



**ANNUAL REPORT
&
FINANCIAL STATEMENTS**

For The Year Ended 31 July 2014

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MEMBERS' REPORT

Corporation

The Members of the Corporation present their report and the audited financial statements for the year ended 31 July 2014.

Legal Status

Harrow College Further Education Corporation was incorporated on 1 June 1999 for the purpose of conducting Harrow College, which commenced operations on 1 August 1999. Harrow College was created by the merger of Greenhill College and Weald College. Harrow College is an exempt charity for the purposes of the Charities Act 2011.

Mission and Vision

Harrow College is a 'specialist generalist' provider. Accordingly, the statements of the mission and vision of the College are as follows:

Mission

We provide choice and opportunity. Your success is our priority.

Vision

We strive for excellence in all that we do. We seek to develop new learning opportunities for the community.

The underpinning values and principles of the College in achieving the mission:

- Celebrate the diverse and inclusive College community
- Committed to excellence in all that we do
- Learning is at the heart of what we do
- Respect everyone and value their contribution
- Encourage and facilitate innovation, enterprise and creativity

Objectives

The College annually prepares a three year development plan. This development plan includes a Risk Management Strategy and Financial Forecast. The plan is reviewed and updated each year. The Corporation monitors the performance of the College against the updated plan.

The College has set itself a number of strategic targets and objectives. For 2013-14, these were as follows:

To achieve continuous improvement in quality and effectiveness, particularly student retention, achievement, progression and satisfaction.

- This objective continues to be at the heart of the Mission statement and is a fundamental purpose of the College, which is to ensure that students maximise their potential, succeed in their course outcomes and progress to further or higher education or employment.
- The Senior Leadership Team and the Corporation's Curriculum, Quality & Standards Committee oversee and monitor the College's progress towards continuous

MEMBERS' REPORT (continued)

Objectives (continued)

improvement and monitor targets for student performance. The annual Self-Assessment and Student Performance Reports are carefully monitored by both Committees.

- The main focus of the College's strategy in achieving continuous improvement is a rigorous system of self-assessment. National data is used with teaching teams, where it exists, to benchmark the retention, achievement and success rates on a course-by-course basis. In addition, target setting is also used to ensure teaching teams are also setting challenging targets. Systematic teaching observation is carried out across all curriculum areas in order to assess the quality of learning and provide a baseline for improvement. Information is gathered by regular surveys of students' and users' satisfaction, focus groups and careful logging and analysis of complaints, to inform the self-assessment process and make improvements in systems. "Standards Review" panels are held termly to review the performance of each curriculum department. These are chaired by the Principal and focus on the in-year performance of the department's programmes. Additionally, Curriculum Review panels are held in the autumn term each year with every team in the college, to discuss the outcomes and their action plans for the coming year. The panels comprise members of the Senior Leadership Team and Head of Quality and Standards, meeting with the curriculum leader and other members of the curriculum team.
- A comprehensive analysis of student achievement, retention and success rates and value added data is undertaken each year and the results are published in the College's Self-Assessment Report. The results of the analysis also inform the curriculum area self-assessment.

To widen and increase participation, for both 16-19 year olds and adults, by extending the range, choice, accessibility and flexibility of provision.

- As a general FE College, providing effective tuition and pastoral support for full time students aged 16-18 is crucial to achieving the College's mission. In order to meet the needs of a widening range of potential clients the College will continue to develop its curriculum offer and promote it effectively through its marketing strategy. There has been a stronger focus on recruitment to 16-18 year old vocational and academic programmes. This year's application numbers were similar to 13/14 up until mid-August and then dropped to just above the level of 12/13. Enrolments have reflected this with current full-time student numbers are at 1837 compared to 1937 at December last year. The EFA target number is 2106 for all types of students and the College is confident it will meet that target at the census point at the end of November 2014. This is because there are currently 167 part-time numbers with planned provision to start in November.
- Investigation of this drop in application numbers has revealed students deciding to stay on at school as the primary reason. There have been other impacts because of changes to awarding body entry criteria particularly in Health and Social Care. However, full-time 19+ student numbers have again been achieved above target and is now at 616 although half of the College's access provision has not run because of the national changes to entry criteria. Access applications compared favourably with 13/14 but individuals did not have both the GCSE maths and English or one of them to be enrolled. Where this has been the case the College placed students on a GCSE course to enable them to progress next academic year.

MEMBERS' REPORT (continued)

Objectives (continued)

- The College also significantly again increased its Job Centre Plus (JCP) and employee activity during last year. The College recognises it still needs to improve its marketing activity by continuing to improve the content of its website with a career focus over the coming year and to continue its use of social media and specific marketing to reach parents as well as young people. The Marketing team is also developing links with community and 3rd sector organisations to re-develop the links lost which the demise of Connexions to reach those young people who are NEET across the six boroughs in our main catchment area. The College still experienced technical difficulties with regard to Coremetrics although it has proven useful in identifying faults on the website that the marketing team were unaware of (e.g. where the bounce rate was at its highest – enquiry page) and have resolved. The College will do a final review of value for money of the product before renewal.
- During 2013/14 the College continued to run courses in selected locations in and around the Harrow area in order to ensure that learning is accessible to all members of the community. In addition, the College continues to maintain the breadth of provision in the workplace to meet the needs of employers and their staff.
- The College is committed to enhancing and improving the quality of outreach provision to support widening participation, particularly in programmes in Basic Skills, ESOL and IT. The College continues to build upon its established reputation and expertise with those from ethnic minority groups, both as a direct provider and in partnership with other community providers, where funding permits.
- The College stopped providing Citizenship testing at the end of 2013/14. Further changes in the contract reduced the financial value to the College so that costs would outstrip income.
- The curriculum is regularly reviewed and new programmes offered to meet changing need. Last year the Department of Development, Enterprise and Innovation (DEI) has been responsible for the college's external business contacts, quality management of all work-based activity, direct delivery of Job Centre Plus (JCP) NVQs, HE and international activities. The successful delivery of JCP programmes, with success rates above 88% for short and very short programmes, contributed significantly to the college meeting its original adult financial target with the Skills Funding Agency for the last three years. Last year growth money was requested for traineeships and apprenticeships but not all of it was drawn down. The timing between requests and approval proved a significant problem and the criteria that 19-23 year olds could not go onto a traineeship if they had a level 2 qualification was also a significant barrier. For apprenticeships delays in employer engagement particularly in construction impacted on start dates. International income targets were also exceeded. For 2013-14 Health and Social Care HND was successfully introduced and the HEFCE target was reached to retain the same student numbers for 14/15.
- Most of the changes to other parts of the curriculum were about existing provision rather than introducing new provision. This was because of the introduction of

Programmes of Study across all our full-time programmes which were successfully introduced. The College did introduce new English and Maths award qualifications at levels 1 and 2 to try to better align with progression to GCSE. English was more successful than Maths. However, national changes to English and Maths

MEMBERS' REPORT (continued)

Objectives (continued)

qualifications confirmed that only functional skills in the main can be used for progression from 2014/15. New provision concentrated around traineeships and focus to improve the quality and quantity of our apprenticeship offer.

- Overall, the majority of new programmes were successfully launched in last year including growth of Building Lives apprenticeships and introduction of 3 more frameworks.
- The College has been able to successfully grow its 19+ year old learner provision during 2013/14, largely through its JCP programme offer which has included ESOL mandated provision. The reduced volume of sub-contracted activity during 2013/14 was met as planned.

To maintain sound financial health by prudent management of the financial, human and other resources and the efficient management of the operations of the College by protecting itself from unforeseen circumstances and generating sufficient income to support maintenance and improvement of its accommodation.

- The efficient and effective management of resources continues to be an essential strategy for the College to ensure that it has the capability to meet its other strategic objectives. This is particularly relevant in the current climate and spending round. Many of the strategic objectives require continuous investment. To support this, the College continually reviews and develops more cost effective operational and curriculum delivery methods. This strategic objective is supplemented by a detailed financial strategy.
- For the year 2013-14, the College set a budget for growth since there was considerable evidence from applications data that it had turned a corner in terms of declining learner numbers. It budgeted a deficit out-turn, in the knowledge that this was not a sustainable position but that in the longer run it would lead to a better outcome than the alternative of downsizing. Objectives were set that would clearly demonstrate whether the College was managing its way out of this position.

Specific financial objectives set for 2013-14 were as follows:

- Achieve the College's learner recruitment and activity targets for all areas of delivery;

The College recruited 2,126 16-18 learners in 2013-14 against an EFA target of 1,979, an overachievement of 147; this was also up by 155 compared with 2012-13 when we recruited 1,971 learners and up 103 compared with 2011-12 when we recruited 2,023 learners. This is a very positive result, reflecting the College's aim to grow its 16-18 provision, although unfortunately has not been sustained at such a high level in 2014/15.

The College exceeded its original funding targets for both 16-18 apprentices (delivered £329k versus original budget of £300k) and 19+ apprentices (delivered £280k versus original budget of £240k), securing additional growth funding from the SFA as a result, although it did not manage to deliver all its growth funding. There has however been continued progress with its in-house delivery model, and increased levels of partnership activity with award-winning Community Interest Company Building Lives, delivering apprenticeships in building maintenance targeted at the unemployed in

MEMBERS' REPORT (continued)

Objectives (continued)

Hackney, Poplar and now in Haringey (June). There is also the possibility of further opportunities in 2014-15 in other London Boroughs, with the College having already secured a contract for delivery in Richmond.

As in previous years, the College was able to draw down more SFA funding than originally budgeted. Additional programmes included DWP-initiated ESOL Mandated programmes for the unemployed, and Traineeships.

- Meet or beat the pay budget for the level of activity identified in the College's recruitment/income targets;

This objective was achieved. Pay costs for the year were £15,111k which was £161k lower than budget of £15,270k and included an unbudgeted £514k of restructuring costs. Overall staff efficiency was higher than budgeted, since additional income was generated by fewer staff. Excluding restructuring costs, pay costs as a percentage of income were 71.9% compared with budget of 78.7%. While this is very positive progress in tackling an area of uncompetitiveness, there is still a long way to achieve sector benchmark percentages, and this will remain a key area of focus for 2014/15.

- Achieve an additional £1m of income against the approved budget;

This objective was achieved, demonstrating that the College has the capacity for continued growth, although diversification of income away from the main funding agencies remains challenging.

The College secured additional income in-year of £1,122k, for a total income of £20,517k compared with the approved budget of £19,395k. This was primarily due to additional funding for High Needs Additional Learner Support. The original allocation of High Needs learners from the EFA was 55, whereas the actual number that attended the College was 112. Funding for the additional learners was provided via Local Authorities, generating an additional £607k of income.

The other significant variance to budgeted income was SFA income for apprenticeship and traineeship growth together with funding for ESOL Mandated programmes £545k.

Income generated by the Life in the UK centre exceeded budget by £75k. Unfortunately the College contract for this service was not renewed for 2014/15, so this activity has now ceased.

Fee income results were mixed and overall slightly lower than originally planned, by £14k. Within this, domestic tuition fees were down significantly by £198k primarily due to lower than anticipated take-up of Level 3 learner loans (£87k), significant reduction in High School activity (£81k) and fewer fee-paying adult learners (£37k). Offset against this, HE fee income was up £41k versus budget and non-EU tuition fees have seen a significant improvement, ending the year at £343k compared to £200k originally budgeted. This is a new all-time record for non-EU fee income for the third successive year, exceeding the previous record of £272k set in 2012-13 by £71k.

MEMBERS' REPORT (continued)

Objectives (continued)

- Become a leading sustainable college

We are pleased that the College has continued to make good progress with sustainability this year. We received our ISO14001 accreditation in November 2013, and successfully achieved our annual reaccreditation in November 2014.

The ISO external auditor was extremely complimentary about the College's progress, saying "it was good to see how well ISO 14001 has been implemented since last year's certification. The management team demonstrates an excellent commitment and [the Environmental Co-ordinator has] personally worked very hard to get the Environmental Management System up to a high standard. I was genuinely impressed. Actually your green initiatives, not least in the area of biodiversity, are exceptional. The new build with its BREEAM Excellent aspirations is very exciting and I look forward to seeing its many green aspects next year".

ISO14001 was recommended in Ofsted guidelines as proof of good sustainability practice and should count as a step on our journey towards "Outstanding". This also contributes to achieving BREEAM Excellent which is a condition of funding for the new building at Harrow on the Hill.

Specific sustainability highlights for the year include a 25% year on year reduction in gas usage (albeit a mild winter helped); an 11% year on year reduction in energy usage with 4.5% of our energy being generated by our solar panels; and a 25% year on year reduction in paper usage. We have continued to embed sustainability in the curriculum, and held a very successful Sustainability Week and two Green Travel Days for students. Sustainability also makes good financial sense, since we were able to £68k on utility costs versus budget.

- Deliver the property projects against the targets and milestones agreed for 2013-14

The College has two significant property projects, for a new Enterprise Centre and laboratory refurbishments at Harrow on the Hill, and a new purpose-built LLDD Building at Harrow Weald. The HH project is funded by a sizeable grant from the SFA College Capital Investment Fund together with a bank loan, and the HW project is 100% funded by the EFA Demographic Growth Capital Fund. The latter grant was applied-for by Harrow Council.

This objective was partially/mostly achieved. There have been delays in planning approvals on both projects due to circumstances beyond the College's control, and in the meantime construction cost inflation has increased the project costs. Some of the additional cost has been value-engineered out of both buildings, and the College successfully made business cases for additional grant funding to enable the projects to continue. The cost targets for the projects have therefore changed, although the timing target remains that both buildings will be operational for Autumn Term 2015.

The project at HH is now well under way. The laboratory refurbishments were completed in August, on time and on budget, replacing five worn-out laboratories that were installed in 1959 with state of the art new facilities with the same look and feel as the laboratories at HW which were replaced over the previous two summers. Enabling works including demolition of two old portakabins, Caxton and Darby buildings, and removal of a proud 'nib' on Armstrong Building, were completed on time over the summer. Our contractors Morgan Sindall are now completing the foundations for the

MEMBERS' REPORT (continued)

Objectives (continued)

new building, and the project is currently in line with its new cost target and remains on track for timely completion.

It had originally been planned to decant learners from Caxton and Darby to rented accommodation offsite. However by reconfiguring some other rooms, reallocating staff rooms as classrooms and timetabling carefully, it has been possible to retain all students onsite and avoid this additional cost.

One condition of SFA grant funding is that the building must achieve BREEAM Excellent standard, and it is currently on track to do so.

The project at HW is not as far advanced, since this needed to be re-tendered to achieve best value and an affordable cost. Enabling work including partial demolition of Gaskell building, a 25 year old portakabin, was completed over the summer. Huttons were subsequently selected as preferred contractor, with work on site commencing in November 2014. Contract costs are currently being finalised. The target completion date remains achievable although there is little or no slack remaining in the time line. One condition of planning approval for the LLDD building is that the College undertakes to submit a master plan for the Harrow Weald site to Harrow Council Planning Department by December 31st 2014. An outline plan has been developed which is now being worked-up by the College's architects and planners.

Focus is continuing during 2014-15 to ensure both projects are fully delivered, since the new buildings are a vital part of the College's strategic plans for curriculum development and long term financial sustainability.

Specific financial objectives for 2014/15 are set as KPIs for delivery of the strategic objective to be a viable and efficient college.

To strengthen and improve the effectiveness of the arrangements for collaboration and partnership.

- Harrow College's Mission and Vision are underpinned by a commitment to develop effective partnerships in support of lifelong learning. The focus of the arrangements for collaboration is two-fold: within Harrow, working closely with the local authority, local schools, and colleges, and beyond Harrow, where the aim is to establish key partners across London and internationally.
- The Governors have approved a strategy, which encapsulates this approach and the elements of the strategy are as follows:
 - 14-19 curriculum developments in Harrow and West London;
 - Work with subcontract partners;
 - The local strategic partnership in Harrow;
 - Maintain and further develop employer engagement and key employer partnerships;
 - London West Principals' Group (LWPG);
 - Associate College and progression relationships with Universities;
 - West London HE and FE group;
 - Developing international links and programmes.

MEMBERS' REPORT (continued)

Objectives (continued)

- Harrow College continues to work with local high schools and special schools to offer link courses and customised provision for young people aged 14-16, both in the College and at Harrow Skills Centre in line with the tenets of Foundation Learning.

The Harrow Skills Centre offers up to 100 places for 14-15 year olds and up to 120 places for 16-18 year olds.

- The College is continuing to develop its provision of electrical and plumbing programmes for 16+ year old learners at its Whitefriars Centre, and offered new level three programmes. The work with Building Lives has enabled the College to offer building maintenance apprenticeships in London, mainly to 16-24 year olds.
- The College continues to work collaboratively with the Harrow Collegiate to enable learners to access a range of A' level programmes across the Borough. This supports a small number of learners and their outcomes are good.
- The College has maintained strong partnerships with other public sector organisations across the borough and plays a lead role in skills development and economic planning to support economic growth and stability within the local area, and has established the work of its recruitment agency for apprenticeship matching and will develop this further to strengthen links with SMEs. The College won a bid to run Lowlands recreational performance space and café in partnership with GCDA. The park is situated opposite the Harrow-on-the-Hill Campus and will provide training opportunities and income generation for the College but also help to support the regeneration of the Harrow town centre. It is due to be launched February 2015. The College continues to work effectively with the Borough on other programmes supporting the unemployed and SMEs. It also continues to be a key member of the Harrow Town Centre Forum and Healthwatch Harrow. This is a local partnership between the NHS, third sector organisations, the College and the local council to develop projects on health and wellbeing.
- The local authority also supported the College's bid to expand its LLDD provision for learners in the borough who currently go outside the Borough. This was approved by the EFA and building work will commence in 2014/15 because of unavoidable delays. The opening of the new centre will be for September 2015.
- The College was also awarded SFA capital funding to building a Business Enterprise Centre. This will include provision for revamped business programmes and a hub for employers around West London. This build will be open in September 2015.
- The College has provided an extensive programme for unemployed people in partnership with JCP. Target numbers and funding were exceeded and programmes have proved highly successful.
- The College was awarded an ERDF Gateway Asia bid in April 2014 which is supported by the Borough. It aims to support businesses in West London to attract partners and business internationally.

Through its links with the British Council, the College has successfully developed its project in South Africa and was awarded Best Newcomer Award by the British Council

MEMBERS' REPORT (continued)

Objectives (continued)

- last year for its work with Tunisia. Also, there are a number of other international initiatives including in Oman and Egypt. The College remains one of the partner

colleges in the Association of Colleges India Group. However, has discontinued its membership of TVET. However, the introduction of more stringent criteria to retain Highly Trusted Status may impact on the level of in-coming student activity for the coming year.

All of these elements contribute to the development of the College's curriculum, widening participation and progression of young people and adults through collaborative ventures and the positioning of the College within the local and sub-regional, regional and international arenas.

Performance Indicators

FE Choices (formerly the "Framework for Excellence") has four key performance indicators:

- Success rates
- Learner destinations
- Satisfaction survey (formerly "learner views")
- Satisfaction survey (formerly "employer views")

The College is committed to observing the importance of the measures and indicators and is monitoring these through completion of the annual Finance Record for the Skills Funding Agency.

Financial Results

The College achieved a year end operating deficit before FRS17 pension adjustments of £(1,538)k compared to budget of £(2,680)k, a positive variance of £1,142k. After FRS17 adjustments, the deficit increases to £(1,596)k

Key drivers for this are described earlier, in performance against objectives section. Additionally it is worth noting that while expenditure on subcontractors was higher than budget, this was related to delivery of additional income and also largely offset by savings on other non-pay budgets.

The Actuarial Valuation of the Local Government Pension Scheme (LGPS) at 31st July 2014 showed an actuarial loss of £3,040k, resulting in an increase in the FRS17 liability for the College, from £3,470k in July 2013 to £6,658k at July 2014. However overall, the College's net assets were higher compared with the prior year, ending at £5,978k compared with £5,110k at 31st July 2013. Excluding the pension liability, College net assets ended at £12,546k in 2014 to £8,580k in July 2013.

In terms of capital expenditure, the College invested £4,050k during the year in the purchase of tangible fixed assets. Of this, the majority (£3,494k) was on assets in construction at year end. This was primarily related to the Harrow on the Hill Enterprise Centre and laboratory refurbishments, with five laboratories being renewed during July/August. The balance related to the new LLDD building and to condition improvements funded by the SFA.

MEMBERS' REPORT (continued)

Financial Results (continued)

During 2013-14, the College was successful in securing a condition fund grant £540K from the SFA. This was spent primarily on Brunel Building which is the College's oldest and largest teaching building and, aside from temporary buildings beyond economic repair, was in the worst condition. This enabled the College to replace and upgrade 100 year old windows; replace three worn out flat roofs with superior and better insulated materials; and upgrade lighting to low energy fittings as part of a remodelling of ground floor classrooms. These measures should reduce running costs as well as improve student experience. The grant was also utilised to replace network infrastructure edge switches which were beyond their useful life and at risk of failure, and to replace the disabled lift in the DAC (art) building. Not all of this work was completed prior to year end, having been undertaken over July and August.

Assets that were completed and added to the asset register included £326k of building enhancements which included two new physics laboratories at Harrow Weald which were in construction at last year end, and £230k of IT and other equipment.

Treasury policies and objectives

Treasury management is the management of the college's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a section in its Financial Regulations entitled Investment Policy that deals with treasury management.

Short term borrowing for temporary revenue purposes is authorised by the Principal. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum with the Skills Funding Agency.

Cash Flows

There has been a cash inflow to the College for the year ending 2013-14, inclusive of endowment assets, moving positively from £998k in 2012-13 to £1,833k in 2013-14. This is primarily as a result of capital grants being received in advance of related expenditure being incurred, with the underlying cash position of the College remaining weak. To address this, the College has negotiated an overdraft facility with Barclays Bank to meet its cash needs for the coming year to July 2015. It has also arranged a refinancing and increase to its existing loan, to enable completion of the Enterprise Centre capital build project at Harrow on the Hill. This facility for £3,161k was drawn down on 12 December 2014.

Liquidity

The size of the College's total borrowing and the cost of servicing this debt have been calculated to ensure that the total cost of servicing does not exceed operating available cash flow. At the year end, the debt servicing cost amounted to 29% of the operating available cash flow.

MEMBERS' REPORT (continued)

Current and Future Development and Performance

Student Numbers

In 2013-14 the College delivered activity that generated £15,916k in funding body main allocation funding, including £322k 16-18 apprenticeships (2012-13 £184k), an increase of £138k. The College had approximately 2,198 16-18 learners (2012-13: 2,017) and 4,329 adult learners (2012-13: 4,396), and approximately 2,342 Adult Community Learning places (2012-13: 2,100), provision that is part-funded by the London Borough of Harrow.

Student Achievements

FE College success rates are determined by how many learners who started a programme actually achieved a qualification. High grades are a reference to how many of those learners achieved a grade A* to B (AS and A2), A*-C (GCSE) or Distinction* to Merit depending on the qualification and the grading system used.

The overall success rate including Functional skills for all students including all qualifications was 83%, the same as the most recently available national average figure, and 3% higher than the previous year. For students aged 16-18 it was 78% compared with 77% the previous year. For 19+ students it was 86% compared with 84% the previous year. The table overleaf¹ shows the success rates for 2013-14 and includes comparative data for the previous year.

To note, in the table column headers Suc % refers to the % Success rate (the percentage of starters who achieved the qualification) and Suc % NA refers to the National Average success rate for General FE and Tertiary Colleges).

¹ At the time of writing, for 13/14 there were 7 "unknown results" for 16-18 Functional Skills Entry level, and 46 unknown results for adults, of which half (23) were L2 in SSA 15 – Business. These are treated as fails in the figures above and the table.

MEMBERS' REPORT (continued)

Current and Future Development and Performance (continued)

| Notional Level | Year | 16-18 age group | | | | 19+ age group | | | |
|-------------------|---------------|-----------------|-------|----------|------------|---------------|-------|----------|------------|
| | | Starts | Suc % | Suc % NA | Suc % - NA | Starts | Suc % | Suc % NA | Suc % - NA |
| Functional Skills | 12/13 | 1680 | 63 | 0 | 0 | 752 | 58 | 0 | 0 |
| Functional Skills | 13/14 | 595 | 74 | 0 | 0 | 355 | 63 | 0 | 0 |
| | 13/14 - 12/13 | (1085) | 11 | 0 | 0 | (397) | 5 | 0 | 0 |
| Long 1 | 12/13 | 945 | 88 | 84 | 4 | 457 | 87 | 82 | 5 |
| Long 1 | 13/14 | 1050 | 81 | 84 | -3 | 335 | 86 | 82 | 4 |
| | | 105 | (7) | 0 | (7) | (122) | (1) | 0 | (1) |
| Long 2 | 12/13 | 1025 | 87 | 83 | 4 | 349 | 81 | 79 | 2 |
| Long 2 | 13/14 | 1307 | 77 | 83 | -6 | 788 | 71 | 79 | -8 |
| | | 282 | (10) | 0 | (10) | 439 | (10) | 0 | (10) |
| Long 3 | 12/13 | 1574 | 73 | 80 | -7 | 465 | 72 | 78 | -6 |
| Long 3 | 13/14 | 1834 | 78 | 80 | -2 | 990 | 77 | 78 | -1 |
| | | 260 | 5 | 0 | 5 | 525 | 5 | 0 | 5 |
| Long H | 12/13 | | | | | 20 | 100 | 66 | 34 |
| Long H | 13/14 | | | | | 88 | 58 | 66 | -8 |
| | | | | | | 68 | (42) | 0 | (42) |
| Long X | 13/14 | 493 | 93 | 96 | -3 | 53 | 96 | 96 | 0 |
| Short (1,2,3,H) | 12/13 | 1246 | 83 | 87 | -4 | 1887 | 89 | 86 | 3 |
| Short (1,2,3,H) | 13/14 | 1346 | 70 | 87 | -17 | 5696 | 90 | 86 | 4 |
| | | 100 | (13) | 0 | (13) | 3809 | 1 | 0 | 1 |
| Short X | 13/14 | 36 | 92 | 99 | -7 | 8 | 100 | 96 | 4 |
| V Short (1,2,3,H) | 12/13 | 220 | 82 | 93 | -11 | 2105 | 91 | 93 | -2 |
| V Short (1,2,3,H) | 13/14 | 67 | 82 | 93 | -11 | 2004 | 88 | 93 | -5 |
| | | (153) | 0 | 0 | 0 | (101) | (3) | 0 | (3) |
| V Short X | 13/14 | 77 | 100 | 99 | 1 | 6 | 100 | 99 | 1 |

For 16-18 year olds, whilst the increase in success rates is welcome, they are still too low. The table shows our deliberate shift away from Functional Skills to Awards in Mathematics and English as alternatives considered to be better preparation for GCSEs. Some poor success rates in these qualifications have had an impact on Long 1 and Long 2 overall rates.

The 5 percentage point improvement at Level 3 is welcome but remains below National Average. Success rates for adults are good overall at 86%. It should be noted that "Long H" only captures SFA funded equalisations and not our other HE work.

The Ofsted inspection in April 2013 confirmed that all aspects were a grade two, which is a rating of 'Good'. It did recommend that there needed to be an improvement in outcomes for 16-18 year olds and overall achievement remains above that of 11/12 dropped by 1% percentage point on 12/13. The focus in 2014/15 will be to improve consistently through the College's SAR process linked to the 3 year implementation plan which includes the introduction of Gold Standards mapped against the learner journey, revision of performance review of teaching staff, removal of poorly performing provision (hospitality, travel and tourism) and continued targeted support for particular SSAs (Business, Administration and Law, Construction, Planning and the Built Environment) and to continue improvements to level one and level two English and Maths including high grades for GCSEs as well as overall success for AS subjects (which improved by 6 percentage points) and their high grades. Changes in BTEC provision at level three have seen a 10 percentage points improvement in success rates in 2013-14. Next year the College will also plan to move to linear A levels for September 2015.

MEMBERS' REPORT (continued)

Current and Future Development and Performance (continued)

Apprenticeship success is still a mixed picture. A quality review was carried out in August this year by an external consultant which revealed areas to improve across our processes and quality of assessors. An action plan has been formulated for 2014/15. However, overall for work based learning, programme success remains high (above 80%).

Progression rates were maintained between all levels compared with 2012/13. However, with changes to assessment practice across BTEC programmes it will prove more challenging for learners with a Pass to progress up to the next level particularly from level 1 to level 2 in the coming year. Level three destinations to university still remain high with the majority progressing.

Curriculum Developments

Changes to the structure of Departments was implemented in 2013/14. There are now 4 departments responsible for both full and part-time programmes. Adult Community Learning (ACL) provision now comes under the newly formed Learner Services and Marketing Department. The business support department has a new remit around marketing to better align relevant support functions up to enrolment. This department will also improve the Colleges careers support and outreach activities and will have responsibility for the Lowlands recreational performance space and café in partnership with GCDA on behalf of Harrow Council. In addition, the College continues to maintain its strategic local partnerships with Job Centre Plus, Harrow Local Authority, Chambers of Commerce and Harrow in Business, the local NHS Trust and third sector organisations such as MIND to bring skills development to a broader range of learners and employers. Outside of Harrow, the College continues to expand its work-based programmes through its DHL partnership, working with other large employers including Marks and Spencer's, Morrison's and Amazon.

The College has won a Demographic Growth bid to provide a dedicated centre for 80 LLDD learners in Harrow. The bid was supported by the Borough. The new centre will be ready for September 2015. The College has endeavoured to continue to work with the Harrow Collegiate to provide a wide breadth of 'A' level and vocational programmes for learners in the borough and surrounding boroughs. The Skills Centre continues to offer local vocational training for 14-16 year olds and 16+. Electrical and plumbing provision continues to maintain a good level of progression and success for 16+ year old learners. The expansion into apprenticeships in partnership with Building Lives is also proving successful with the potential to support over 120 learners in an academic year.

The College also successfully bid for capital funding from the SFA to develop a Business Enterprise Centre. This will not only help to improve and broaden our business and service industry offer but also provide a hub for all the College's employer and employment activities including apprenticeships, recruitment agency and introduce business incubation spaces as well. In addition it will also enable the college to complete the upgrading and expansion of the College's science laboratories. This too will open in September 2015.

The College continues to be a member of the College Association for both Westminster University but the relationship with Middlesex University has diminished significantly. However, the College now has a new partnership with Northampton University with a focus on progression for level 3 learners and possible international work.

MEMBERS' REPORT (continued)

Current and Future Development and Performance (continued)

The international strategy has proved successful and the College has exceeded its financial income target for 2013-14, retained its highly trusted status with the UK Border Agency and

expanded recruitment not just in EFL but also in the International Foundation Programme (at level three). Other curriculum developments have been identified beyond the life of British Council projects with Tunisia and the College has broadened the range of countries it is partnering with through the British Council and other connections including South Africa, Oman, Egypt, Brazil and Sri Lanka.

The College's Enterprise and Employability Strategy is wide ranging, focussing on different aspects of developing enterprise and employability with different stakeholders and as a College as a whole. There continues to be good success, for example, work-skills and enterprise qualifications, the increased number of work placements, continuation of the Employability Academy and widening of the Career Academy to include sciences as well as ICT. The College's LLDD students have gone from strength to strength developing their Bits and Bob's shop, and full time learners engage in social enterprise activities to support local charities and becoming student ambassadors for the College. The College introduced the employability passport and has revamped this to take account of Harrow College Graduate Attributes. These attributes are those considered important by employers and universities. The passport will be re-launched with students in Autumn 2014.

The College developed its STEM strategy (Science, Technology, Engineering and Maths) with the support of NEF achieved STEM Assured Status in March 2014. Learner numbers have continued to increase in this area and new labs have been refurbished over the last two years. A STEM Strategy group includes employers (e.g., IBM, Cogent) and oversees developments.

Governors' work well with managers and staff and the work of the Curriculum, Quality and Standards Committee has proved to be particularly effective. Throughout the academic year there are opportunities at the Committee and Corporation meetings, and the residential, to inform Governors about the impact on curriculum development from national, regional and local drivers, and the progress on performance and development. For example, detailed analysis of the College's Self Assessment Report, outcomes to external inspections, learner survey results and plans to introduce/change provision and resources e.g, support for capital projects to maximise learner numbers.

Principal Risks and Uncertainties

The College continues 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 Senior Leadership Team, which has responsibility for Risk Management, together with senior staff in the College Management Team, undertakes a comprehensive review of the risks to which the College is exposed. Systems and procedures are identified, 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 Senior Leadership Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

MEMBERS' REPORT (continued)

Principal Risks and Uncertainties (continued)

A Risk Register is maintained at College level, which is reviewed annually and presented to the Audit Committee for their input. The risk Register identifies 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 three principal risk factors that may affect the College in the years ahead. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1 Failure to generate an operating surplus and re-build reserves

Harrow College has posted an operating deficit for four of the last five years, leaving College reserves in a weakened position. As Agency budgets are cut, so college incomes are affected, and cost pressures increase. The approved 2014-15 budget is a modest deficit of £(100)k, following the substantial loss made in 2013/14, but the internal objective is to beat this and return to surplus ahead of plan.

Current controls in place to mitigate this risk are tight control of pay costs through a variety of measures together with ensuring best value for non-pay expenditure by using Tenet services for procurement. The College continues to pursue learner number growth as key to delivery of the three year plan; has already submitted successful bids to the SFA for in-year growth funding for apprentices and Traineeships and will take every opportunity to bid for further additional funding. The College has already secured an additional Building Lives apprenticeship project in Richmond and may have an opportunity for a similar partnership in Brent later in the year. There are risks this year around International fee income due to UK Border Agency changes, and to fee income from Level 3 learners taking out loans due to changes in entry qualification for Access programmes. The College will seek to mitigate the impact on income by delivery of additional ESOL Mandated activity and potentially using an agent to secure additional students.

2 Failure to respond to reduced SFA and EFA funding

The College 3 Year Plan (3YP) reflects estimated cuts in future EFA/SFA funding over the period of the plan aligned with growth plans based on current funding priorities (apprenticeships, traineeships). However, funding cuts such as that introduced in 14/15 in respect of 18 year old learners (partially mitigated until 15/16) are more difficult to predict. On-going cuts to 19+ Classroom Based Learning are anticipated over coming years, and the outcome of the General Election in May 2015 will impact on education funding policy.

Current controls in place to manage this risk include good working relations established with The Skills Funding Agency, the Education Funding Agency and the local authority, at officer and senior level. Good performance against the SFA contract in 2013/14 in addition to growth funding secured has positioned the College well to benefit from any future additional allocations or increases. Collaborative working with other providers (colleges and other) and acting as a subcontractor (eg ESF English and Maths) enables a flexible response to opportunities and threats. The College Principal is a member of the national group for 14 to 19 activity, which leads to enhanced and early access to significant information to support planning.

MEMBERS' REPORT (continued)

Principal Risks and Uncertainties (continued)

3 Failure to recruit sufficient students

The College achieved its 16-18 learner target number in 2013/14 with over 95% representing full-time learner numbers which is a significant improvement on previous years' full-time numbers. However, recruitment for 2014/15 has seen a drop in full-time numbers by just over 100 although the overall EFA target number should be met.

Further embedding of the college website has led to increased hits but applications for 2014/15 are 200+ on 12/13 rather than 300+ for 2013/14. Local competition has grown with more schools offering vocational programmes, and the addition of new free schools in the Borough and surrounding areas. The College did achieve sufficient HND learner numbers to retain its numbers for 2014/15.

Current controls include monitoring of application process and numbers; monitoring of internal progression; targeted marketing analysis and extending marketing beyond surrounding boroughs. The College hopes to fully realise its investment in a marketing analysis tool to better target prospective learners and improve curriculum development. High School liaison will continue but with targeted liaison activities widened to include the third sector and private providers supporting NEETS.

Stakeholder Relationships

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

- Students;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local Authorities, and Government Offices;
- The local community;
- Other FE institutions;
- Trade Unions;
- Professional bodies;

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

Harrow College considers good communication with its staff to be very important and employs a variety of communication tools. These include a regular newsletter to all staff and a weekly update for managers sent by e-mail; all staff are given access to e-mail, a period team briefing, regular team meetings, publication of key college information on the staff intranet including the Principal's Blog and staff meetings held by the Principal and Vice Principal. The College successfully renewed its Enhanced Matrix Standard status in 2012 which covers all college activities and not just learner services.

The College also encourages staff and student involvement through membership of formal committees and working groups, including the Corporation. There are two student Governors, the President of the Students' Union plus a member of the Student Union Executive, and two staff Governors within the agreed membership of the corporation.

MEMBERS' REPORT (continued)

Stakeholder Relationships (continued)

Students are also consulted through a Student council comprising tutor group representatives and their views are regularly sought through satisfaction surveys and focus groups.

The Learner Voice committee enables formal learner voice to the committee structure to improve corporate decision making through enhanced engagement with learners to inform future strategies. This committee has proved helpful in engaging learners, and gaining their input on matters and decisions affecting them.

Please also refer to previous sections on relationships with other organisations and employers.

Equal Opportunities and Employment of Disabled Persons

Harrow 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, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy, including its Race Relations Policy, is published on the College's intranet site.

Harrow College considers all applications for employment 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 that are, as far as is reasonably practicable, identical to those for other employees.

Disability Statement

Harrow College seeks to achieve the objectives set down in the *Disability Discrimination Act 1995* as amended by the *Special Education Needs and Disability Acts 2001 and 2005*:

- As part of its accommodation strategy the College updated its access audit. A full access audit was carried out, and the results of this formed the basis of a bid to the LSC for funding capital projects aimed at improving access. The bulk of this work was carried out during 2004-05.
- For many years now the College has had in place a Learning Support Manager, who provides information, advice and arranges support where necessary for students with disabilities.
- There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centres. The support available in the learning centres includes adjustable height desks, large screen monitors, and special keyboards and specialised software.
- The College provides an admissions policy for all students as described in the College Prospectus. Appeals against a decision not to offer a place are dealt with under the complaints policy.

MEMBERS' REPORT (continued)

Disability Statement (continued)

- ❑ Specialist lecturers and other student support staff are employed to assist students with learning difficulties and/or disabilities.
- ❑ 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.
- ❑ Specialist programmes are included in the College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- ❑ Counselling and welfare services are described in the College Student Handbook, which is issued to all students at induction. There is a procedure in place for Student Complaints and forms are available on both Campuses as well as being published on the College Intranet.
- ❑ The College has an established Policy for Managing Student Behaviour and Disciplinary Procedures and a summary of this is published in the College Student Handbook with the full version being available to students on the College Intranet.

Disclosure of Information to Auditors

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

MEMBERS

The members who served on Harrow College Corporation during the year were as follows:

| Name | Date Appointed | Term Expires | Date Resigned | Membership Status | Committees served |
|----------------|---|---------------|---------------|-------------------|--|
| Y Adu-Mante | October 2012 Re-elected July 2013 | July 2014 | | Student | Learner Voice |
| T Critchley | March 2014 | March 2016 | | Staff (Support) | Audit, Learner Voice |
| N Davies | October 2009 Re-appointed October 2013 | October 2017 | | Independent | Search & Development, Resources, Property, Remuneration |
| M Eastwood | October 2011 | October 2015 | | Independent | Audit, Remuneration |
| S Ernstoff | July 2008 Re-appointed July 2012 | July 2016 | | Independent | Resources, Property |
| T Hayes | June 2013 | June 2015 | March 2014 | Staff (Support) | Audit, Learner Voice |
| J Jobanputra | October 2011 | October 2015 | March 2014 | Independent | Resources, Property Remuneration |
| T Medhurst | April 2008 | Ex-officio | | Principal | Property, Search & Development, Resources, Learner Voice |
| K Munir | February 2014 Re-elected June 2014 | July 2015 | | Student | Learner Voice |
| V Njoku | October 2013 | July 2014 | February 2014 | Student | Learner Voice |
| S Owen | July 2010 Re-appointed July 2014 | July 2018 | | Independent | Resources, Property, Remuneration |
| M Raval | June 2014 | July 2015 | | Student | Learner Voice |
| S Shah | July 2012 | July 2016 | | Independent | Resources, Search & Development |
| K Sheth | July 2009 Re-appointed July 2013 | July 2017 | | Independent | Audit, Curriculum Quality & Standards |
| K Tyerman | October 2011 | October 2015 | March 2014 | Independent | Curriculum Quality & Standards |
| M Van Der Vord | November 2012 Re-elected November 2014 | November 2014 | | Staff (Academic) | Curriculum Quality & Standards Search & Development |
| E Warriner | July 2013 | July 2017 | | Independent | Curriculum Quality & Standards |
| A Weiss | December 2011 | December 2015 | | Independent | Curriculum Quality & Standards, Learner Voice |

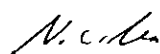
The non-governors who were co-opted to serve on Committees during the year and up to the date of signature of this report were:

| Name | Committees Served |
|--------------|-----------------------------|
| David Dipple | Audit, Search & Development |

During the year ending 31 July 2014 Miss Jayne Chaplin, was the Clerk to the Corporation.

Approved by order of the members of the Corporation on 17 December 2014 and signed on its behalf by:

**Mr N Davies
Chairman**



PROFESSIONAL ADVISORS: -

**Financial Statements
& Regularity
Auditors** KPMG LLP
58 Clarendon Road
Watford
WD17 1DE

Internal Auditors Baker Tilly Business Services Ltd
Vantage
Victoria Street
Basingstoke
Hants
RG21 3BT

Bankers Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Solicitors Eversheds
Senator House
85 Queen Victoria Street
London
EC4V 4JL

Harold Benjamin
Hill House
67-71 Lowlands Road
Harrow
Middlesex
HA1 3EQ

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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.

The Corporation Board recognises as a body entrusted with both public and private funds, that it has a particular duty to observe at all times the highest standards of corporate governance in carrying out its responsibilities. In response to the recommendation of the Association of Colleges, for corporations to adopt the English Colleges' Foundation Code of Governance, issued in December 2011, the Corporation formally adopted the Code in July 2012. In the opinion of the governors, the College fully complied with the Code, in so far as they apply to the Further Education Sector, in the year ended 31 July 2014.

The Corporation

The composition of the Corporation is set out on page 19. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Curriculum & Quality, Resources, Property, Remuneration, Learner Voice, Search and Development, and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College website or from the Clerk to the Corporation at:

Harrow College
Harrow Weald Campus
Brookshill
Harrow Weald
HA3 6RR

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 Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment and removal of the Clerk are matters for the Corporation as a whole.

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other

relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair and Principal are separate.

There were scheduled meetings that took place on a termly basis. Overall attendance at meetings was 77% with attendance at Corporation meetings, 75%.

Appointments to the Corporation

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

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

Remuneration Committee

Throughout the year ending 31 July 2014, the College's Remuneration Committee comprised the Chair of Corporation and two other members of the Corporation (excluding the Principal). The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other Senior Post Holders.

Details of remuneration for the year ended 31 July 2014 are set out in a note to the Financial Statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Principal and other members of the Resources Committee). There is provision for the co-option of a non-member of the Corporation if the Committee thinks fit. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

The College's internal auditors monitor the systems of internal control in accordance with an agreed plan of input and report their findings to management and the Committee. Management is responsible for the implementation of agreed recommendations and internal audit undertakes periodic follow up reviews to ensure such recommendations have been implemented.

The Committee also advises the Corporation on the appointment of internal and external auditors and their remuneration for both audit and non-audit work.

Internal Control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of 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 Corporation 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 on-going 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 Harrow College for the year ended 31 July 2014 and up to the date of approval of the annual report and financial statements.

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 Corporation;
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines;
- The adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with requirements of the LSC's Interim Audit Code of Practice. The work of the internal audit service 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 Corporation on the recommendation of the Audit Committee.

As a minimum, the Head of Internal Audit annually provides the Corporation with a report on internal audit activity in the College. The report includes the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of the effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's 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 and the appointed funding auditors in their management letters and other reports.

The Principal has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditors, 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 included recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's annual 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 October 2014 meeting the Corporation carried out the annual assessment for the year ended 31 July 2014 by considering documentation from the Senior Leadership Team and internal audit, and taking account of events since 31 July 2014.

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 on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2014 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

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

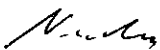
The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part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

We confirm, on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency

Going Concern

In July 2014 the Corporation was pleased to receive bank approval of new banking facilities, including a mixture of loan and overdraft arrangements. The Corporation is confident that this will provide the College with adequate working capital for the foreseeable future, as well as providing the necessary funding for the completion of capital projects. A charge over the Harrow Weald Campus will be provided to the bank in connection with these facilities. The overdraft will be reviewed in October 2015 in the normal course of business, and is expected to be renewed as required at that stage.

Approved, by order of the members of the Corporation, on 17 December 2014 and signed on their behalf by:



Mr N Davies
Chairman

Date 17 DECEMBER 2014



Mr T Medhurst
Principal

Date 17 DECEMBER 2014

STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The members of the Corporation of the College are required to present audited financial statements for each financial year. Within the terms and conditions of the Financial Memorandum agreed between the Chief Executive of the Skills Funding Agency and the Corporation of the College, the Corporation through its Principal is required to prepare financial statements for each financial year in accordance with the *2007 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions* and with the *Accounts Direction* issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements the Corporation is required to:

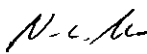
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare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

The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including legal and administrative status of the College. The Corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Education Funding Agency and the Skills Funding Agency are used only in accordance with the Financial Memorandum with the Funding bodies and any other conditions that the agencies may from time to time prescribe. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure that they are used properly. In addition, Members of the Corporation are responsible for securing the 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 by the Education Funding Agency and the Skills Funding Agency are not put at risk.

Approved, by order of the members of the Corporation, on 17 December 2014 and signed on their behalf by:

Mr N Davies 
Chairman

Date 17 DECEMBER 2014

KPMG LLP
58 Clarendon Road
Watford, WD17 1DE

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HARROW COLLEGE

We have audited the College financial statements ("the financial statements") of Harrow College for the year ended 31 July 2014 set out on pages 31 to 60. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporation of Harrow College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities, set out on page 27, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2014 and of the College's deficit of income over expenditure for the year then ended;

-
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
 - have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Joint Audit Code of Practice (Parts 1 and 2) issued jointly by the Skills Funding Agency and the Education Funding Agency

In our opinion:

- proper accounting records have been kept; and
- the financial statements are in agreement with the accounting records.

B. J. Stapleton

Benjamin Stapleton

**For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants**

Date 19 December 2014

INDEPENDENT AUDITORS' REPORT ON REGULARITY TO THE CORPORATION OF HARROW COLLEGE AND THE CHIEF EXECUTIVE OF SKILLS FUNDING AGENCY

This report is produced in accordance with the terms of our engagement letter dated 8 May 2012 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular as defined by and in accordance with the Financial Memorandum with the Chief Executive of Skills Funding Agency, and in accordance with the authorities that govern them.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Audit Framework published by the Skills Funding Agency and the Education Funding Agency.

Our review has been undertaken so that we might state to the Corporation of Harrow College and the Chief Executive of Skills Funding Agency those matters we are required to state to them in a report and for no other purpose. This report is made solely to the Corporation of Harrow College and the Chief Executive of Skills Funding Agency in accordance with the terms of our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Harrow College and the Chief Executive of Skills Funding Agency, for our review work, for this report, or for the opinion we have formed.

Responsibilities of the Corporation of Harrow College

The Corporation of Harrow College is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

The Corporation of Harrow College is also responsible, under the requirements of the Accounts Direction for 2013/14 Financial Statements published by the Skills Funding Agency and the Education Funding Agency, for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2014 have been notified to the Skills Funding Agency.

Auditor's responsibilities

Our responsibility is to express a reasonable assurance opinion that the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter dated 8 May 2012. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.

Basis of opinion

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

Opinion

In our opinion the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

B. J. Stapleton

Benjamin Stapleton
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Date 19 December 2014

INCOME & EXPENDITURE ACCOUNT
For the year ended 31 July 2014

| | Note | 13/14 £000s | 12/13 £000s |
|--|------|----------------|----------------|
| Income: - | | | |
| Funding Agency Grants | 2 | 18,048 | 18,702 |
| Tuition Fees & Education Contracts | 3 | 2,062 | 1,703 |
| Other Income | 4 | 401 | 411 |
| Endowment & Investment Income | 5 | 6 | 10 |
| Total Income | | 20,517 | 20,826 |
| Expenditure: - | | | |
| Staff Costs | 6 | 15,270 | 14,700 |
| Other Operating Expenses | 8 | 5,891 | 5,514 |
| Depreciation | 12 | 1,010 | 1,093 |
| Interest and Other Finance Costs | 9 | (58) | 129 |
| Total Expenditure | | 22,113 | 21,436 |
| (Deficit) /surplus on continuing operations after depreciation of assets at valuation and before tax | | (1,596) | (610) |
| Loss on disposal of assets | 12 | - | - |
| (Deficit) /surplus on continuing operations after depreciation of assets at valuation and disposal of assets but before tax | | (1,596) | (610) |
| Taxation | 10 | - | - |
| (Deficit) /surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax | 11 | (1,596) | (610) |
| (Deficit) /surplus for the year retained within general reserves | | (1,596) | (610) |

The income and expenditure account is in respect of continuing activities.
The notes on pages 35 to 60 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 July 2014

| | Note | 13/14 £000s | 12/13 £000s |
|---|------|----------------|----------------|
| (Deficit) /surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax | | (1,596) | (610) |
| Actuarial gain/ (loss) in respect of pension schemes | 20 | (3,058) | 297 |
| Total recognised (losses) /gains for the year | | (4,654) | (313) |
| Reconciliation: - | | | |
| Opening reserves & endowments | | 4,521 | 4,834 |
| Total recognised (losses) /gains for the year | | (4,654) | (313) |
| Closing reserves & endowments | | 133 | 4,521 |

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

For the year ended 31 July 2014

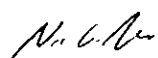
| | Note | 13/14 £000s | 12/13 £000s |
|---|------|----------------|----------------|
| (Deficit) /surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax | | (1,596) | (610) |
| Difference between historical cost depreciation and the actual charge for the year calculated on the re-valued amount | 19 | 217 | 217 |
| Historical cost (deficit) /surplus for the year, before and after taxation | | (1,379) | (393) |

The notes on pages 35 to 60 form part of these financial statements.

BALANCE SHEET AS AT 31 July 2014

| | Note | 13/14 £000s | 12/13 £000s |
|--|------|----------------|----------------|
| Fixed Assets: - | | | |
| Tangible assets | 12 | 14,810 | 11,770 |
| Endowment assets | 13 | 7 | 7 |
| Total Fixed Assets | | 14,817 | 11,777 |
| Current Assets: - | | | |
| Debtors | 14 | 572 | 376 |
| Cash at bank and in hand | | 1,876 | 991 |
| Total Current Assets | | 2,448 | 1,367 |
| Creditors: amounts falling due within one year | 15 | (4,456) | (1,975) |
| Net current (liabilities) /assets | | (2,008) | (608) |
| Total assets less current liabilities | | 12,809 | 11,169 |
| Creditors: amounts falling due over one year | 16 | (40) | (2,167) |
| Provisions for liabilities and charges | 17 | (429) | (422) |
| Net assets excluding pension liability | | 12,340 | 8,580 |
| Net pension liability | 21 | (6,568) | (3,470) |
| Net assets including pension liability | | 5,772 | 5,110 |
| Deferred capital grants | 18 | 5,898 | 582 |
| Endowments (Expendable) | 13 | 7 | 7 |
| Reserves: - | | | |
| Revaluation reserve | 19 | 8,649 | 8,866 |
| Income and expenditure account excluding pension reserve | 20 | (2,214) | (875) |
| Pension reserve | 21 | (6,568) | (3,470) |
| Total Reserves | | (133) | 4,521 |
| TOTAL FUNDS | | 5,772 | 5,110 |

The financial statements on pages 31 to 60 were approved by the Corporation on 17 December 2014 and signed on its behalf by:



Mr N Davies
Chairman



Mr T Medhurst
Principal

CASH FLOW STATEMENT
For the year ended 31 July 2014

| | Note | 13/14 £000s | 12/13 £000s |
|--|-----------|----------------|----------------|
| Cash inflow from operating activities | 22 | 71 | 173 |
| Returns on investments & servicing of finance | 23 | (52) | (119) |
| Capital expenditure & financial investment | 24 | <u>1,401</u> | <u>(743)</u> |
| Cash (outflow) /inflow before financing | | 1,420 | (689) |
| Financing | 25 | (535) | (652) |
| (Decrease) /increase in cash in the year | 26 | 885 | (1,341) |
| Reconciliation of net cash flow to movement in net funds/debt | | | |
| (Decrease) /increase in cash in the year | 26 | 885 | (1,341) |
| Change in net funds resulting from cash flows | 26 | 535 | 652 |
| Movement in net funds in the year | | 1,420 | (689) |
| Net debt at 1 August | | (1,704) | (1,015) |
| Net debt at 31 July | 26 | (284) | (1,704) |

The notes on pages 35 to 60 form part of these financial statements

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 2007 Statement of Recommended Practice (SORP): *Accounting for Further and Higher Education Institutions* and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the Education Funding Agency, in the 2012-13 Accounts Direction Handbook.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report above. The financial position of the College, its cash flow, liquidity and borrowings are described in the financial statements and accompanying notes to the accounts.

In July 2014 the Corporation was pleased to receive bank approval of new banking facilities, including a mixture of loan and overdraft arrangements. The loan is long term in nature and will run to 2019. The Corporation is confident that this will provide the College with adequate working capital for the foreseeable future, as well as providing the necessary funding for the completion of capital projects. A charge over the Harrow Weald Campus will be provided to the bank in connection with these facilities. The overdraft will be reviewed in October 2015 in the normal course of business, and is expected to be renewed as required at that stage. For these reasons the College will continue to adopt the going concern basis in the preparation of its financial statements.

Basis of accounting

These financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Basis of consolidation

The College has no subsidiary companies. All figures shown in these financial statements relate to the College itself. In accordance with FRS 2 the activities of the student union have not been consolidated because the College does not control its activities.

Recognition of income

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement from the Skills Funding Agency's single adult budget 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 based grant income is recognised on a year-end reconciliation of income claimed and actually delivered with the Skills Funding Agency. The Education Funding Agency's funding for 16-18 year old learners is not normally subject to reconciliation and is therefore not subject to contract adjustments.

NOTES TO THE ACCOUNTS

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Other discrete Skills Funding Agency and Education Funding Agency funds 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 agencies.

Non-recurrent grants from the Skills Funding Agency and Education 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 tuition fees is recognised in the period for which it is receivable and/or the period of study to which it relates and includes all fees chargeable to students or their sponsors. Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

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

Income from restricted purpose endowment funds which are not expended in accordance with those restrictions are transferred from the income and expenditure account to accumulated income within the endowment funds.

Post retirement benefits

Retirement benefits payable to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefits schemes, which are externally funded and contracted out to the State Earnings Related Pension Scheme (SERPS). Contributions to the TPS are charged as incurred.

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

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

Further details of the pension scheme are given in note 21.

NOTES TO THE ACCOUNTS

1 STATEMENT OF ACCOUNTING POLICIES (Continued)

Enhanced pensions

The actual cost of any enhanced on-going pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the on-going 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 Agencies.

Tangible fixed assets

Land and buildings

The College's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold buildings are depreciated over their expected useful economic life to the College of between 10 and 75 years as appropriate. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

On adoption of FRS 15, the College followed the transitional provisions to retain the book value of land and buildings, which were re-valued 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 11.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are 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 the fixed asset may not be recoverable.

The College has two leasehold buildings situated on a local industrial site. The associated rent expenditure is charged to the income and expenditure account in the periods that it is incurred.

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;
- Asset's capacity increases;
- Substantial improvement in the quality of output or reduction in operating costs;

NOTES TO THE ACCOUNTS

1 STATEMENT OF ACCOUNTING POLICIES (continued)

- Significant extension of the assets life beyond that conferred by repairs and maintenance.

The cost of routine corrective maintenance is charged to the income and expenditure account in the year in which it is incurred. Funding constraints prohibit the full implementation of a costed planned maintenance programme. Annual expenditure on planned maintenance is recommended by the Director of Finance & Resources based on the most pressing priorities affordable within the allocated budget.

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.

Assets under construction

Assets under construction are accounted for at cost based on all direct expenditure incurred, to 31 July, associated with bringing the finished asset into use. The value of architects' certificates will be used where applicable. These assets are carried on the balance sheet but are not depreciated until the finished asset is 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, unless the equipment forms part of a larger 'project' which overall exceeds £1,000. All other equipment is capitalised at cost. All equipment is depreciated on a straight-line basis over a five year period. Alternative depreciation rates may be specified for particular assets as appropriate and are recorded in the relevant records of fixed assets.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy. The related grants are 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 on a basis consistent with the depreciation policy.

Leased assets

Costs in respect of operating leases are charged to the income and expenditure account on a straight-line basis over the term of the lease. Leasing arrangements that transfer substantially all the benefits and risks of ownership of an asset, to the College, 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.

NOTES TO THE ACCOUNTS

1 STATEMENT OF ACCOUNTING POLICIES (Continued)

Investments and endowment assets

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

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

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

Stocks

The College does not hold and account for any stocks. All expenditure is charged direct to the income and expenditure account.

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.

Provisions

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

Cash

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

NOTES TO THE ACCOUNTS

2 FUNDING AGENCY INCOME

| | 13/14 | 12/13 |
|--|---------------|---------------|
| | Total | Total |
| | £000s | £000s |
| EFA/SFA recurrent grant | 15,578 | 17,385 |
| HEFCE recurrent grant | - | 48 |
| 16-18 Apprenticeship funding | 338 | 173 |
| Learner support funds (Note 32) | 646 | 674 |
| Additional SFA funding for 11/12 over delivery | - | 175 |
| Collegiate contract | 14 | 12 |
| Exceptional ALS funding | 1,337 | 79 |
| 24+ Learner Loans development funding | - | 16 |
| Release of Deferred Capital Grants: | | |
| Buildings (Note 18) | 77 | 79 |
| Equipment (Note 18) | 58 | 61 |
| Total Funding | 18,048 | 18,702 |

NOTES TO THE ACCOUNTS

3 TUITION FEES & EDUCATION CONTRACTS

| | 13/14 | 12/13 |
|---|--------------|--------------|
| | £000s | £000s |
| Tuition Fees: - | | |
| Non EU Students | 343 | 272 |
| UK Students | 1,472 | 1,222 |
| Total fees paid by or on behalf of individual students | 1,815 | 1,494 |
| Education Contracts: - | | |
| London Borough of Harrow Adult Education Contract | 118 | 172 |
| University of Westminster Sub-contract | 16 | 2 |
| Middlesex University Sub-contract | 6 | 9 |
| NACUE UK Ltd. Enterprise Challenge | - | 2 |
| Institute of Education Amgen Project | - | 7 |
| Barclays Bank Plc. Money Skills Project | - | 4 |
| International Projects | - | 9 |
| LSIS Project | - | 4 |
| Other Projects | 107 | - |
| Sub Total | 247 | 209 |
| Total | 2,062 | 1,703 |

4 OTHER INCOME

| | 13/14 | 12/13 |
|-------------------------------------|--------------|--------------|
| | £000s | £000s |
| Income generating activities | 166 | 139 |
| Other Income: - | | |
| Examination fees | 69 | 78 |
| Miscellaneous income | 166 | 191 |
| Proceeds from the sale of equipment | - | 3 |
| Total | 401 | 411 |

NOTES TO THE ACCOUNTS

5 ENDOWMENT & INVESTMENT INCOME

| | 13/14 £000s | 12/13 £000s |
|--------------------------|----------------|----------------|
| Bank interest receivable | 6 | 10 |
| Pension finance income | - | - |
| Total | 6 | 10 |

6 STAFF NUMBERS AND COSTS

The average number of established staff on permanent or fixed term contracts, (including senior post holders), employed by the College during the year, expressed as full time equivalents (FTEs), was as follows:

| | 13/14 FTEs | 12/13 FTEs |
|---------------------------------------|---------------|---------------|
| Teaching departments – teaching staff | 135 | 121 |
| Teaching departments – other staff | 43 | 42 |
| Teaching support services | 35 | 33 |
| Other support services | 1 | 1 |
| Administration and central services | 63 | 56 |
| Premises | 17 | 17 |
| Other income generating activities | 7 | 7 |
| Total | 301 | 277 |

The numbers above do not include estimates of the staff numbers employed through contracting out arrangements.

Staff costs for the above persons were as follows:

| | 13/14 £000s | 12/13 £000s |
|---|----------------|----------------|
| Wages and salaries | 9,372 | 9,971 |
| Social security costs | 809 | 751 |
| Pension costs – TPS | 706 | 593 |
| Pension costs – LBHPF (including FRS17 adjustments) | 926 | 802 |
| Enhanced pension cost | 18 | 16 |
| Health benefit | 27 | 18 |
| Sub-total | 11,858 | 12,151 |
| Contracted out lecturing services | 2,898 | 2,507 |
| Exceptional restructuring costs* | 514 | 42 |
| Total | 15,270 | 14,700 |

*The restructuring costs were approved by the College's Remuneration Committee.

NOTES TO THE ACCOUNTS

6 STAFF NUMBERS AND COSTS (Continued)

| | 13/14 £000s | 12/13 £000s |
|---------------------------------------|----------------|----------------|
| Teaching departments – teaching staff | 6,257 | 6,219 |
| Teaching departments – other staff | 1,156 | 688 |
| Learner support services | 1,700 | 1,623 |
| Other support services | 148 | 197 |
| Administration and central services | 2,114 | 2,089 |
| Premises | 459 | 442 |
| Income generating activities | 936 | 792 |
| Enhanced pension cost | 18 | 16 |
| FRS17 retirement benefits | 160 | 67 |
| Healthsure benefits | 27 | 18 |
| Sub-total | 12,975 | 12,151 |
| Contracted out lecturing services | 1,781 | 2,507 |
| Exceptional restructuring costs | 514 | 42 |
| Total | 15,270 | 14,700 |

The number of staff, including the Principal and other senior post-holders, who received emoluments in the following ranges, was:

| | 13/14 Senior Post- holders | 13/14 Other Staff | 12/13 Senior Post- holders | 12/13 Other Staff |
|---------------------|-------------------------------------|-------------------------|-------------------------------------|-------------------------|
| £ 1,000 - £ 10,000 | - | - | - | - |
| £ 70,001 - £ 80,000 | - | - | - | - |
| £ 90,001 - £100,000 | - | - | - | - |
| £100,001 - £110,000 | 2 | - | 2 | - |
| £140,001 - £150,000 | 1 | - | 1 | - |
| Total | 3 | 0 | 3 | 0 |

NOTES TO THE ACCOUNTS

7 SENIOR POST-HOLDERS EMOLUMENTS

Senior post-holders are defined as members of the senior leadership team.

| | 13/14 | 12/13 |
|---|-------|-------|
| The number of senior post-holders including the Principal was | 3 | 3 |

| | 13/14 £000s | 12/13 £000s |
|---|----------------|----------------|
| Senior post-holder emoluments are made up as follows: | | |
| Salaries | 301 | 306 |
| Pension contributions | 51 | 54 |
| Total | 352 | 360 |

The above emoluments include amounts paid to the Principal (who was also the highest paid senior post-holder) of:

| | 13/14 £000s | 12/13 £000s |
|--------------|----------------|----------------|
| Salary | 124 | 125 |
| Pension | 23 | 24 |
| Total | 147 | 149 |

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

No members of the Corporation, other than the Principal and the serving members of staff received any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. The amount reimbursed to members of the Corporation is not significant and therefore immaterial to the accounts.

NOTES TO THE ACCOUNTS

Overseas Activities

During 2013-14 the College continued its involvement in overseas projects to build upon College strategy to raise the College's profile within overseas markets, by continuing with activities in Tunisia, Morocco and Bangladesh. Total costs associated with overseas projects amounted to £102k; grant funding in support amounted to £10k, however the College received £343k of overseas fee income, compared with £272k in 2012-13, and £19k in 2011-12.

8 OTHER OPERATING EXPENSES

| | 13/14 | 12/13 |
|-----------------------------------|--------------|--------------|
| | £000s | £000s |
| Teaching costs | 2,617 | 2,571 |
| Non-teaching costs | 1,852 | 1,486 |
| Premises | 1,422 | 1,457 |
| Total | 5,891 | 5,514 |
| Other operating expenses include: | | |
| | £000s | £000s |
| Auditor's remuneration: - | | |
| - Financial statements audit | 34 | 32 |
| - Internal audit services | 32 | 38 |
| Equipment - operating leases | 80 | 85 |

9 INTEREST PAYABLE

| | 13/14 | 12/13 |
|--|--------------|--------------|
| | £000s | £000s |
| On bank loans and overdrafts: | | |
| Repayable within 5 years, by instalments | 43 | 59 |
| Pension finance cost | (101) | 70 |
| Total | (58) | 129 |

10 TAXATION

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

NOTES TO THE ACCOUNTS

11 SURPLUS/ (DEFICIT) ON CONTINUING OPERATIONS FOR THE YEAR

| | 13/14 £000s | 12/13 £000s |
|--|----------------|----------------|
| College (deficit) / surplus for the year | (1,596) | (610) |
| Total | (1,596) | (610) |

12 TANGIBLE FIXED ASSETS

| | Freehold Buildings | Equipment | AiC* | Total |
|---------------------------------------|-----------------------|--------------|--------------|---------------|
| | £000s | £000s | £000s | £000s |
| Cost or valuation | | | | |
| At 1 August 2013 | 22,421 | 7,157 | 236 | 29,813 |
| Plus: additions | 326 | 230 | 3,494 | 4,050 |
| At 31 July 2014 | 22,747 | 7,387 | 3,730 | 33,864 |
| Accumulated depreciation | | | | |
| At 1 August 2013 | 11,750 | 6,293 | - | 18,043 |
| Plus: charge for the year | 643 | 367 | - | 1,010 |
| At 31 July 2014 | 12,393 | 6,661 | | 19,054 |
| Net book value at 31 July 2014 | 10,354 | 726 | 3,730 | 14,810 |
| Net book value at 1 August 2013 | 10,671 | 863 | 236 | 11,770 |

*Assets in Construction

| | Freehold Buildings | Equipment | AiC* | Total |
|---------------------------------------|-----------------------|------------|--------------|---------------|
| | £000s | £000s | £000s | £000s |
| Inherited assets | 8,649 | | | 8,649 |
| Grant funded assets | 310 | 224 | 3,543 | 4,077 |
| Other assets | 1,395 | 502 | 187 | 2,084 |
| Net book value at 31 July 2014 | 10,354 | 726 | 3,730 | 14,810 |

NOTES TO THE ACCOUNTS

12 TANGIBLE FIXED ASSETS (Continued)

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

Land and buildings are shown at depreciated replacement cost. The valuation of land and buildings inherited from the London Borough of Harrow on the incorporation of Weald and Greenhill Colleges in 1993 was determined by independent property consultants. This valuation has subsequently been updated by the cost of additional building work undertaken post incorporation.

Land and buildings with a net book value of £8,649k (2013: £8,866k) have been funded from local education authority sources. Should these assets be sold the College would either have to surrender the sale proceeds to the Skills Funding Agency or use them in accordance with the Financial Memorandum with the Skills Funding Agency.

If inherited land and buildings had not been valued they would have been included at the following amounts:

| | £000s |
|--------------------------------------|-------|
| Cost | - |
| Aggregate depreciation based on cost | - |
| Net book value based on cost | - |

13 ENDOWMENT ASSETS

| | 13/14 £000s | 12/13 £000s |
|--------------------------------|----------------|----------------|
| Balance at 1 August 2013 | 7 | 8 |
| Additions | 4 | 5 |
| Disposals | (4) | (6) |
| Balance at 31 July 2014 | 7 | 7 |
| Represented By: | | |
| Cash balances | 7 | 7 |
| Total | 7 | 7 |

NOTES TO THE ACCOUNTS

14 DEBTORS

| | 13/14 £000s | 12/13 £000s |
|--|----------------|----------------|
| Amounts falling due within one year: - | | |
| Trade debtors | 137 | 76 |
| Prepayments and accrued income | 435 | 300 |
| Total | 572 | 376 |

15 CREDITORS: AMOUNTS DUE WITHIN ONE YEAR

| | 13/14 £000s | 12/13 £000s |
|------------------------------------|----------------|----------------|
| Bank loans and overdrafts | 2,063 | 450 |
| Interest free loan | 65 | 85 |
| Income in advance | 178 | 260 |
| Trade creditors | 623 | 400 |
| Other taxation and social security | 489 | 324 |
| Accrued expenditure | 1,038 | 456 |
| Total | 4,456 | 1,975 |

Since the year end, the short term loans above have been replaced by a new long term loan facility with Barclays Bank which will expire at the end of 2019. Accordingly, these balances will be reflected as long term creditors in the College's 2015 financial statements.

16 BORROWINGS

The College's debt, including bank loans, is analysed by maturity below:

| | 13/14 £000s | 12/13 £000s |
|---|----------------|----------------|
| Bank loans and overdrafts repayable as follows | | |
| Within 1 year | 2,127 | 535 |
| Between 1 and 2 years | 40 | 515 |
| Between 2 and 5 years | | 1,652 |
| Total bank loans and overdrafts | 2,167 | 2,702 |

NOTES TO THE ACCOUNTS

16 BORROWINGS (continued)

At the balance sheet date, the College had one outstanding short-term loan;

- A 5-year variable rate loan, LIBOR plus 1.35%, of initially £3,750k. This long-term loan is held with Barclays and was required to fund costs associated with the aborted property project. Repayments commenced in September 2010 with an outstanding balance of £2,063k at 31 July 2014. This loan has now been replaced with a long term facility.

The College also has interest-free loans, amounting to £65k at 31 July 2014, with Salix Finance Ltd. These loans were issued as part of the energy efficiency saving loan scheme, operated by Salix, and have been used to finance capital purchases which in-turn will help reduce the College's carbon footprint.

17 PROVISIONS FOR LIABILITIES AND CHARGES

| | 13/14 £000s | 12/13 £000s |
|-----------------------------------|----------------|----------------|
| Enhanced Pension Provision | | |
| At 1 August | 422 | 413 |
| Utilised during the year | (28) | (27) |
| Increase/(decrease) in provision | 35 | 36 |
| At 31 July | 429 | 422 |

The enhanced pension provision represents the capital cost of providing future pension enhancements for employees of Greenhill College who accepted early retirement in the period up until 31 August 1996 and is in accordance with FRS 12.

The principal assumptions for this calculation are:

| | 13/14 | 12/13 |
|-----------------|-------|-------|
| Price inflation | 2.25% | 2.50% |
| Discount rate | 4.06% | 4.28% |

NOTES TO THE ACCOUNTS

18 DEFERRED CAPITAL GRANTS

| | Buildings | Equipment | Total |
|--|------------------|------------------|--------------|
| | £000s | £000s | £000s |
| At 1 August 2013 | 481 | 101 | 582 |
| Grant income received | 5,389 | 62 | 5,451 |
| Released to income & expenditure account | 77 | 57 | 134 |
| At 31 July 2014 | 5,793 | 106 | 5,898 |

An analysis of capital grants received during 2013-14 is set out below:

| | |
|---|--------------|
| | £000s |
| Skills Funding Agency Condition Grant | 540 |
| Skills Funding Agency Capital Development Grant | |
| EFA Capital Development grant | 4,161 |
| | 750 |

19 REVALUATION RESERVE

| | 13/14 | 12/13 |
|---|--------------|--------------|
| | £000s | £000s |
| At 1 August 2013 | 8,866 | 9,083 |
| Transfers from revaluation reserve to income and expenditure account in respect of depreciation on inherited assets | (217) | (217) |
| At 31 July 2014 | 8,649 | 8,866 |

NOTES TO THE ACCOUNTS

20 MOVEMENT ON GENERAL RESERVES

| | 13/14 £000s | 12/13 £000s |
|--|------------------------|------------------------|
| Income and expenditure account | | |
| At 1 August 2013 | (4,345) | (4,249) |
| (Deficit) / surplus on continuing operations after depreciation of assets at valuation and tax | (1,596) | (610) |
| Transfer from revaluation reserve to income and expenditure account | 217 | 217 |
| Actuarial gain / (loss) in respect of pension schemes | (3,058) | 297 |
| At 31 July 2014 | (8,782) | (4,345) |
| Balance represented by: | | |
| | 13/14 £000s | 12/13 £000s |
| Pension reserve | (6,568) | (3,470) |
| Income and expenditure account reserve excluding pension reserve | (2,214) | (875) |
| At 31 July 2014 | (8,782) | (4,345) |

NOTES TO THE ACCOUNTS

21 PENSIONS AND SIMILAR OBLIGATIONS

The College's employees belong to two principal pension schemes. These are the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS).

| | 13/14 £000s | 12/13 £000s |
|--|------------------------------|------------------------------|
| Teachers Pension Scheme: contributions paid: | 706 | 593 |
| Local Government pension scheme: | | |
| Contributions paid | 765 | 735 |
| FRS17 adjustment | <u>160</u> | <u>66</u> |
| | 925 | |
| Charge to Income & Expenditure Account (within staff costs) | | 801 |
| Enhanced pension charge to Income & Expenditure Account (within staff costs) | 18 | 16 |
| Total Pension Cost | 1,649 | 1,410 |

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2010.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting And Valuation Account

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

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return,

NOTES TO THE ACCOUNTS

21 PENSIONS AND SIMILAR OBLIGATIONS (continued)

which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation Of The Teachers' Pension Scheme

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

The key results of the valuation and the subsequent consultation are:

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations

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

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

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

Scheme Changes

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

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

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

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

The pension costs paid to TPS in the year amounted to £706K (2013: £593k).

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme with the assets held in separate funds administered by the London Borough of Harrow. The total contribution made for the year ended 31 July 2014 was £1,047k, of which employers' contributions totalled £765k and employees'

NOTES TO THE ACCOUNTS

21 PENSIONS AND SIMILAR OBLIGATIONS (Continued)

contributions totalled £282k. The agreed contribution rate for employers was 19.1% from 1 April 2012 rising to 19.35% from 1 April 2013. The employee contribution rates range from a minimum of 5.5% to a maximum of 7.5% depending on the member's salary.

FRS 17

The following information is based upon a full actuarial valuation of the fund as 31 March 2010 updated to 31 July 2014 by a qualified independent actuary.

| Principal Actuarial Assumption | 31 July 2014 | 31 July 2013 | 31 July 2012 | 31 July 2011 | 31 July 2010 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Inflation (RPI) | - | 3.7% | 3.0% | 3.5% | 2.9% |
| Rate of increase in salaries | 4.0% | 4.6% | 4.0% | 4.5% | 4.9% |
| Rate of increase in pensions | 2.7% | 2.8% | 2.2% | 2.7% | 2.9% |
| Discount rate for liabilities | 4.0% | 4.6% | 4.4% | 5.3% | 5.4% |
| Inflation assumption (CPI) | - | 2.9% | 2.2% | 2.7% | - |

In the June 2010 budget, the government announced that public sector pension increases will henceforth be linked to the Consumer Prices Index (CPI) rather than, as previously, the Retail Prices Index. Therefore, as in previous years, the actuarial valuation has used the CPI assumption above, and not the RPI.

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

NOTES TO THE ACCOUNTS

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

| | At 31 July 2014 | At 31 July 2013 |
|----------------------|-----------------|-----------------|
| Retiring today | | |
| Males | 22.1 | 21.60 |
| Females | 24.4 | 23.60 |
| Retiring in 20 years | | |
| Males | 24.5 | 23.60 |
| Females | 26.9 | 25.90 |

The assets in the scheme (of which the College's share is estimated at 3.44% for 2013-14) and the expected rates of return were: -

| | Long term rate of return expected at 31 July 2014 | Value at 31 July 2014 £000s | Long term rate of return expected at 31 July 2013 | Value at 31 July 2013 £000s | Long term rate of return expected at 31 July 2012 | Value at 31 July 2012 £000s |
|------------------------------|---|--------------------------------|---|--------------------------------|---|--------------------------------|
| Equities | 6.6% | 481,680 | 6.4% | 460,869 | 5.5% | 353,320 |
| Bonds | 3.9% | 73,167 | 4.2% | 68,277 | 3.7% | 67,760 |
| Property | 4.7% | 48,778 | 4.6% | 39,828 | 3.7% | 38,720 |
| Cash | 3.6% | 6,097 | 3.4% | 0 | 2.8% | 24,200 |
| Total market value of assets | | <u>609,772</u> | | <u>568,974</u> | | <u>484,000</u> |

| | 31 July 2014 £000s | 31 July 2013 £000s | 31 July 2012 £000s |
|-------------------------------------|-----------------------|-----------------------|-----------------------|
| College's estimated asset share | 20,952 | 18,609 | 15,150 |
| Present value of scheme liabilities | (27,520) | (22,079) | (18,801) |
| Deficit in the scheme | (6,568) | (3,470) | (3,651) |

NOTES TO THE ACCOUNTS

21 PENSIONS AND SIMILAR OBLIGATIONS (Continued)

Local Government Pension Scheme (continued)

| | 31 July 2014 £000s | 31 July 2013 £000s |
|---|-------------------------------|-------------------------------|
| Analysis of the amount charged to the income and expenditure account | | |
| Employer service cost (net of employee contributions) | 976 | 766 |
| Unfunded benefits paid | (1) | (1) |
| Loss on curtailment | - | - |
| Past service cost | - | 36 |
| Total operating cost | 975 | 801 |
| Analysis of pension finance income/ (costs) | | |
| Expected return on pension scheme assets | 1,133 | 771 |
| Interest on pension scheme liabilities | (1,032) | (841) |
| Pension finance (cost) / income | 101 | (70) |
| Amounts recognised in the statement of total recognised gains and losses (STRGL) | 31 July 2014 £000s | 31 July 2013 £000s |
| Actuarial gains/ (losses) on pension scheme assets | 625 | 2,144 |
| Actuarial (losses) /gains on pension scheme liabilities | (3,665) | (1,827) |
| Actuarial gain/ (loss) recognised in STRGL | (3,040) | 317 |
| Movement in deficit during year | 31 July 2014 £000s | 31 July 2013 £000s |
| Deficit in scheme at beginning of year | (3,470) | (3,651) |
| Movement in year: | | |
| Current service cost | (976) | (766) |
| Losses on curtailments and settlements | - | - |
| Past service cost | - | (36) |
| Contributions | 816 | 735 |
| Contributions in respect of unfunded benefits | 1 | 1 |
| Net (interest) /return on assets | 101 | (70) |
| Actuarial gain/ (loss) | (3,040) | 317 |
| Deficit in scheme at end of year* | (6,568) | (3,470) |

* The College has entered into an agreement with the LGPS to make additional contributions of £35k per annum to reduce the size of the deficit in the scheme, in addition to normal funding levels, until the next full valuation at which point the situation will be reviewed again.

NOTES TO THE ACCOUNTS

21 PENSIONS AND SIMILAR OBLIGATIONS (Continued)

| Asset and liability reconciliation | 31 July 2014 £000s | 31 July 2013 £000s |
|---------------------------------------|-----------------------|-----------------------|
| Reconciliation of liabilities | | |
| Liabilities at start of period | 22,079 | 18,801 |
| Current Service cost | 976 | 766 |
| Interest cost | 1,032 | 841 |
| Employee contributions | 286 | 260 |
| Actuarial loss/ (gain) | 3,665 | 1,827 |
| Benefits paid | (517) | (451) |
| Unfunded benefits paid | (1) | (1) |
| Loss on curtailments | - | - |
| Past service cost | - | 36 |
| Liabilities at end of period | 27,520 | 22,079 |
| Reconciliation of assets | | |
| Assets at start if period | 18,609 | 15,150 |
| Expected return on assets | 1,133 | 771 |
| Actuarial gain/ (loss) | 625 | 2,144 |
| Employer contributions | 816 | 735 |
| Employee contributions | 286 | 260 |
| Benefits paid | (517) | (451) |
| Assets at end of period | 20,952 | 18,609 |

The estimated value of employer contributions for the ended 31 July 2014 is £816k.

| History of experience gains or losses | 31 July 2014 £000s | 31 July 2013 £000s | 31 July 2012 £000s | 31 July 2011 £000s | 31 July 2010 £000s |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Difference between the expected and actual return on assets: | | | | | |
| Amount | 625 | 2,144 | (463) | 230 | 700 |
| % of scheme assets | 2.98% | 11.52% | (3.06%) | 1.62% | 5.5% |
| Experienced gains and losses on scheme liabilities: | | | | | |
| Amount | (1,091) | (1,827) | (1,179) | 1,991 | (1,015) |
| % of scheme liabilities | (3.96%) | (8.27%) | (6.27%) | 12.28% | (6.02%) |
| Total amounts recognised in Statement of total recognised gains and losses: | | | | | |
| Amount | (3,040) | 317 | (1,642) | 2,221 | (315) |

NOTES TO THE ACCOUNTS

| | | | |
|-----------|---|--------------|--------------|
| 22 | RECONCILIATION OF OPERATING SURPLUS/ (DEFICIT) TO NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES | | |
| | | 13/14 | 12/13 |
| | | £000s | £000s |
| | (Deficit) /surplus on continuing operations after depreciation of assets at valuation | (1,597) | (610) |
| | Depreciation (note 12) | 1,010 | 1,093 |
| | Deferred capital grants released to income (note 18) | (135) | (140) |
| | Loss on disposal of fixed assets | - | - |
| | Interest payable (note 9) | 58 | 129 |
| | Interest receivable (note 5) | (6) | (10) |
| | (Increase) /decrease in debtors | (196) | (117) |
| | (Decrease) /increase in creditors | 888 | (296) |
| | Increase/ (decrease) in provisions | 49 | 124 |
| | Net cash (outflow) inflow from operating activities | 71 | 173 |
| 23 | RETURNS ON INVESTMENTS & SERVICING OF FINANCE | | |
| | | 13/14 | 12/13 |
| | | £000s | £000s |
| | Interest received (note 5) | 6 | 10 |
| | Interest paid (note 9) | (58) | (129) |
| | Net cash outflow | (52) | (119) |
| 24 | CAPITAL EXPENDITURE & FINANCIAL INVESTMENT | | |
| | | 13/14 | 12/13 |
| | | £000s | £000s |
| | Purchase of tangible fixed assets | (4,050) | (975) |
| | Deferred capital grant received (note 18) | 5,451 | 232 |
| | Net cash outflow | 1,401 | (743) |
| 25 | FINANCING | | |
| | | 13/14 | 12/13 |
| | | £000s | £000s |
| | Debt due beyond a year: - | | |
| | (Decrease) /increase in debt | (535) | (652) |
| | Net cash outflow | (535) | (652) |

NOTES TO THE ACCOUNTS

26 ANALYSIS OF CHANGES IN NET FUNDS

| | 1 Aug 2013 £000s | Cash Flows £000s | 31 July 2014 £000s |
|-----------------------------|---------------------------------|---------------------------------|-----------------------------------|
| Cash at bank and in hand | 991 | 885 | 1876 |
| Endowment asset investments | 7 | - | 7 |
| Sub total | 998 | 885 | 1883 |
| Debt due within one year | (535) | (1,592) | (2,127) |
| Debt due over one year | (2,167) | 2,127 | (40) |
| Total | (1,704) | 1,420 | (284) |

27 MAJOR NON-CASH TRANSACTIONS

There were no major non-cash transactions during the year.

28 CAPITAL COMMITMENTS

Capital commitments at 31 July 2014 amounted to £8,916 k.

29 CONTINGENT LIABILITY

The College had no contingent liabilities as at 31 July 2014.

30 RELATED PARTY TRANSACTIONS

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

Sandra Ernstoff, a board member, is a consultant undertaking work with the Education Funding Agency, which is one of the College's funding bodies.

Abs Malik, a board member until his resignation in April 2013, is an employee of the Skills Funding Agency, which is one of the College's funding bodies.

Steve Owen, a board member, is an employee of Barclays Bank plc; the College's bank, and with which it holds a long term loan.

Sachin Shah, a board member, is a Councillor of the London Borough of Harrow.

Ketan Sheth, a board member, is a Councillor of the London Borough of Brent.

Transactions with the funding agencies are detailed in notes 2 and 3.

