106 monies via Hillingdon Council and the access to Skills Escalator monies helps us to support return to work adults gain training and work experience within a variety of sectors including construction, education and logistics. We continue to work with employer bodies such as Hillingdon Chamber of Commerce and West London Business; to develop new relationships with the Thames Valley and North West London Chambers of Commerce to identify and address future skills needs at regional levels and support events such as Hillingdon Business Expo and West London Business Awards (where our Apprentices were highly commended in the last 2 years).

The success and demand for the Hayes Business Studios led to the opening of an 11th 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. This is true for 19/20 and the College agreed to waiver 3 months rent to support the businesses in the summer months of 2020.

Curriculum developments

The College has well developed 16-19 Study Programmes offering learners a balanced curriculum centered around a main vocational or academic qualification and maturing & expanding pilots to meet national qualification reform (T-Levels, the Transition Programme). HCUC has a significant emphasis on developing employability skills, in particular work ready skills and Maths & English This latter area now makes up 47% percent of all 16-18 learner aim starts and the resources to deliver this have been revised and deployed accordingly. The former ensures an emphasis on providing students with experience of the world of work, including direct work experience, significant industry placements (incl. the Capacity Development 3 Fund project) 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- and this is reflected in Ofsted terms as Curriculum Intent. There is a very good match between College provision and the declared LEP and WLA priority sector areas & 86% FT courses have a named/significant employer link. STEM continues to be a key area of the College's provision and new Institute of technology wing, 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 (adult growth continues) and part-time English & Maths is strengthening across HCUC. Science (notably GCSE L2) & ESOL 16-18 areas have seen a drop in learner numbers it is felt the former is linked to the impact of Calculated Grade inflation moving proportions of students from their natural L1/2 progression route at HCUC and into L3 and therefore retained by schools (expected to be a single year blip). The latter ESOL 16-18 fall is possibly more longstanding as is likely Brexit linked.

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 very little 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 all 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 and Stakeholder and Scrutiny Groups. Finally, the College undertakes two HCUC wide student surveys at the beginning and mid-point of the year. All activity listed captures current contexts, for example remote delivery or Covid 19 safety awareness. In 19/20 the principals conducted special focus groups with representative staff across all curriculum and support areas in February 2020. These gave staff the opportunity to comment on the HCUC Strategic Development Plan progress since merger and what we still need to do. The outcomes were shared with governors and overall positive about progress with scores between 3-4 out of 5.

Future Prospects

The College is also planning an increase in adult enrolments to the West London Institute of Technology (WLIoT) for September 2020 onwards. In order to meet this future planned growth for the WLIoT the College has been awarded a capital grant for the Uxbridge campus to reconfigure the car park, provide a new building for displaced provision and refurbishment and expansion of Engineering, Construction and IT curriculum areas in 19/20. Planning permission was granted in March 2019 and work began in July 2019.

As of July 2020 the College was on track to complete building work though agreement on specialist equipment had been delayed due to COVID and lead-in times. The College could also see impact of COVID on student numbers for 20/21 and had started a discussion with the DfE on confirming numbers for future years due to this and the fact that the roll out of IoTs across the country has been slower and there was no national campaign to promote the IoTs. However, a new role – Senior Marketing Executive had been appointed to in July 20/21 to renew focus on marketing across west London.

During the budget setting stage for 2020/21, the financial impact from COVID-19 to the various similar income streams, delivery model and further additional costs incurred in relation to control measures was included.

Despite a prudent budget that was set, the College's financial profile remains strong and meets the financial requirements set in the strategic aims.

Resources

Financial

The College continues to be financially stable, having ensured that efficiencies and value for money are embraced collegewide. 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 £41 million of net assets (2019: £55 million) including £40.7 million pension liability (2019: £21.8 million).

RESERVES

The College has a cash reserve policy calculated at £12m which is considered sufficient to meet its contractual liabilities in the event of a substantial financial shock which may arise from COVID-19. This is to cover unexpected gaps in income and costs associated with COVID-19 and BREXIT, or other unexpected events. The reserve policy is reviewed annually to be in line with current affairs.

People

The College employs 610 people FTE (2019: 620) of whom 336 or 55% are academic staff (2019: 329).

Reputation

The College has an excellent reputation locally and nationally. HCUC was rated first for London Colleges for success rates for 16-18 year olds in 2019/20 and achievements for 2019/20 has improved.

GOING CONCERN

The College has carried out a formal assessment of the going concern principle in preparing for the signing the financial statements. This assessment includes the financial position and reserves as at 31st July 2020, cash and investment balances and cash flow for the next 12 months, the 2020/21 budget approved by the Corporation, level of student recruitment in 2020/21 and known liabilities and commitments in the next 12 months. The Corporation considers the College has adequate resources to continue in operational existence for the foreseeable future. The financial impact of COVID-19 is summarised within the Corporate Goals monitoring schedule which is reviewed by FGB on a termly basis, which includes any mitigation required to reduce the financial impact and being able to continue to operate as a going concern.

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 Office for Students (OFS). In 2019/20, 82.7% (2019: 81.4%) 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
- The impact of COVID-19 and BREXIT on various income streams and additional costs associated with blended learning and increase of costs due to demand during this period.

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

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.

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.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college.

Numbers of employees who were relevant period	FTE employee number
4	3.50

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

Total cost of facility time	£11,929
Total pay bill	£32,258,047
Percentage of total bill spent on facility time	0.04%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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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 HCUC College has 14 designated Safeguarding officers in the permanent staff (8 in Uxbridge and 6 in Harrow). The College is also represented at the London Borough of Hillingdon and Harrow Safeguarding Committee and the HE/FE London Prevent Network.

Events after the reporting period

Following a competitive process and thorough consideration of various factors in respect of benefits to students and staff, as well as Government guidelines relating to support for Further Education in west London and nationally, HCUC is pleased to have joined Richmond Upon Thames College (RuTC) to explore merger proposals for the two organisations. This is also subject to due diligence. We certainly believe that such a merger would open up collaborative opportunities and a broader vision, as well as strengthening sustainable provision to learners and employers alike within this area.

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. 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 8th December 2020 and signed on its behalf by:



Nicholas Davies
Chair

Professional advisers

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Statement of Corporate Governance and Internal Control

The Governing Body

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2019 to 31st July 2020 and up to the date of approval of the annual report and financial statements.

Governance Code

The College endeavours to conduct its business:

- i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. In full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance ("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 2020. 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.

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 the Governing Body during the year and up to the date of signature of this report were as follows:

Name	Date Appointed/ Re-appointed	Term Expires	Date Resigned	Membership Status	Committees served	Attendance %
Simon Boulcott	November 2020	November 2024		External	Resources, Remuneration.	100
Melissa Bridge	September 2019	September 2023		Staff (Uxbridge)	QCS, Uxbridge SSC*	100
Steven Cochran	March 2020	March 2021		External	Search, Remuneration	88
Tracey Critchley	August 2017	August 2021		Staff (Harrow)	Audit	80
Nicholas Davies	August 2017	August 2021		External	Search, Remuneration	88
Darrell DeSouza	August 2019	N/A		CEO/ Principal	QCS, Resources, Search	100

Marie Edoa	October 2019	July 2020		Student '19/20 (Harrow)	Harrow SSC*	25
Suzanne Ghadban	August 2019	July 2020		Student '19/20 (Uxbridge)	Uxbridge SSC*	40
Nasim Khan	December 2019	December 2022		External	Audit	90
Alasdair MacLeod	March 2020	March 2024		External	Resources	92
Johanna Morgan	December 2019	December 2023		External	QCS	67
Steve Owen	November 2017	November 2021		External	Resources	75
Amanda Priem	March 2020	March 2024		External	QCS	100
Mariann Rand-Weaver	May 2017/ May 2019	May 2022		External	QCS, Uxbridge SSC*	89
Diogo Ribeiro	August 2019	July 2020	1 Oct 2019	Student '19/20 (Harrow)	Harrow SSC*	100
Ketan Sheth	August 2017	August 2021		External	Audit	60
Karen Tyerman	October 2019	October 2022	7 Oct 2019	External	QCS, Harrow SSC*	0
Paul Walker	October 2019	October 2022		External	QCS	11
Sally Westwood	August 2017	August 2021	25 Mar 2020	External	Resources	75

* Stakeholder and Scrutiny Committee

Clerking arrangements

- Tracy Reeve acted as Clerk to the Corporation.

Chairmanship

- Following the merger between Uxbridge College and Harrow College (1 August 2017), Nicholas Davies was appointed as Chair of the Corporation and Steven Cochran was appointed Vice Chair of the Corporation of HCUC.

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 human resources related matters such as health and safety, and environmental issues. The Governing Body meets formally five times a year on a half-termly basis and also holds two Strategy and Planning Days during each academic year (October and April); the event planned for April 2020 was held remotely in June 2020 due to Covid-19.

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 Resources (including HR and property), Audit, Quality Curriculum and Students, Search and Governance, and Remuneration. 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.

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.

There has been no disruption to governance during the Covid-19 pandemic and College lockdown. All sub-committee meetings and Governing Body meetings have gone ahead as timetabled using the Zoom platform. Attendance was high, and engagement was good with ongoing challenge and support from governors for the SLT. An additional Governing Body meeting was held on 5 June 2020 to enable the Corporation to formally approve the Health and Safety Risk Assessment in relation to a phased return to campus from mid-June 2020. The Governing Body has been using an electronic software package for all governance papers since December 2017, so the Governors did not experience any change to the delivery of Corporation and sub-committee paperwork. Governors have fully discharged all their responsibilities and duties during the disruption due to Covid-19 and although they have missed the interaction with College staff and students face-to-face, they have embraced the positive aspects of online meetings.

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-Chair 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

On 1st August 2017 HCUC was formed after the merger of Harrow College and Uxbridge College. Harrow College corporation dissolved on 1st August 2017, and the Corporation of Uxbridge College immediately changed its name to HCUC.

The Governors of HCUC continued to carry out their statutory duties in 2019/20 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 the new 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 continued to be fully involved in all aspects of strategic planning and decision making after the HCUC Strategic Plan 2019-21 was approved by the Corporation and published in May 2019.

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 staff governors – one from each of the constituent Colleges - made a very positive contribution to the work of the governing body during 2019/20. Governors' Training and Strategy days were held twice during the year to raise awareness of issues facing the College and to create a forum where the wider SLT could directly access the skills and experience of Governors.

Remuneration Committee

Throughout the year ending 31 July 2020, the College's remuneration committee comprised The Chair, the Vice-Chair, the Chair of Resources Committee and another governor with HR expertise. The committee's responsibilities were 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 2020 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises three members of the Governing Body (who exclude the Accounting Officer and Corporation Chair and Chair of Resources 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. There is currently a vacancy on the Audit Committee; the College is seeking a qualified accountant to fill this vacancy.

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 programme of internal audit monitors the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input. Specialist internal audit firms are commissioned as required 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 receives a standing report on the progress with implementation of audit recommendations.

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 CEO, 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 he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the funding bodies. He 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 2020 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 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, 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 Post-16 Audit 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 all Audit Committee activity during the year which includes a review of: internal audit activity; external audit; and any funding audit work undertaken 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.

Risks faced by the corporation

The risk register is aligned with corporate goals. This is owned by the Audit Committee and sub committees review each of the sub sets as a standard item. This in turn is reviewed at Full Governing Body. An annual report of risk management is reviewed at Audit Committee.

Control weaknesses identified

There were no significant internal control weaknesses or failures.

Responsibilities under funding agreements

The College has met its contractual responsibilities under its funding agreements and contracts with ESFA and no clawback is expected for the current year due to under performance.

Statement from the audit committee

The audit committee has advised the board of governors that the corporation has an effective framework for governance and risk management in place. The audit committee believes the corporation has effective internal controls in place.

The specific areas of work undertaken by the audit committee in 2019/20 and up to the date of the approval of the financial statements are:

- Review of risk register
- Appoint external auditor for 2019/20 financial statements audit
- Review internal audit strategy
- Provide assurance on internal audit recommendations

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His 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.

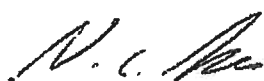
The Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Leadership Team and 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 Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Senior Leadership Team and internal audit and taking account of events since 31 July 2020.

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".

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 8th December 2020 and signed on its behalf by:



Nicholas Davies
Chair



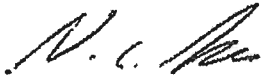
Darrell DeSouza
Accounting Officer

Statement of Regularity, Propriety and Compliance

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 grant funding agreement and contracts with the ESFA. As part of our consideration we have due regard to the requirements of the grant funding agreement and contracts with the ESFA.

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 grant funding agreement and contracts with the ESFA, or any other public funder.

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



Nicholas Davies
Chair

8th December 2020



Darrell DeSouza
Accounting Officer

8th December 2020

Statement of Responsibilities of the Members' of the Governing Body

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

Within the terms and conditions of the Corporation's grant funding agreement and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and its 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;
- assess whether the Corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions as appropriate; 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 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 8th December 2020 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 ("the College") for the year ended 31 July 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2020 and of the College's income and expenditure, gains and losses and changes in reserves and of the cash flows for the year then ended; and
- 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 and relevant legislation.

Basis for opinion

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

Conclusions relating to going concern

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

- the Corporation's 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 Members of the Corporation are responsible for the other information. Other information comprises the information included in the Members' 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 we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 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;
- the financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for our audit were not received.

Responsibilities of the Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Governing Body, the Corporation is 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 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.

Independent Auditor's report to the Corporation of HCUC (continued)

Auditor's responsibilities for the audit of the financial statements

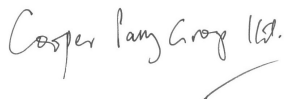
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Corporation of the College, as a body, in accordance with the Further & Higher Education Act 1992. Our audit work has been undertaken so that we might state to the Corporation of the College 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 College and the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.



Cooper Parry Group Limited
Statutory Auditor

Blythe Valley Business Park
Solihull
West Midlands
B90 8BG

Date: 14 December 2020

Independent Reporting Accountant's Assurance Report on Regularity

To: The Corporation of HCUC and Secretary of State for Education, acting through the Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 11 September 2020 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by HCUC ("the College") during the period 1 August 2019 to 31 July 2020 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 ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which the ESFA or devolved authority has other assurance arrangements in place.

This report is made solely to the Corporation of HCUC and ESFA 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 ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept, or assume, responsibility to anyone other than the Corporation of HCUC and the ESFA 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, are 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 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by ESFA. 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.

Independent Reporting Accountant's Assurance Report on Regularity (continued)

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

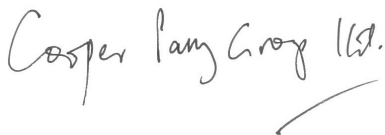
Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the Corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Reviewing the internal control policies and procedures implemented by the College and evaluating their design and effectiveness to understand how the College has complied with the framework of authorities;
- Reviewing the minutes of meetings of the Members, relevant sub-committees and other evidence made available to us, relevant to our consideration of regularity;
- Enquiries of the Accounting Officer, including reviewing the work undertaken by the Accounting Officer in relation to their Statement on Regularity, Propriety and Compliance; and
- Detailed testing of the income and expenditure of the College based on our assessment of the risk of material irregularity, impropriety and non-compliance. This work was integrated with our audit of the financial statements where appropriate and included analytical review and detailed substantive testing of transactions.

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Cooper Parry Group Limited
Statutory Auditor

Blythe Valley Business Park
Solihull
West Midlands
B90 8BG

Date: 14 December 2020

Statements of Comprehensive Income
for the year ended 31 July 2020

		2020	2019
	Note	£'000	£'000
Income			
Funding body grants	2	44,850	41,522
Tuition fees and education contracts	3	3,366	3,553
Other grants and contracts	4	3,616	3,530
Other income	5	1,078	1,401
Endowment and investment income	6	67	97
Total income		52,977	50,103
Expenditure			
Staff costs	7	34,531	33,339
Exceptional restructuring costs	7	33	628
Other operating expenses	9	10,250	10,221
Depreciation	12	4,235	4,400
Interest payable and other finance costs	10	494	509
Total expenditure		49,543	49,097
Surplus before other gains and losses		3,434	1,006
Loss on disposal of assets		-	-
Gain / (loss) on investments		-	-
Surplus before tax		3,434	1,006
Taxation	11	-	-
Surplus for the year		3,434	1,006
Actuarial loss in respect of pension scheme	22	(16,915)	(6,478)
Total Comprehensive Loss for the year		(13,481)	(5,472)

All items of income and expenditure relate to continuing activities.

Statement of Changes in Reserves
for the year ended 31 July 2020

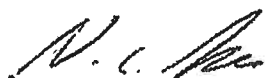
	Income and expenditure account	Revaluation reserve	Pension reserve	Permanent endowments	Expendable endowments	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2019	71,775	4,461	(21,773)	184	32	54,679
Surplus from the income and expenditure account	5,407	-	(1,973)	-		3,434
Other comprehensive income	-	-	(16,915)	-	-	(16,915)
Other movements in revaluation and income and expenditure reserves	(37)	(11)	-	-	-	(48)
Transfers between restricted endowments and income and expenditure reserves	17	-	-	(17)	-	-
Balance 31 st July 2020	77,162	4,450	(40,661)	167	32	41,150

	Income and expenditure account	Revaluation reserve	Pension reserve	Permanent endowments	Expendable endowments	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2018	68,949	4,549	(13,521)	193	32	60,202
Surplus from the income and expenditure account	2,779	-	(1,774)	-		1,005
Other comprehensive income	-	-	(6,478)	-	-	(6,478)
Other movements in revaluation and income and expenditure reserves	47	(97)	-	-	-	(50)
Transfers between revaluation reserve and restricted endowments	-	9	-	(9)	-	-
Balance 31 st July 2019	71,775	4,461	(21,773)	184	32	54,679

Balance sheet
as at 31 July 2020

		2020	2019
	<i>Note</i>	£'000	£'000
Non current assets			
Tangible assets	12	105,388	93,065
		<u>105,388</u>	<u>93,065</u>
Endowment assets	13	199	216
Current assets			
Stock		33	42
Trade and other receivables	14	2,344	1,638
Cash at bank and in hand	21	11,360	19,935
Investments	15	8,000	-
		<u>21,737</u>	<u>21,615</u>
Creditors: Amounts falling due within one year	16	(9,822)	(12,377)
Net current assets		<u>11,915</u>	<u>9,239</u>
Total assets less current liabilities		117,502	102,519
Creditors: Amounts falling due after more than one year	17	(35,285)	(25,652)
Provisions for liabilities and charges			-
Defined benefit obligations	22	(40,661)	(21,773)
Other provisions	20	(406)	(415)
Total net assets		<u>41,150</u>	<u>54,679</u>
Expendable endowments	13	32	32
Permanent endowments	13	167	184
Reserves			
Income and expenditure account		36,501	50,002
Revaluation reserve		4,450	4,461
Total funds		<u>41,150</u>	<u>54,679</u>

The financial statements on pages 26 to 55 were approved by the Corporation on 8th December 2020 and were signed on its behalf by:



Nicholas Davis
Chair



Darrell De Souza
CEO and Principal

Statement of Cash Flows

for the year ended 31 July 2020

	2020 £'000	2019 £'000
Cash flow from operating activities		
Surplus / (Deficit) for the year	3,434	1,005
Adjustment for non cash items		
Depreciation	4,235	4,400
(Increase)/ decrease in stocks	9	-
(Increase)/decrease in debtors	(706)	(415)
Increase / (decrease) in creditors due within one year	(1,772)	2,303
Increase / (decrease) in creditors due after one year	-	10
Increase / (decrease) in provisions	(9)	36
Pension costs less contributions payable	1,973	1,774
Taxation	-	-
Adjustment for investing or financing activities		
Investment income	(84)	(97)
Interest payable	17	68
Taxation paid	-	-
Release of deferred capital grants	(1,055)	(786)
Endowment depreciation/(appreciation)	17	9
Net cash flow from operating activities	<u>6,059</u>	<u>8,307</u>
Cash flows from investing activities		
Proceeds from sale of fixed assets	-	-
Investment income	84	97
Payments made to acquire fixed assets	(15,541)	(8,932)
Receipt of deferred capital grants	11,358	2,833
	<u>(4,099)</u>	<u>(6,002)</u>
Cash flows from financing activities		
Interest paid	(17)	(68)
Repayments of amounts borrowed	(2,518)	-
	<u>(2,535)</u>	<u>(68)</u>
Increase / (decrease) in cash and cash equivalents in the year	<u>(575)</u>	<u>2,237</u>
Cash and cash equivalents at the beginning of the year	<u>19,935</u>	<u>17,698</u>
Cash and cash equivalents at the end of the year	<u>19,360</u>	<u>19,935</u>

Notes to the Accounts

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 2019 (the 2019 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). 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.

The College has carried out a formal assessment of the going concern principle in preparing for the signing the financial statements. This assessment includes the financial position and reserves as at 31st July 2020, cash and investment balances and cash flow for the next 12 months, the 2020/21 budget approved by the Corporation, level of student recruitment in 2020/21 and known liabilities and commitments in the next 12 months. The Corporation considers the College has adequate resources to continue in operational existence for the foreseeable future. The financial impact of COVID-19 is summarised within the Corporate Goals monitoring schedule which is reviewed by FGB on a termly basis, which includes any mitigation required to reduce the financial impact and being able to continue to operate as a going concern.

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 OFS represents the funding allocation attributable to the current financial year and is credited direct to the income and expenditure account.

Notes to the Accounts *(continued)*

1 Statement of accounting policies *(continued)*

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.

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.

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.

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

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

Notes to the Accounts *(continued)*

1 Statement of accounting policies *(continued)*

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 Second Pension.

Teachers' Pension Scheme (TPS)

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

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

Short term employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the college's income 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.

Notes to the Accounts *(continued)*

1 Statement of accounting policies *(continued)*

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.

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.

Notes to the Accounts *(continued)*

1 Statement of accounting policies *(continued)*

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 fair 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 to the Accounts *(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.

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.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Cash deposits that have a maturity of greater than 3 months are included as current asset investments.

Cash for the purposes of the cash flow statement comprises cash in hand and the short term deposits included in current asset investments less overdrafts repayable on demand.

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.

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 27 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 to the Accounts *(continued)*

1 Statement of accounting policies *(continued)*

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- 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 22, 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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts (continued)

2 Funding Council grants

	2020 £'000	2019 £'000
Recurrent grant - ESFA	39,945	37,959
Recurrent grant - OFS	244	258
Teachers Pension Support	895	-
DFE Work Placement Capacity and Delivery	344	-
T-Levels Early Adopter Development	50	-
Work-based learning *	1,981	2,208
Programmes for the Unemployed *	316	223
Other (LSF admin fee)	20	88
Releases of agency capital grants:		
Buildings (note 19)	792	786
Equipment (note 19)	263	-
	<u>44,850</u>	<u>41,522</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 related payments to partners were as follows:

Work-based learning	2020 £'000	2019 £'000
Work-based learning income	2,025	2,243
Payments to non-College partners	-	(35)
Incentive payments to employers	(44)	-
Net income	<u>1,981</u>	<u>2,208</u>

AEB & Programmes for the Unemployed	2020 £'000	2019 £'000
AEB and Programmes for the Unemployed income	615	310
Payments to non-College partners	(299)	(87)
Net income	<u>316</u>	<u>223</u>

Notes to the Accounts (continued)

3 Tuition fees and education contracts

	2020 £'000	2019 £'000
Tuition Fees	3,295	3,485
Education contracts	71	68
	<u>3,366</u>	<u>3,553</u>

Tuition fees funded by bursaries

There are no bursaries included in the above amounts (2019/20: £nil).

4 Other grants and contracts

	2020 £'000	2019 £'000
Other grants and contracts	214	293
High needs support	3,190	3,237
Coronavirus Job Retention Scheme grant	212	-
	<u>3,616</u>	<u>3,530</u>

The corporation furloughed some of the staff under the government's Coronavirus Job Retention Scheme. The funding received of £212,000 relates to staff costs which are included within the staff costs note below as appropriate.

5 Other income

	2020 £'000	2019 £'000
Catering	843	1,058
Other income generating activities	77	151
Releases from deferred capital grants (non-Government)	50	50
Other income	108	142
	<u>1,078</u>	<u>1,401</u>

6 Endowment and investment income

	2020 £'000	2019 £'000
Gain/(Loss) from permanent endowment asset investments (note 13)	(17)	(7)
Interest Receivable	84	104
Pension Finance Income	-	-
	<u>67</u>	<u>97</u>

Notes to the Accounts *(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:

	2020	2019
Teaching staff FTE	336	329
Non-teaching staff FTE	274	291
	<hr/>	<hr/>
	610	620
	<hr/> <hr/>	<hr/> <hr/>

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

	2020	2019
	£'000	£'000
Wages and salaries	23,783	22,846
Social security costs	2,297	2,190
Pension costs including FRS 102 adjustments of £1,499k (2019: £1,377k)	6,178	5,024
Payroll sub total	<hr/> 32,258	<hr/> 30,060
Contracted out staffing costs	2,273	3,279
Exceptional restructuring costs	33	628
Total staff costs	<hr/> 34,564 <hr/>	<hr/> 33,967 <hr/>

Notes to the Accounts (continued)

7 Staff numbers and costs (continued)

The number of staff, including senior post-holders and the Accounting Officer, who received annual emoluments, excluding pension contributions but including benefit in kind in the following ranges was:

	2020 Number of senior post- holders	2020 Number of other staff	2019 Number of senior post- holders	2019 Number of other staff
£60,000 to £65,000		1		
£65,001 to £70,000				3
£70,001 to £75,000		4		3
£75,001 to £80,000		3		1
£80,001 to £85,000				
£85,001 to £90,000			1	
£90,001 to £95,000	1			
£95,001 to £100,000			1	
£100,001 to £105,000			1	
£105,001 to £110,000	1			
£110,001 to £115,000				
£115,001 to £120,000				
£120,001 to £125,000				
£125,001 to £130,000	1		1	
£130,001 to £135,000				
£135,001 to £140,000				
£140,001 to £145,000				
£145,001 to £150,000				
£150,001 to £155,000	1			
£155,001 to £160,000				
£160,001 to £165,000			1	

A general pay award of 1.0% (2018/19: 1.0%) was made with effect from 1 August 2019. This was approved by the Governing Body.

Notes to the Accounts (continued)

8 Emoluments of key management personnel

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

	2020 Number	2019 Number
The number of senior post-holders, including the Accounting Officer, was	4	5

Key management personnel emoluments are made up as follows:

	2020 £'000	2019 £'000
Salaries	480	574
Employers' National Insurance	61	74
Benefits in kind	113	4
Pension contributions	3	113
	<u>657</u>	<u>765</u>

The above emoluments include amounts payable to the Accounting Officer (who is the highest paid senior post-holder) of:

	2020 £'000	2019 £'000
Salaries	152	162
Pension contributions	36	38
Benefits in kind	3	-
	<u>191</u>	<u>200</u>

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

In November 2019, the Remuneration Committee of the Corporation considered the AoC Senior Staff Remuneration Code. Although the meeting and subsequently the Corporation declined to fully adopt the code, they did agree that the Corporation at HCUC should continue to pay 'due regard' to the Senior Staff Remuneration Code.

It was agreed that the HCUC Corporation would continue to adhere to the following good governance principles (in the Remuneration Code) when considering all matters in relation to senior staff remuneration. The remuneration package of key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who justify the remuneration on the following grounds:

- Reasonable, appropriate and justifiable amounts
- Procedural fairness
- Transparency and accountability

Notes to the Accounts (continued)

8 Emoluments of key management personnel (continued)

Accounting Officer's remuneration as multiple of the median pay for all other employees (on a FTE basis)

	2020	2019
Multiple based on basic salary	4.51	4.80
Multiple based on total remuneration	5.67	5.94

Agency staff have been excluded from the total remuneration because the College does not record amounts paid to agencies for agency staff in a manner which allows the inclusion of individual agency staff in the calculation of pay ratios. In addition casual staff have been excluded due to the difficulty in assigning a full-time equivalent value to these flexible employees.

9 Other operating expenses

	2020 £'000	2019 £'000
Teaching costs	2,181	2,220
Non teaching costs	4,491	4,307
Premises costs	3,578	3,694
	<u>10,250</u>	<u>10,221</u>

Other operating expenses include:

Auditors remuneration:

- Financial statements audit	38	34
- Other services from external audit	-	-
Internal audit	45	10
Other services from internal audit	-	-
Depreciation	4,235	4,400
Hire of assets under operating leases	-	16

10 Interest payable

	2020 £'000	2019 £'000
On bank loans and overdrafts:		
Repayable within five years, not by instalments	17	68
Pension finance costs	477	441
	<u>494</u>	<u>509</u>

Notes to the Accounts (continued)

11 Taxation

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

12 Tangible fixed assets

	Assets under Construction	Freehold Land & Buildings	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2019	4,183	104,717	30,931	139,831
Transfer	(2,828)	2,828	-	-
Additions	13,807	1,487	1,264	16,558
Disposals	-	-	-	-
At 31 July 2020	15,162	109,032	32,195	156,389
Accumulated depreciation				
At 1 August 2019	-	21,436	25,330	46,766
Charge for year	-	1,860	2,375	4,235
Eliminated in respect of disposals	-	-	-	-
At 31 July 2020	-	23,296	27,705	51,001
Net Book Value				
At 31 July 2020	15,162	85,736	4,490	105,388
At 31 July 2019	4,183	83,281	5,601	93,065

The transitional rules set out in FRS 102 *Tangible Fixed Assets* 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.

Notes to the Accounts *(continued)*

13 Endowments Assets	£'000 Restricted Expendable	£'000 Restricted Permanent	£'000 Total
At 1 August 2019:	32	184	216
Depreciation of endowment assets investments	-	(17)	(17)
Income for year (interest received)	-	-	-
Disposal	-	-	-
As 31 July 2020	32	167	199
Capital	32	184	216
Accumulated Income	-	(17)	(17)
	32	167	199
Restricted Expendable Endowment - Gavin Taylor Fund			
Restricted Permanent Endowment - Ormsby Fund			

Notes to the Accounts (continued)

14 Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade receivables	1,330	1,060
Sundry Debtors	-	-
Prepayments and other debtors	1,014	578
	<u>2,344</u>	<u>1,638</u>

15 Current investments

	2020 College £'000	2019 College £'000
Short term deposits	8,000	-
Total	<u>8,000</u>	<u>-</u>

16 Creditors: Amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans and overdrafts	-	2,518
Payments received on account	-	-
Trade creditors	591	853
Lennartz	-	6
Other taxation and social security	1,110	978
Accruals and deferred income	5,685	5,341
Holiday pay accrual	900	487
Deferred income - capital grants	1,452	782
Deferred income - government revenue grants	-	-
Amounts owed to the Education Skills Funding Agency	84	1,412
Sundry creditors	-	-
	<u>9,822</u>	<u>12,377</u>

17 Creditors: Amounts falling due after more than one year

	2020 £'000	2019 £'000
Deferred income - capital grants	35,285	25,652
	<u>35,285</u>	<u>25,652</u>

Notes to the Accounts (continued)

18 Analysis of borrowings

Bank loans and overdrafts

	2020	2019
	£'000	£'000
Bank loans and overdrafts are repayable as follows:		
Within one year	-	2,518
Between one and two years	-	-
Between two and five years	-	-
In five years or more	-	-
	<hr/>	<hr/>
	-	2,518
	<hr/>	<hr/>

The Bank loan was transferred to the college as part of the merger with Harrow College. It was fully repaid in 2019/20.

19 Deferred capital grants

College	ESFA	Other grants	Total
	£'000	£'000	£'000
At 1 August 2019:			
Land and buildings	25,152	752	25,904
Equipment	179	351	530
Cash receivable:		-	
Land and buildings	11,181	-	11,181
Equipment	177	-	177
Release to income and expenditure account:		-	
Land and buildings	(789)	(4)	(793)
Equipment	(153)	(109)	(262)
At 31 July 2020			
Land and buildings	35,544	748	36,292
Equipment	203	242	445
	<hr/>	<hr/>	<hr/>
	35,747	990	36,737
	<hr/>	<hr/>	<hr/>

Notes to the Accounts (continued)

20 Provisions

	Defined benefit obligations £'000	Restructuring £'000	Enhanced pensions £'000	Total £'000
At 1 August 2019:	21,773	-	415	22,188
Expenditure in the period	(2,011)	-	(9)	(2,020)
Additions in the period	20,899	-	-	20,899
At 31 July 2020	40,661	-	406	41,067

Defined benefit obligations relate to the liabilities under the college's membership of the Local Government Pension Scheme. Further details are given in note 22.

The enhanced pension provision relates to the cost of staff who have already left the college's employ and commitments for reorganisation costs from which the college cannot reasonably withdraw at the balance sheet date.

EPP note	2020	2019
Principal assumptions for the EPP calculation are		
Price inflation	2.20%	2.20%
Discount rate	1.30%	2.00%

21 Cash and Cash equivalents

	At 1 August 2019 £'000	Cashflows £'000	Other changes £'000	At 31 July 2020 £'000
Cash and cash equivalents	19,935	(8,575)	-	11,360
Short term deposits	-	8,000	-	8,000
	19,935	(575)	-	19,360

Notes to the Accounts (continued)

22 Pensions and similar obligations

The College' 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.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was as at 31 March 2016 and of the LGPS 31 March 2019.

Total pension cost for the year	2020 £'000	2019 £'000
Teachers Pension Scheme: contributions paid	2,668	1,780
Local Government Pension Scheme:		
Contribution paid	2,011	1,867
FRS 102 charge	1,499	1,377
Charge to the Income and Expenditure	3,510	3,244
Account (staff costs)		
Total Pension Cost	6,178	5,024

Teachers' Pension Scheme

Introduction

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

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

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

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

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

Notes to the Accounts *(continued)*

22 Pensions and similar obligations *(continued)*

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS amounted to £2,668,000 (2019: £1,780,000).

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 2020 was £2,549,000 of which employer's contributions totalled £2,011,000 and employees' contributions totalled £538,000.

For the period 1 August 2019 to 31 March 2020 the employer's contribution rate was 25.4%. For the period 1 April 2020 to 31 July 2020 the employer's contribution rate was 23.4%. 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 to the Accounts *(continued)*

22 Pensions and similar obligations *(continued)*

FRS 102 - Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund as at 31 March 2019 updated to 31 July 2020 by a qualified independent actuary.

	31 July 2020	31 July 2019	31 July 2018	31 July 2017
RPI Inflation	n/a	n/a	n/a	n/a
Inflation assumption (CPI)	2.2%	2.4%	2.4%	2.4%
Rate of increase in salaries	2.5%	2.8%	2.8%	2.9%
Rate of increase in pensions	2.2%	2.4%	2.4%	2.5%
Discount rate for liabilities	1.4%	2.1%	2.8%	2.7%

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 2020 is based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non- pensioners and 2020 for pensioners. Average future life expectancies at retirement age 65 are summarised below:

	At 31 July 2020	At 31 July 2019
<i>Current pensioners</i>		
Males	22.1	21.7
	years	years
Females	24.3	23.7
	years	years
<i>Future pensioners</i>		
Males	22.8	22.4
	years	years
Females	25.5	25.0
	years	years

22 Pensions and similar obligations (continued)

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

	2020		2019		2018	
	Long term rate of return expected at 31 July 2020	Value at 31 July 2020	Long term rate of return expected at 31 July 2019	Value at 31 July 2019	Long term rate of return expected at 31 July 2018	Value at 31 July 2018
		£'000		£'000		£'000
Equities		26,810		30,490		28,887
Bonds		19,660		20,962		16,507
Property		8,937		7,623		7,074
Cash		4,170		4,446		6,485
Total market share of assets	2.7%	59,577	2.7%	63,521	2.7%	58,953
		2020		2019		2018
		£'000		£'000		£'000
College's estimated asset share		59,577		63,521		58,953
Present value of scheme liabilities		(100,210)		(85,267)		(72,447)
Present value of unfunded liabilities		(28)		(27)		(27)
Deficit in the scheme		(40,661)		(21,773)		(13,521)

22 Pensions and similar obligations (continued)

Analysis of the amount recognised in Statement of Comprehensive Income

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	3,448	2,860
Past service cost	62	384
Total operating charge	<u>3,510</u>	<u>3,244</u>

Analysis of pension finance (cost)/income

	2020 £'000	2019 £'000
Expected return on pension scheme assets	1,342	1,667
Interest on pension scheme liabilities	(1,816)	(2,064)
Pension finance cost	<u>(474)</u>	<u>(397)</u>

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

	2020 £'000	2019 £'000
Fair value of plan assets	59,577	63,521
Present value of plan liabilities	(100,210)	(85,267)
Present value of unfunded liabilities	(28)	(27)
Net pension (liability)	<u>(40,661)</u>	<u>(21,773)</u>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	(5,823)	1,662
Experience losses arising on defined benefit obligations	854	(1)
Changes in assumptions underlying the present value of plan liabilities	(9,238)	(12,705)
Changes in demographic assumptions	(2,708)	4,566
Amount recognised in Other comprehensive Income	<u>(16,915)</u>	<u>(6,478)</u>

22 Pensions and similar obligations (continued)**Asset and Liability Reconciliation**

	2020 £'000	2019 £'000
Reconciliation of liabilities		
Liabilities at start of period	85,294	72,474
Current service cost	3,448	2,860
Interest cost	1,816	2,064
Employee contributions	538	529
Other experience	(854)	1
Changes in demographic assumptions	2,708	(4,566)
Changes in financial assumptions	9,238	12,705
Benefits paid	(2,010)	(1,155)
Unfunded benefits paid	(2)	(2)
Past service cost	62	384
Curtailments and settlements	-	-
Liabilities at end of period	100,238	85,294
Reconciliation of Assets		
Assets at start of period	63,521	58,953
Interest on plan assets	1,342	1,667
Return on plan assets	(5,823)	1,662
Employer contributions	2,011	1,867
Contributions by scheme participants	538	529
Benefits paid	(2,010)	(1,155)
Unfunded benefits paid	(2)	(2)
Assets at end of period	59,577	63,521
Movement in deficit during year		
	2020 £'000	2019 £'000
Net defined liability in scheme at 1 August	(21,773)	(13,521)
Movement in year:		
Current service cost	(3,448)	(2,860)
Employer Contributions	2,011	1,867
Past service costs	(62)	(384)
Losses on curtailments	-	-
Net interest on the defined (liability) / asset	(474)	(397)
Effect of business combinations and disposals	-	-
Actuarial loss	(16,915)	(6,478)
Net defined benefit (liability) / asset at 31 July	(40,661)	(21,773)

Notes to the Accounts (continued)

23 Capital commitments

	2020	2019
	£'000	£'000
Authorised and contracted	14,708	1,849
Authorised not yet contracted	400	-
	<hr/>	<hr/>
Commitments contracted for at 31 July	15,108	1,849
	<hr/>	<hr/>

The capital commitments contracted for as at 31 July 2020 relate to the two capital projects – Institute of Technology Uxbridge) and Armstrong (Harrow).

24 Financial commitments

At 31 July 2020, the College had annual commitments under non-cancellable operating leases as follows:

	2020	2019
	£'000	£'000
Future minimum lease payments due		
Other		
Not later than one year	60	48
Later than one year and not later than five years	201	161
Later than five years	-	-
	<hr/>	<hr/>
Total lease payments due	261	209
	<hr/>	<hr/>

Notes to the Accounts (continued)

25 Related Party Transactions

Due to the nature of the College's operations and the composition of the Governing Body (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 Governing Body may have an interest.

All transactions involving organisations in which a member of the Governing Body 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 Amounts Disbursed as Agent

Learner support funds

	2020 £000s	2019 £000s
Discretionary Learner Support Fund Allocations (including Bursary for 24+ Loans)	1,865	1,454
	<hr/> 1,865	<hr/> 1,454
Learner Support Funds Disbursed	(1,636)	(1,316)
Administration costs	(44)	(69)
Balance at 31 July	<hr/> 185 <hr/>	<hr/> 69 <hr/>

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.