Havering Sixth Form College

REPORT AND ACCOUNTS

31 JULY 2014

BUZZACOTT LLP
Chartered Accountants
London

Contents

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

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

The Corporation is incorporated as Havering Sixth Form College.

Mission

The College's mission is reviewed annually by the Members of the Corporation. The current version is as follows:

The College aims to be the first choice outstanding provider of full-time education for 16-19 year olds in the area, embracing diversity and creating excellent opportunities for all. Staff and students will participate fully in teaching and learning to maximise their collective potential and promote individual achievement at the highest level.

Public benefit

Havering Sixth Form College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on page 9. In setting and reviewing the College's strategic objectives, the Corporation has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

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

Implementation of strategic plan

The College has prepared a Strategic Plan for 2014-2017 which will be regularly monitored and updated annually. This plan includes headline targets for student numbers and success rates. Within this plan the College has included financial forecasts and an accommodation strategy. The Corporation monitors the performance of the College against these plans and they are updated each year.

In 2013/14 the College had three Strategic Objectives to represent its priorities.

1. To provide an outstanding values-based education through the consistent pursuit of our educational objectives.
2. To maximise the use of the College site ensuring the creation of a safe, healthy and sustainable environment providing excellent learning for the maximum number of young people.
3. To effectively manage College finances in order to preserve the health of the College and prioritise investment in teaching and learning.

The College believes that by consistently working towards these objectives it will become outstanding. Each year the College develops Operational Plans, with specific targets that ensure progress towards achieving these Strategic Objectives.

Operating and Financial Review (continued)

NATURE, OBJECTIVES AND STRATEGIES (continued)

Financial objectives

The College's financial objectives in 2013/14, which were all met during the year, were as follows:

- to maintain historic cost surpluses each year
- to maintain cash days of 30 or more at all times
- to have a general reserve of 25% of income
- to keep staff costs below 71% of the funding body recurrent grant.

Performance Indicators

The Corporation has a detailed set of KPIs which are used to monitor the College's performance.

In 2013/14 student numbers reduced by 123 to 2,603, following considerable growth in prior years. Success Rates, which are still being confirmed, have improved significantly over the last two years, particularly at AS level. The College had a full OFSTED Inspection in 2012/13 and was found to 'Require Improvement: Grade 3'. A subsequent full inspection took place in 2013/14 which graded the College 'Good: Grade 2'. The College has a current rating of 'outstanding' for Financial Health, with the maximum score of 300.

FINANCIAL POSITION

Financial Results

The College generated an operating surplus in the year of £237,000 (2012/13 a surplus of £441,000), with a historical cost surplus of £464,000 (2012/13 a surplus of £668,000). At the year end the College had total reserves of £12,282,000 (including accumulated surpluses of £7,062,000 and the negative pension reserve of £1,510,000) and cash balances of £2,717,000.

Tangible fixed asset additions during the year amounted to £2,840,000. This included the completion of the building of a new classroom block and additional enhancements and maintenance to the College premises. The cost of the new classroom block which was completed for the academic year 2013/14 amounted to just over £2,000,000 and was financed primarily from College reserves. The additional works to the premises were funded by an Education Funding Agency (EFA) Building Conditions Improvement Fund (BCIF) grant of £1,500,000. A further BCIF allocation of £948,000 has been made to the College which will enable further building developments to take place.

The College relied predominantly on the EFA for its income source in the form of recurrent grants. In 2013/14 the funding body provided 99% of the College's total income.

Treasury policies and objectives

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

The College has a separate treasury management policy in place. Any short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the EFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Operating and Financial Review (continued)

FINANCIAL POSITION (continued)

Cash flows

For 2013/14 the College had an operating cash inflow of £1,818,000 (2012/13 cash inflow of £1,090,000).

Liquidity

The College had cash reserves at 31 July 2014 amounting to £2,717,000 (2013 - £2,346,000).

The College made the final repayment of its 4-year term loan on 31 July 2013.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

The College had 2,603 16-19 year old students on roll during the year. This activity produced £13,339,543 in funding body main allocation funding.

Student Achievements

The success rate for A levels was 94.1% with 28% A/Bs. The success rate for AS levels was 79.3%. Over 11 A levels had a 100% pass rate.

In the vocational subjects, results improved with many more high grades and improved value added.

Curriculum Developments

The College remained involved with collaborative work with the Local Authority which Ofsted describes as exemplary partnership work. The College maintained its balance of academic and vocational offer with success seen in the BTEC offer in Business and PE. Learning outside the classroom continued to develop with a greater community feel to the College and the extension enrichment/extracurricular activities. The Quality Innovation Fund was maintained to support a strategy of improving the quality of teaching and learning and support. A number of additional revision classes and support workshops were offered. The Quality Innovation Fund supported the appointment of facilitators and mentors to a number of areas which had a significant impact on student success. It also enabled specialist equipment to be purchased.

The Extended Project and General Studies remain the key additionality programmes for second year students. The College ensured that all students were on a delivery of at least a minimum of 540 hours in preparation for the academic year 2014/15 and continues to evolve study programmes. The timetable will see all subjects being delivered in 5 hours per week to build on the additional lesson offered in some areas.

The curriculum is in general under constant review, with underperforming courses being replaced by more appropriate courses and syllabuses. The College now has fewer enrolments on AS programmes and more on BTEC programmes in line with meeting the needs of students.

Staff and Student Involvement

The College considers good communication with its staff to be very important. A key focus was to build on the Professional Learning Communities, and the Tuesday staff period has been largely used for collaborative planning sessions where colleagues in subject areas can discuss teaching strategies.

Operating and Financial Review (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (CONTINUED)

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. The College aims to pay all its suppliers within 30 days. The College incurred no interest charges in respect of late payment.

Post Balance Sheet Events

There are no post balance sheet events.

Future developments

The College recruited 2,603 students in 2013/14, which was below its target of 2,730. However, in 2014/15 recruitment has returned to its previous level. No further expansion is planned.

RESOURCES

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

Tangible
Tangible resources include the College site. The receipt of EFA capital grants has enabled the College to enhance and extend its site.

Financial
The College has £17,034,000 (2013 - £16,296,000) of net assets (after deducting a £1,510,000 pension liability). It no longer has any debt finance, with the final instalment having been paid in July 2013.

People
The College employs 213 people (expressed as full-time equivalents) (2013 – 218 people) of whom 145 are teaching staff (2013 – 149).

Reputation
The College has a good reputation locally and nationally. Maintaining high quality is essential for the College's success.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has a good system of internal control, including financial, operational and risk management, which is designed to protect the College's assets and reputation.

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

For 2014/15, the Executive has developed a Board Assurance Framework, which has been approved as part of the strategic plan. The Executive has looked at three types of monitoring which provide assurance to the Corporation that controls are in place and are operating effectively. Each form of monitoring was graded according to the level of assurance that it provided.

Operating and Financial Review (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

- **First Line of Defence: Management Operations**

  The College's Operational and Quality Improvement Plans (College Plan) set out all issues that are considered to represent a possible threat to the achievement of the College's objectives. These issues are a key focus for all leaders and drive a significant portion of daily activity. The College Plan itself is updated on a half-termly basis, and is discussed at the Executive before being taken to the Corporation.

- **Second Line of Defence: Governance Oversight**
  All items covered by the College Plan, as well as many other issues in the risk register, are subject to governance oversight.

- **Third Line of Defence: Independent Assurance**
  The third line of defence is represented by external bodies such as internal auditors and EFA. The impact of external review – and the level of assurance given – is varied. Internal audit carried out on an annual basis may give a high level of assurance. Ofsted inspections, however, occurring only once in every 4 or 5 years, may be too infrequent to provide more than Low assurance.

Having worked through the framework and identified gaps, the Executive drew up an action plan to ensure that Executive and members of the Corporation receive reports - and hence assurance - on all areas.

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

This is supported by a risk management training programme to raise awareness of risk throughout the College.

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

1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2013/14, 99% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- The continuing change in the structure of the 16-19 funding body.
- The proposed changes in the funding methodology to take effect in 2014/15.
- The coalition government policy and the constraints on public funding make the College's future income stream uncertain.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the main funding body (the EFA).
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with the funding bodies.

Operating and Financial Review (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

2. Adequacy of accommodation

The College accommodation is ageing and is in need of continuing essential maintenance. These issues were due to be addressed by the new building programme which was not granted final LSC approval. Significant improvements have been managed through capital grants, but the College remains vulnerable.

This risk is mitigated in a number of ways:

- Setting a surplus budget such that more cash is generated for capital investment.
- Formulating a 3-year plan to prioritise capital requirements.
- Investigating other funding opportunities, including further borrowings.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 17.

STAKEHOLDER RELATIONSHIPS

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

- students;
- education sector funding bodies;
- staff;
- local employers (with specific links);
- local authorities;
- Government Offices/ Regional Development Agencies/LEPs;
- 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.

Equality of Opportunity

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief 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 Single Equality Policy is published on the College's website.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College has an active Inclusivity Steering Group which takes a lead on monitoring progress and updating staff and students in terms of EDI issues and training.

The College has been awarded Investors-In-Diversity status. The College has also implemented an updated Equality and Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an on-going basis.

Operating and Financial Review (continued)

STAKEHOLDER RELATIONSHIPS (CONTINUED)

Safeguarding

The College has robust arrangements in place to ensure the safety of its students and staff. The Corporation reviews the College's Safeguarding policy annually and monitors regularly the effectiveness of both the policy and the arrangements. Staff and governor training takes place regularly to keep people up to date with current legislative requirements.

Disclosure of information to auditors

The members of the Corporation 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.

Approved by order of the members of the Corporation on 16 December 2014 and signed on their behalf by:

Ray Harris
Chair

Professional Advisers

Financial Statements and Regularity Auditors:	Buzzacott LLP, 130 Wood Street, London. EC2V 6DL
Internal Auditors:	Baker Tilly (formerly RSM Tenon), The Pinnacle, 170 Midsummer Boulevard, Milton Keynes, Buckinghamshire. MK9 1BP
Bankers:	Lloyds Banking Group, 21-24 Station Lane, Hornchurch. RM12 6JL
Solicitors:	Eversheds, 1 Wood Street, London. EC2V 7WS

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);

ii. in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and

iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and the College has complied with the Foundation Code. We have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the sixth form college sector and best practice.

The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The members of the Corporation, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

Statement of Corporate Governance and Internal Control (continued)

The Corporation

The members who served the Corporation during the year ended 31 July 2014 and up to the date of signature of this report were as listed below.

Name	Date of appointment/ reappointment	Term of office or resignation	Status of appointment	Committees on which served	Attendance at full Corporation meetings (1/8/13-31/7/14)	
Paul Wakeling	Aug 2006	Ex officio	Principal	B RS S SD	100%	12 of 12
Wendy Brice-Thompson	Sept 2012	Sept 2016	Independent	A S	100%	12 of 12
Neil Brindley	May 2012	May 2016	Independent		58%	7 of 12
Keith Darvill	Dec 2010	Dec 2014	Independent	AS SD	83%	10 of 12
Rodney Eborn	Dec 2013	Dec 2017	Independent	AS B SD	100%	12 of 12
Suzanne Guthrie	Nov 2010	Dec 2014	Independent	R	75%	9 of 12
Ray Harris *Chair from August 2013*	May 2012	May 2016	Independent	R RS S	100%	12 of 12
David Humber	Aug 2012	July 2016	Independent		42%	5 of 12
Elizabeth Macauley	Feb 2014	Apr 2014	Student Governor	SD	33%	1 of 3
Daniel Martine	Sept 2013	July 2017	Co-opted Member of Audit Committee	A	n/a	n/a
Afzal Munna	June 2014	June 2018	Independent		67%	2 of 3
Paul Rochford	Sept 2010	May 2014	Independent		33%	3 of 9
Maureen Smith *Vice Chair from August 2013*	Oct 2012	Sept 2015	Parent	AS SD S R	92%	11 of 12
Andrew Spencer	Dec 2012	May 2014	Parent	A	56%	5 of 9
Lilian Thomas	Mar 2010 Sept 2013	Sept 2013 Sept 2017	Co-opted Member of Audit Committee Independent	A	92%	11 of 12
Paul Trueman	Nov 2010	Dec 2014	Independent	B RS R	92%	11 of 12
Katrina Shillinglaw	Mar 2012	Mar 2016	Staff Governor	SD S	92%	11 of 12
Bonnie VandeSteeg	Dec 2011	Sept 2014	Staff Governor	A	92%	11 of 12
Keisi Morina	Jun 2013	Apr 2014	Student Governor	SD	50%	4 of 8
Hayley White	Jun 2013	Jan 2014	Student Governor	SD	25%	1 of 4

Abbreviations for committees operating in 2013/14:

A = Audit; AS = Appeals and Special Committee; B = Buildings; R = Remuneration; RS = Regulatory and Scrutiny; S = Search; SD = Student.

Roger Hawkins has been Clerk to the Corporation since 1 May 2004.

Statement of Corporate Governance and Internal Control (continued)

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 student and 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.

Following a trial period during the previous year, the Corporation resolved in December 2013 to adopt the model of governance as piloted which considerably reduced the reliance on committees. There were ten ordinary meetings during the year at intervals of approximately one month, and two special meetings.

The Corporation conducted most of its business at full Corporation. The Appeals and Special Committee, Audit, Remuneration, Search, and Student Committees operated as previously; the Steering, Finance, Employment Policy and Quality Improvement Committees were abolished. The Corporation approved the setting up of a Corporation Buildings' Committee, to supersede the Buildings Group, to support and monitor the new building developments and refurbishments, and a Regulatory and Scrutiny Committee with a focus on regularity and compliance matters. Each committee has terms of reference, which are approved annually by the Corporation. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College website and from the Clerk to the Corporation at:

Havering Sixth Form College, Wingletye Lane, Hornchurch, RM11 3TB

The Clerk to the Corporation maintains a register of financial and personal interests of the members of the Corporation and senior members of the College's staff. The register is available for inspection at the above address.

All members of the Corporation 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 Corporation 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 Corporation and committee meetings. Briefings and training are also provided.

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 of the Corporation and the Accounting Officer of the College are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee (membership details on page 9) which is responsible for the selection and recommendation of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Independent and Staff Members of the Corporation are appointed for a term of office not exceeding four years. They are eligible for re-appointment.

Remuneration Committee

Throughout the year ended 31 July 2014, the College's Remuneration Committee comprised the members detailed on page 9. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer and the other senior post-holders.

Details of remuneration for the year ended 31 July 2014 are set out in note 6 to the financial statements.

Statement of Corporate Governance and Internal Control (continued)

Audit Committee

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

The Audit Committee meets at least once a term and provides a forum for reporting by the College's internal and financial statements 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 Education Funding Agency and other regulatory bodies as they affect the College's business.

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

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

On behalf of the Corporation, the Audit Committee appoints the internal and the regularity and financial statements auditors and approves 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. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of 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 Havering Sixth Form College and the funding body. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 Havering Sixth Form College for the year ended 31 July 2014 and up to the date of approval of the annual report and accounts.

Capacity to handle risk. The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2014 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

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

Statement of Corporate Governance and Internal Control (continued)

Internal Control (continued)

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 and forecasts against targets;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- the adoption of formal project management disciplines, where appropriate.

Havering Sixth Form College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's *Joint Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis and the assurance framework agreed with the Corporation. The analysis of risks and the internal audit plans are approved by the Audit Committee on behalf of the Corporation. At minimum annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness. As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework;
- comments made by the College's financial statements auditors and the regularity auditors in their management letters and other reports.

The Accounting Officer 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 auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The College Executive 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 College Executive and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the College Executive and Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

The Corporation'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 Education Funding Agency of material irregularity, impropriety and non-compliance with Education Funding Agency terms and conditions of funding, under the funding agreement in place between the College and the Education Funding Agency.

Statement of Corporate Governance and Internal Control (continued)

As part of its consideration the Corporation has had due regard to the requirements of the funding agreement.

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 Education Funding Agency's terms and conditions of funding under the College's funding agreement. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Education Funding Agency.

Going Concern

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

Approved by order of the members of the Corporation on 16 December 2014 and signed on their behalf by:

Ray Harris	Paul Wakeling
Chair	Accounting Officer

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Funding Agreement between the Education Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2007 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *Accounts Direction for 2013/14 financial statements* 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 then 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 an Operating and Financial Review which describes appropriate objectives and the actions to achieve those objectives, including the legal and administrative status of the College.

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

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of 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 from the EFA are used only in accordance with the Financial Memorandum with the EFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure 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 from the EFA are not put at risk.

Approved by order of the members of the Corporation on 16 December 2014 and signed on their behalf by:

Ray Harris
Chair

Independent auditor's report to the Corporation of Havering Sixth Form College

We have audited the financial statements of Havering Sixth Form College for the year ended 31 July 2013 which comprise the income and expenditure account, the balance sheet, the cashflow statement, the statement of total recognised gains and losses and the related notes. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Havering Sixth Form College and Auditor

As explained more fully in the Statement of Responsibilities of the members of the Corporation, 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 Report of the Corporation to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2014 and of the College's surplus of income over expenditure for the year then ended;
- 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 issued jointly by the Skills Funding Agency and the EFA

In our opinion:

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

Buzzacott LLP
Statutory Auditor
130 Wood Street, London. EC2V 6DL

Independent Auditor's Report on Regularity to the Corporation of Havering Sixth Form College and the Secretary of State for Education acting through the Education Funding Agency

This report is produced in accordance with the terms of our engagement letter dated 13 May 2014 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 Funding Agreement with Secretary of State for Education acting through the Education Funding Agency, 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 Havering Sixth Form College and the Secretary of State for Education acting through the Education 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 Havering Sixth Form College and the Secretary of State for Education acting through the Education 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 Havering Sixth Form College and the Secretary of State for Education acting through the Education Funding Agency, for our review work, for this report, or for the opinion we have formed.

Responsibilities of the Corporation of Havering Sixth Form College

The Corporation of Havering Sixth Form 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 Havering Sixth Form College is also responsible, under the requirements of the Accounts Direction 2013/14 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 Education Funding Agency's terms and conditions of funding under the College's funding agreement. 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 Education Funding Agency.

Auditor's responsibilities

Our responsibility is to express a reasonable assurance opinion 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 13 May 2014. 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 of 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 of 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.

Buzzacott LLP
Statutory Auditor
130 Wood Street, London. EC2V 6DL

Income and Expenditure Account

	Note	2014 £'000	2013 £'000
Income			
Funding body grants	2	13,785	12,986
Other income	3	99	83
Investment income	4	10	18
Total income		13,894	13,087
Expenditure			
Staff costs	5	9,298	8,939
Exceptional restructuring costs	5	228	-
Other operating expenses	7	2,623	2,477
Depreciation	10	1,500	1,196
Interest payable and other finance costs	8	8	34
Total expenditure		13,657	12,646
Surplus on continuing operations after depreciation of assets at valuation and before tax		237	441
Taxation	9	-	-
Surplus for the year retained within general reserves	15	237	441

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

Statement of Historical Cost Surpluses and Deficits

	Note	2014 £'000	2013 £'000
Surplus on continuing operations after depreciation of assets at valuation and before tax		237	441
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	14	227	227
Historical cost surplus for the year		464	668

Statement of Total Recognised Gains and Losses

	Note	2014 £'000	2013 £'000
Surplus on continuing operations after depreciation of assets at valuation and before tax		237	441
Actuarial (loss)/gain in respect of pension scheme	16	(455)	283
Total recognised (losses)/gains for the year		(218)	724

Reconciliation

	2014	2013
Opening reserves	12,500	11,776
Total recognised (losses)/gains for the year	(218)	724
Closing reserves	12,282	12,500

Balance Sheet as at 31 July

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	10	16,642	15,302
Current assets			
Debtors	11	140	574
Cash at bank and in hand	18	2,717	2,346
		2,857	2,920
Creditors: amounts falling due within one year	12	(955)	(939)
Net current assets		1,902	1,981
Net assets excluding pension liability		18,544	17,283
Net pension liability	16	(1,510)	(987)
Net assets including pension liability		17,034	16,296
Deferred capital grants	13	4,752	3,796
Reserves			
Income and expenditure account excluding pension reserve	15	7,062	6,530
Pension reserve	16	(1,510)	(987)
Income and expenditure account including pension reserve	15	5,552	5,543
Revaluation reserve	14	6,730	6,957
Total reserves		12,282	12,500
Total funds		17,034	16,296

The financial statements on pages 18 to 37 were approved by the Corporation on 16 December 2014 and were signed on its behalf on that date by:

…………………………………
Ray Harris Chair

………………….……………
Paul Wakeling Accounting Officer

Cash Flow Statement

	Note	2014 £'000	2013 £'000
Cash inflow from operating activities	17	1,818	1,090
Returns on investments and servicing of finance	19	10	16
Capital expenditure and financial investment	19	(1,457)	(2,631)
		371	(1,525)
Financing	19	-	(323)
Increase/(decrease) in cash in the year	18	371	(1,848)

Reconciliation of net cash flow to movement in net funds	Note	2014 £'000	2013 £'000
Increase/(decrease) in cash in the year		371	(1,848)
Net funds at 1 August		2,346	4,194
Net funds at 31 July	18	2,717	2,346

In this statement, figures in brackets refer to cash outflows and all other figures are cash inflows to the College.

Notes to the Accounts

1 Accounting policies

Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP), *the Accounts Direction for 2013/14 financial statements* and in accordance with applicable Accounting Standards.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets, and in accordance with applicable UK Accounting Standards.

Going concern

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

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

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 for the Adult Skills Budget element is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

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

Notes to the Accounts (continued)

1 Accounting policies (continued)

Post-retirement benefits

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 16, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation on the basis of depreciated replacement cost, as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis.

Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between twenty and fifty years on a straight-line basis.

Improvement on property and remodelling are included in the balance sheet and are depreciated over their estimated useful economic life to the College of ten years on a straight-line basis.

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.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, 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.

Notes to the Accounts (continued)

1 Accounting policies (continued)

Assets under construction

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

Equipment

Equipment costing less than 0.02% of the budgeted funding body recurrent grant per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

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

General equipment	- 5 years
Computer equipment	- 3-5 years

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

Leased assets

All leases are operating leases. Payments under operating leases are charged against income in the year the payments are made.

Maintenance of premises

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 of the 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 II of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

Liquid resources

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

Notes to the Accounts (continued)

1 Accounting policies (continued)

Provisions

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

Agency arrangements

The College acts as an agent in the collection and payment of Bursary Funds. Related payments received from the funding bodies organisations and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 25, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Bursary Fund applications and payments.

2 Funding body grants

	2014 £'000	2013 £'000
EFA recurrent grant	13,340	12,602
EFA non-recurrent grants	18	18
Release of deferred capital grants (note 13)	427	366
	13,785	12,986

3 Other income

	2014 £'000	2013 £'000
Other grant income	36	17
Other income	63	66
	99	83

4 Investment income

	2014 £'000	2013 £'000
Interest receivable	10	18

Notes to the Accounts (continued)

5 Staff numbers and costs

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

	2014 Number	2013 Number
Teaching staff	145	149
Non-teaching staff	68	69
	213	218

Staff costs for the above persons were as follows:	2014 £'000	2013 £'000
Wages and salaries	7,472	7,247
Social security costs	559	562
Other pension costs (including FRS 17 adjustment of £60,000 debit - 2013 £46,000 debit)	1,064	963
Staff costs sub-total	9,095	8,772
Contracted-out staffing services	203	167
Staff costs sub-total	9,298	8,939
Exceptional restructuring costs	228	-
Total staff costs	9,526	8,939

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

	Senior post-holders 2014 Number	Senior post-holders 2013 Number
£20,001 - £30,000	1	1
£60,001 - £70,000	1	1
£110,001 - £120,000	1	1
	3	3

No other staff members earned over £60,000 in the year (2013 – none).

6 Emoluments of senior post-holders

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

	2014	2013
The number of senior post-holders including the Accounting Officer was:	3	3

Senior post-holders' emoluments are made up as follows:	2014 £'000	2013 £'000
Salaries	204	202
Pension contributions	29	29
Total emoluments	233	231

Notes to the Accounts (continued)

6 Emoluments of senior post-holders and members (continued)

The above emoluments include amounts paid to the Accounting Officer (who is also the highest paid senior post-holder) of:	2014 £'000	2013 £'000
Salary	119	117
Pension contributions	17	16
	136	133

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

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

7 Other operating expenses

	2014 £'000	2013 £'000
Teaching costs	214	188
Non-teaching costs	1,283	1,393
Premises costs	1,126	896
Total	2,623	2,477

Other operating expenses include:

	2014 £'000	2013 £'000
Auditor's remuneration		
Financial statements audit	14	13
Other services provided by the financial statements auditor	4	4
Internal audit	16	17
Operating leases		
Hire of photocopiers	79	79
Hire of computers	-	44

8 Interest payable and other finance costs

	2014 £'000	2013 £'000
Interest on loan finance	-	2
Pension finance costs (note 16)	8	32
	8	34

Notes to the Accounts (continued)

9 Taxation

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

10 Tangible fixed assets

	Land and buildings			
Cost or valuation	**Freehold £'000**	**Improve-ments £'000**	**Equipment £'000**	**Total £'000**
At 1 August 2013	16,897	6,668	4,673	28,238
Additions	1,594	259	987	2,840
At 31 July 2014	**18,491**	**6,927**	**5,660**	**31,078**
Depreciation				
At 1 August 2013	6,251	2,809	3,876	12,936
Charge for year	400	580	520	1,500
At 31 July 2014	**6,651**	**3,389**	**4,396**	**14,436**
Net book value at 31 July 2014	**11,840**	**3,538**	**1,264**	**16,642**
Net book value at 31 July 2013	10,646	3,859	797	15,302

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

Land and buildings were valued for the purpose of the 1994 accounts at depreciated replacement cost by an external body, Chief Executives Department, EFA, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes.

Included within land and buildings is an amount of £2,700,000 being the valuation of land. This is not depreciated.

Land and buildings with a net book value of £6,730,000 (2013: £6,957,000) have been financed from exchequer funds through, for example, the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the financial memorandum, to surrender the proceeds.

Notes to the Accounts (continued)

11 Debtors

Amounts falling due within one year	2014 £'000	2013 £'000
Trade debtors	21	10
Prepayments and accrued income	119	564
	140	574

12 Creditors: Amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	224	511
Other creditors	418	274
Accruals and deferred income	313	154
	955	939

13 Deferred capital grants

	Land and buildings £'000	Equipment £'000	Total grants £'000
At 1 August 2013	3,781	15	3,796
Cash received	1,383	-	1,383
Released to income and expenditure account	(412)	(15)	(427)
At 31 July 2014	4,752	-	4,752

All capital grants are received from the funding body.

14 Revaluation reserve

	2014 £'000	2013 £'000
At 1 August	6,957	7,184
Transfer to income and expenditure account in respect of depreciation on revalued assets	(227)	(227)
At 31 July	6,730	6,957

Notes to the Accounts (continued)

15 Movement on general reserves

	2014 £'000	2013 £'000
Income and expenditure account reserve		
At 1 August	5,543	4,592
Surplus retained for the year	237	441
Transfer from revaluation reserve	227	227
Actuarial (loss)/gain in respect of pension scheme (note 16)	(455)	283
At 31 July	5,552	5,543
Balance represented by:		
Pension liability	(1,510)	(987)
Income and expenditure account excluding pension reserve	7,062	6,530
	5,552	5,543

16 Pension and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the London Borough of Havering. Both are defined-benefit schemes.

Total pension cost for the year		2014 £'000		2013 £'000
Teachers' Pension Scheme: contributions paid		745		727
Local Government Pension Scheme:				
Contributions	259		190	
Adjustments	60		46	
Charge to the Income and Expenditure Account under staff costs		319		236
Total Pension Cost for Year		1,064		963

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the TPS was 31 March 2004 and the LGPS 31 March 2013.

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

Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. 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.

Notes to the Accounts (continued)

16 Pension and similar obligations (continued)

The Teachers' Pension Budgeting and Valuation Account

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

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. The last formal actuarial valuation undertaken for the Teachers' Pension Scheme was completed in 2004. Consequently, a formal actuarial valuation would have been due by 2008. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

Approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

As noted, the last formal valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 million. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

Notes to the Accounts (continued)

16 Pension and similar obligations (continued)

Scheme Changes

From 1 April 2012 to 31 March 2014, the employee contribution rate ranged between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary, with employer contributions set at 14.1%. With effect from 1 April 2014 the employee contributions rates were increased and ranged between 6.4% and 12.4%, depending a member's Full Time Equivalent salary, with employer contributions set to increase to 16.4% from September 2015.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

The Proposed Final Agreement can be found at:

http://media.education.gov.uk/assets/files/ppt/t/tps%20proposed%20final%20agreement.pdf

The pension costs paid to TPS in the year amounted to £745,000 (2013: £727,000).

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirements Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the deficit in the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by the London Borough of Havering. The total contribution for the year ended 31 July 2014 was £337,000 of which employer's contributions totalled £259,000 and employees' contributions totalled £86,000. The agreed contribution rates for the following year to 31 March 2014 are 14.2% for the employer, together with a monthly lump sum payment of £2,167. The employer's rate from 1 April 2014 is 20.4% with a monthly lump sum payment of £2,500. The employee rates are 5.8% to 7.2% depending on the salary band.

FRS 17

The following information is based upon a full actuarial valuation of the Fund at 31 March 2013 updated to 31 July 2014 by a qualified independent actuary.

	At 31 July 2014	At 31 July 2013
Rate of increase in salaries	3.5%	4.6%
Rate of increase for pensions	2.7%	2.8%
Discount rate for scheme liabilities	4.0%	4.6%
Inflation assumption (CPI)	2.7%	2.8%
Commutation of pre 1 April 2008 pensions to lump sums	50%	50%
Commutation of post 31 March 2008 pensions to lump sums	75%	75%

Notes to the Accounts (continued)

16 Pension and similar obligations (continued)

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

	At 31 July 2014	At 31 July 2013
Retiring today		
Males	22.1 years	21.9 years
Females	24.1 years	24.6 years
Retiring in 20 years		
Males	24.2 years	23.8 years
Females	26.7 years	26.5 years

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

	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014 £'000	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013 £'000
Equities	6.8%	2,457	6.4%	2,267
Bonds	3.7%	945	4.0%	652
Property	4.7%	189	4.6%	155
Cash	3.6%	189	3.4%	31
Total Market Value of assets		3,780		3,105

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
College's asset share	3,780	3,105
Present value of scheme liabilities	(5,290)	(4,092)
Deficit in the scheme	(1,510)	(987)

Amount charged to income and expenditure account	**2014 £'000**	**2013 £'000**
Employer service cost (net of employee contributions)	311	236

Analysis of pension finance costs	**2014 £'000**	**2013 £'000**
Expected return on pension scheme assets	188	120
Interest on pension liabilities	(196)	(152)
Pension finance costs	(8)	(32)

Notes to the Accounts (continued)

16 Pension and similar obligations (continued)

Amount recognised in the statement of total recognised gains and losses (STRGL)	**2014 £'000**	**2013 £'000**
Actuarial losses on pension scheme assets	(676)	(97)
Actuarial gains on the scheme liabilities	221	380
Total actuarial (loss)/gain recognised in STRGL	(455)	283

Movement in deficit during the year	**2014 £'000**	**2013 £'000**
Deficit in scheme at 1 August	(987)	(1,192)
Movement in year:		
Employer service cost (net of employee contributions)	(311)	(236)
Employer contributions	251	190
Net interest charge	(8)	(32)
Actuarial gain/(loss)	(455)	283
Deficit in scheme at 31 July	(1,510)	(987)

Asset and Liability Reconciliation

Reconciliation of liabilities	**2014 £'000**	**2013 £'000**
Liabilities at 1 August	4,092	3,594
Service cost	311	236
Interest cost	196	152
Employee contributions	86	72
Actuarial losses on liabilities	676	97
Benefits paid	(71)	(59)
Liabilities at 31 July	5,290	4,092

Reconciliation of assets

Assets at 1 August	3,105	2,402
Expected return on assets	188	120
Actuarial gain	221	380
Employer contributions	251	190
Employee contributions	86	72
Benefits paid	(71)	(59)
Assets at 31 July	3,780	3,105

Notes to the Accounts (continued)

16 Pension and similar obligations (continued)

History of experience gains and losses

	2014	2013	2012	2011	2010
Difference between the expected and actual return on assets:					
Amount £'000	221	380	(58)	(3)	127
Experience gains and losses on scheme liabilities:					
Amount £'000	(478)	-	(19)	186	-
Total amount recognised in STRGL:					
Amount £'000	(455)	283	(538)	408	321

17 Reconciliation of operating surplus to net cash inflow from operating activities

	2014 £'000	2013 £'000
Surplus on continuing operations after depreciation of assets at valuation and before tax	237	441
Depreciation (note 10)	1,500	1,196
Deferred capital grants released to income (note 13)	(427)	(366)
FRS 17 pension cost less contributions payable (notes 5 and 16)	60	46
FRS 17 pension finance costs (notes 8 and 16)	8	32
Decrease/(increase) in debtors	434	(436)
Increase in creditors	16	193
Interest payable (note 8)	-	2
Interest receivable (note 4)	(10)	(18)
Net cash inflow from operating activities	1,818	1,090

18 Analysis of changes in net funds

	At 1 August 2013 £'000	Cash flows £'000	At 31July 2014 £'000
Cash at bank and in hand	2,346	371	2,717

Notes to the Accounts (continued)

19 Analysis of cash flows for headings netted in the cash flow statement

	2014 £'000	2013 £'000
Returns on investments and servicing of finance		
Interest paid	-	(2)
Interest received	10	18
Net cash inflow from returns on investments and servicing of finance	10	16
Capital expenditure and financial investment		
Additions of tangible fixed assets	(2,840)	(4,154)
Deferred capital grants received	1,383	1,523
Net cash outflow from capital expenditure	(1,457)	(2,631)
Financing		
Debt due beyond a year:		
Repayment of amounts borrowed	-	(323)
Net cash outflow from financing	-	(323)

20 Post balance sheet events

There are no post balance sheet events.

21 Capital commitments

	2014 £'000	2013 £'000
Commitments contracted for at 31 July	35	1,929
Authorised but not contracted for at 31 July	1,100	368

The major commitment at 31 July 2014 relates to the first phase of a building replacement, financed by an EFA Building Conditions Improvement Fund grant.

22 Financial commitments

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

	2014 £'000	2013 £'000
Equipment		
Expiring within one year	40	44
Expiring within two to five years inclusive	-	79
	40	123

Notes to the Accounts (continued)

23 Contingent liability

There are no contingent liabilities of which the College is aware (2013: none).

24 Related party transactions

Due to the nature of the College's operations and the composition of the Corporation 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 Corporation may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

No expenses were paid to or on behalf of the members of the Corporation during the year (2013: nil).

No members of the Corporation have received any remuneration or waived payments from the College or its subsidiaries during the year (2013: None).

25 Amounts disbursed as agent

Bursary Funds	**2014** **£'000**	**2013** **£'000**
Funding body grants – hardship support	479	362
Disbursed to students	(457)	(276)
Administration costs	(18)	(18)
Amount underspent at 31 July	4	68

Funding body grants are available solely for students; the College acts only as a paying agent.

The grants and related disbursements are therefore excluded from the Income and Expenditure Account.