The College of
Haringey, Enfield
and North East London

# FINANCIAL STATEMENTS AND ANNUAL REPORT 1 AUGUST 2015 – 31 JULY 2016

## THE COLLEGE OF HARINGEY, ENFIELD AND NORTH EAST LONDON

### Key Management Personnel, Board of Governors and Professional Advisers

**Key Management Personnel**

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2015/16:

Mr A Forbes, Principal and Chief Executive (Accounting officer)

Mr S Cross, Vice Principal Finance and Resources

Mr K Hintz, Vice Principal Curriculum and Learner Experience

Ms N Shoffman, Head of Governance

Ms J Chapman, Director of Employability and Employer Engagement

Ms J Grant, Director of Finance and Contract Compliance

Ms J Edwards (left October 2015)

Mr R Hindley, Director of Curriculum (started January 2016)

Ms L Foster, Director of Curriculum (left April 2016)

Ms M Summers, Director of Curriculum (started April 2016)

Mr M Kiamil, Director of Management Information Systems (left January 2016)

Ms J Rusling, Director of Management Information Systems (started January 2016)

Mr G Mitchell, Director of Human Resources

Ms R Seddon, Director of Quality and Learner Support

**Board of Governors**

A full list of Governors is given on page 21 of these financial statements

Ms N Shoffman acted as Head of Governance to the Corporation throughout the period.

**Professional Advisers**

**Financial Statements auditors and reporting accountants:**
RSM UK Audit LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

**Internal auditors:**
Mazars
Tower Bridge House
St Katharine's Way
London
E1W 1DD

**Bankers:**
Barclays Bank Plc
1 Churchill Place
London
E14 5HP

**Solicitors:**
Mills & Reeve LLP
78-84 Colmore Row
Birmingham
B3 2AB

Pricewaterhouse Coopers LLP
1 Embankment Place
London
WC2N 6RH

**Property Strategy:**
Jones Lang Lasalle
30 Warwick Street
London
W1B 5NH

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## Operating and Financial Review

## NATURE, OBJECTIVES AND STRATEGIES

The members of the Corporation of the College of Haringey, Enfield and North East London present their report and the audited financial statements for the year ended 31 July 2016.

### Legal Status

The Corporation was established on 1 August 2009 under The Further and Higher Education Act 1992 for the purpose of conducting the College of Haringey, Enfield and North East London. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

### Mission

Our mission is to help individuals, employers and our community to succeed by providing outstanding education and applied vocational training with a particular focus on skills for employment.

### Vision

Our vision is to be the number one skills college in London for businesses and communities, offering a huge range of courses to help people on to skilled jobs, apprenticeships or university.

### Aims

We will put the learner at the centre of what we do.

We will set high expectations of our learners, to increase aspiration and focus on success.

We will prepare our learners for progression into jobs that meet local and national needs working with employers, our partners and our communities.

We will treat our learners as our customers and deliver excellent levels of service in every interaction that we have.

We will listen to and respond to the views of learners, parents and carers, employers, stakeholders and staff to improve participation, involvement and performance.

We will plan and deliver our courses and training to meet the needs and interests of learners, employers and our local and national community.

We will deliver industry standard vocational programmes in industry standard facilities.

We will promote best practice in teaching, learning, training and assessment that embraces e-learning and digital technology.

We will seek out opportunities for partnership, acquisitions and business opportunities that benefit our stakeholders, community and employers.

We will encourage innovation, creativity and enterprise.

We will develop an organisational culture based on flexible, highly professional, expert staff that thrive on challenge and meeting the needs of their industries.

## Operating and Financial Review

We will swiftly and relentlessly address areas for improvement and enable our staff to respond to changes required through professional training and development.

We will uphold high standards of professional and ethical conduct and rigorous performance management.

We will promote a culture where colleagues are valued, developed and supported and promote good role models for learners. Staff skills and expertise will be continuously developed and updated to ensure they are leading edge for their sector.

We will embed equality and diversity in all spheres of our activity.

We will ensure a safe and healthy environment for learners and staff with a focus on the sustainability of the College.

We will proactively engage in developing new markets to diversify the College's income streams and strengthen its financial stability.

We will maintain the financial sustainability and viability of the College, delivering good value for money, to ensure the College can continue to fulfil its mission in the future.

## Public Benefit

The College of Haringey, Enfield and North East London is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 21.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

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

## Implementation of strategic plan

In July 2015 the College adopted a strategic development plan for the period 1 August 2015 to 31 July 2018. This strategic plan focuses on growth learners including apprentices; quality of the curriculum and financial health. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year and outcomes reported through the College's self-assessment report and financial statements. The College's continuing strategic objectives are to:

- Grow 14-16 Key stage 4 provision to 200 learners per annum,
- Grow 16-18 full time learner numbers,
- Raise the qualification outcomes for English and mathematics,

- Maintain classroom and employer based adult skills training at £2 million +,
- Increase delivery of Higher Education programmes,
- Increase the delivery of apprenticeships,
- Maintain employer satisfaction at over 90%,
- Grow traineeship learners,
- Maintain 'Good' financial health.

The College is on target for achieving these objectives.

The College's specific priorities for 2015/16 and achievement of those priorities is addressed below:

- **Grow 14-16 and 16-18 learner recruitment** – the College delivered to 205 (2014/15: 206) 14-16 learners and 1,984 (2014/15: 2,125) 16-18 learners

- **Upgrade, improve and develop College facilities to grow STEM curriculum** – a Mechanical engineering Workshop was installed at the Enfield Centre.

- **Improve attendance rates to 88%, achieve overall achievement rate of above 85%, retention rate of 90% and English and maths achievement rate of above 75%.**

  The final outcomes for 201516 are as follows:

| | 2015-16 | 2014-15 |
|---|---|---|
| Attendance | 87.5% | 86.9% |
| Achievement | 86.8% | 86.3% |
| Retention | 94.9% | 93.3% |
| English and maths | 71.4% | 69.7% |

- **Achieve stakeholder satisfaction ratings of above 90%** - the College's employer satisfaction rating for 2015-16 was 93.8% and it ranked 19th out of 217 colleges nationally.

- **Increase delivery of apprenticeships to 1,000 starts per annum** – there were 862 new apprentices supported by the College during 2015/16 of which 607 (70%) were delivered internally.

- **Increase delivery of Higher Education programmes by 3 per annum** – 187 Higher Education learners enrolled in 2015/16 (172 in 2014/15).

- **Develop onsite small business hub at the Tottenham Centre** – this was superseded by the development of a Microsoft Academy showcase classroom which will be used to address a shortage in digital skills by equipping learners with hi-tech expertise to succeed in the industry.

- **Maintain "Good" Financial Health as defined by the Skills Funding Agency** - the College achieved "Outstanding" financial health status for 2015/16.

## Operating and Financial Review

### Performance Indicators

The College is committed to observing the importance of sector measures and indicators and use the FE Choices learner and employer's surveys. The College is required to complete the annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The current rating of Outstanding is considered an acceptable outcome.

The key performance indicators used by the College during the year and the final outcomes were:

**Financial Position**

| | Plan | Actual |
|---|---|---|
| Surplus | £11k | £1.1m |
| Current ratio | 1.18:1 | 1.50:1 |
| Cash | £13m | £15.9m |

**Staff turnover and absence rates**

| | 2015/16 | 2014/15 |
|---|---|---|
| Staff turnover | 12.83% | 17.87% |
| Rolling absence rate | 3.75% | 3.85% |
| Rolling days lost per employee | 8.57 days | 8.96 days |

**Learner numbers and funding**

| | Contract | Actual |
|---|---|---|
| 16-18 learners | 2,023 | 1,984 |
| 16-18 Apprenticeship funding | £599k | £589k |
| 19+ Apprenticeship funding | £2,329k | £1,976k |
| Adult Skills Budget (non-apprenticeships) | £11,927k | £12,493k |

**Efficiency key performance indicators**

| | Plan | Actual |
|---|---|---|
| Class size – all enrolments | 15.2 | 15.2 |
| Staff utilisation | 95% | 93.9% |

**Attendance, achievement and retention rates**

| | Plan | Actual |
|---|---|---|
| Attendance rate | 88% | 87.5% |
| Achievement rate (including functional skills) | 85% | 86.8% |
| Retention rate | 93% | 94.9% |

### Financial Objectives

The College set itself the following financial objectives:

- Maintain a sound financial base to enable the College to meet the financial performance criteria needed to maintain a SFA financial health category of "Good" to "Outstanding";
- Achieve an operating surplus before allowing for FRS102 pension adjustments;
- Protect itself from unforeseen adverse changes in its income by maintaining adequate cash reserves;

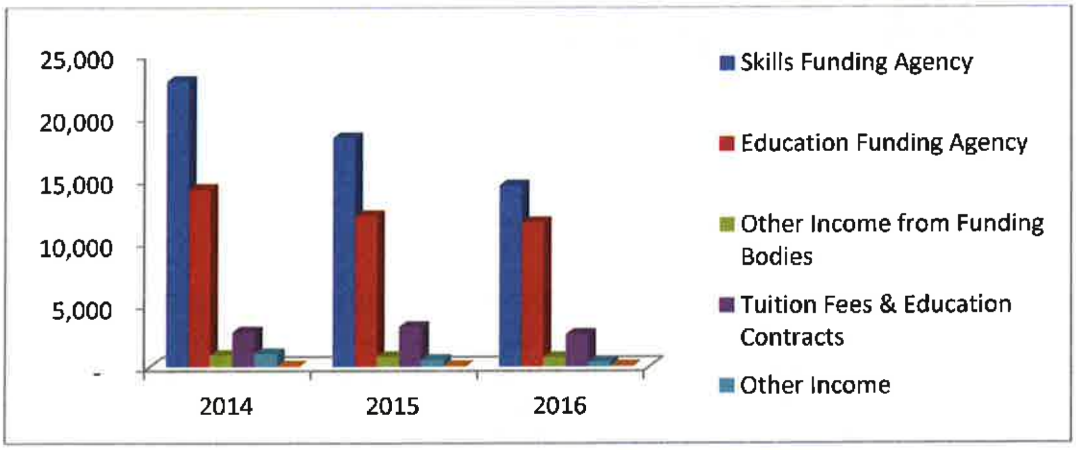
- Maintain a minimum of 25 cash days at all times;
- Maintain a ratio of current assets to current liabilities of at least 1.2.1;
- Positive cash inflow from operating activities;
- Maintain a general reserve of more than £15 million.

All of the above objectives have been achieved.

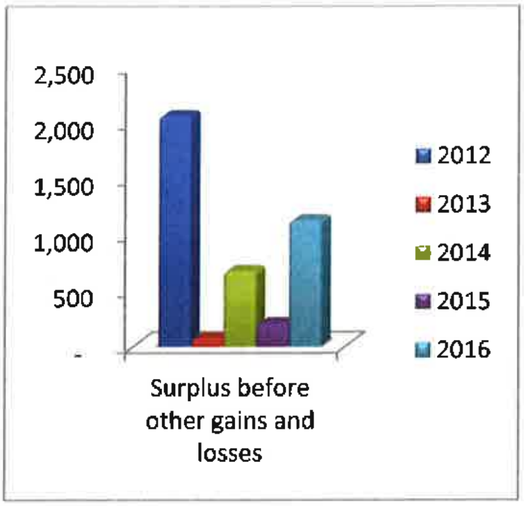
## Major sources of income

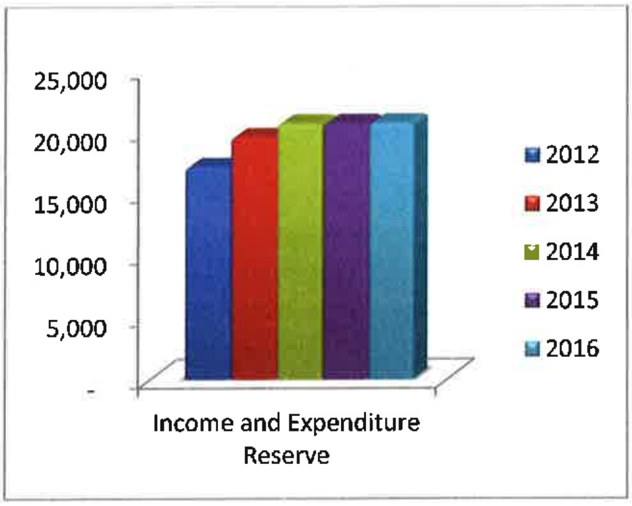
The major source of income is the Skills Funding Agency and Education Funding Agency funding of £26 million, which, including income from other funding bodies, accounted for 90% of the total income in the year. Total income from the main funding bodies has declined by 30% in the last 3 years. The largest decline in income has been from the Skills Funding Agency funding which has decreased by 36%. All sources of income for the last 3 years are shown below.

**Income Analysis**




## Financial Health



## Operating and Financial Review

The College holds Skills Funding Agency Category 'Outstanding' financial health status for the year. The operational surplus before restructuring costs for the year was £1.3 million (2014/15: £1 million) and after restructuring costs the College produced an operating surplus of £1.1 million (2014/15: £209,000) on turnover of £29.9 million (2014/15: £35 million).

The College's financial objective has been to achieve a sustained operating surplus; the College has maintained this objective.

The accumulated income and expenditure reserve at 31 July 2016 stands at £20.7 million and is contributing to funding the capital programme.

## Cash and Liquidity


### Cash

The College's cash position remains robust with cash balances standing at £15.9 million as at July 2016 (£16.1 million as at 31 July 2015). The College's financial objective is to maintain a minimum cash balance of £4 million in the event of losing some of the Skills Funding Agency funding in any one year. The remaining cash balances of £12 million provide towards the potential VAT liability of £5.2 million and future development.

The major issues affecting cash flow during the year were:

- Generation of a Skills Funding Agency adjusted surplus of £3.7 million; and
- Capital expenditure of £2.9 million.

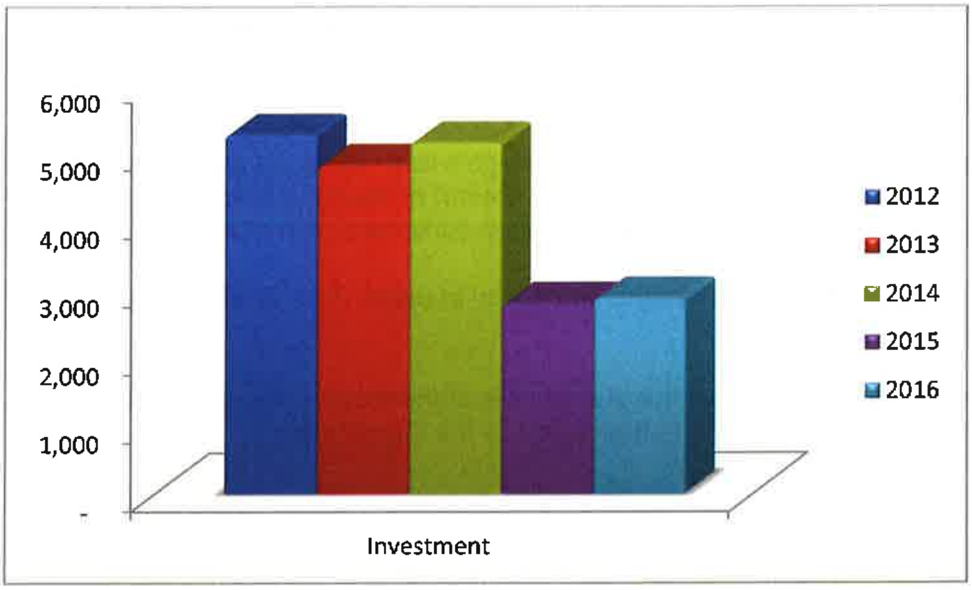
### Liquidity

This is measured by the ratio of current assets to current liabilities. The College's financial objective is to have a minimum net current asset ratio of 1.2:1. At the 31 July 2016 the ratio was 1.50:1 (31 July 2015, 1.38:1).

## Investments

The investment on the physical infrastructure of the College is set out in the table below:

**Investment in Fixed Assets**




The table shows significant investment in its physical infrastructure that the College has made in recent years. This, together with associated data in this report, demonstrates that the College has been able to undertake substantial investment in its buildings without detriment to a robust standard of financial health and solvency.

## FINANCIAL POSITION

### Financial Results

The College generated a surplus before other gains and losses in the year of £1,127,000 (2014/15: £209,000), with total comprehensive income of (£318,000), (2014/15: (£347,000)).

The College has accumulated income and expenditure reserves of £20,707,000 (2014/15 £20,677,000) and cash balances of £15,945,000 (2014/15 £16,050,000). The College wishes to continue to accumulate unrestricted reserves and cash balances in order to create a contingency fund; to continue to fund the property strategy and cover a potential VAT liability of £5.2 million (including interest).

Tangible fixed asset additions during the year amounted to £2,877,000. This was split between £1 million for PC replacement and IT equipment, of which £567,000 related to PC and tablets and £1.9 million on the buildings. The building infrastructure costs included £329,000 on heating and lighting to improve the College's energy efficiency; £265,000 for toilet refurbishment and £97,000 for the College's Microsoft showcase project which will be launched in 2016/17 to create a new IT academy to address the shortage in digital skills.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the further education funding bodies provided 90% of the College's total income.

## Operating and Financial Review

The College has the following subsidiary and joint venture during the year, which have not been consolidated because they are not material to the College's financial statements.

**Wholly owned subsidiary**:
Apprenticeships First Limited (a company limited by guarantee) - an apprenticeship training agency providing employment for apprentices.

**Joint Venture**:
Tottenham Green Enterprise Centre Limited – provision of facilities for start-up businesses.

### 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. This policy was reviewed by the College Governors in March 2016.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

### Reserves policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve stands at £20.7 million (2015: £20.7 million). It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

## CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

### Learner Numbers

In 2015/16 the College has delivered activity that has produced £25,932,000 in funding body main allocation funding (2014/15 - £30,417,000).

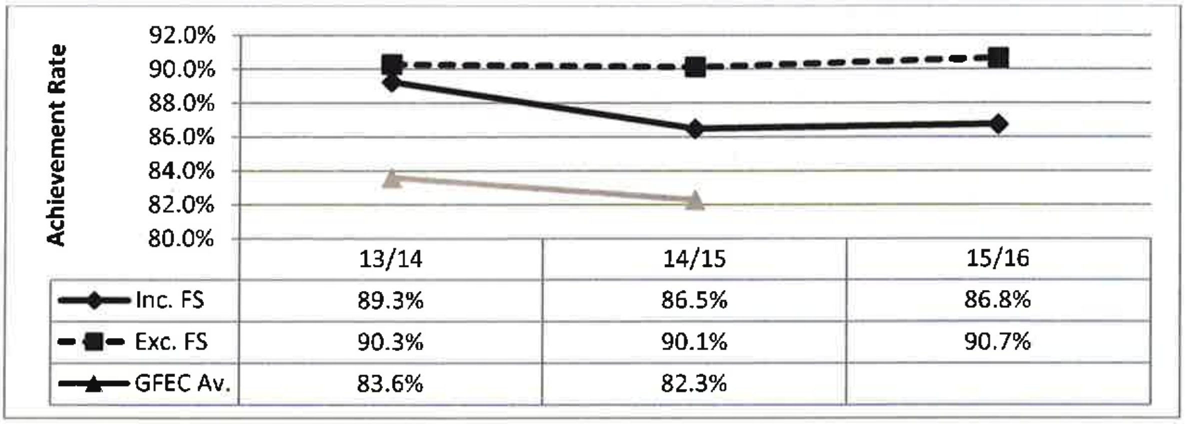
The learner numbers are classified as per the funding streams which are Adult Learner Responsive; 16-18 Learner Responsive; 16-18 Apprenticeships and the Adult Apprenticeships. The actual learner numbers for each funding stream are shown below.

| FUNDING STREAM | 2015/16 | 2014/15 |
|---|---:|---:|
| Adult Learner Responsive | 8,412 | 12,284 |
| 16-18 Learner Responsive | 1,984 | 2,125 |
| 16-18 Apprenticeships | 185 | 216 |
| Adult Apprenticeships | 1,258 | 1,318 |
| **Total** | **11,839** | **15,943** |

### Learner Achievements

Learners continue to prosper at the College. Overall achievement rates in 2015/16 improved from 86.3% to 86.8% (with functional skills) and also improved from 90.1% to 90.7% (without functional skills). These figures remain well above the National average for all and similar Colleges (2014/15 Provider Average – 82.3% with functional skills).

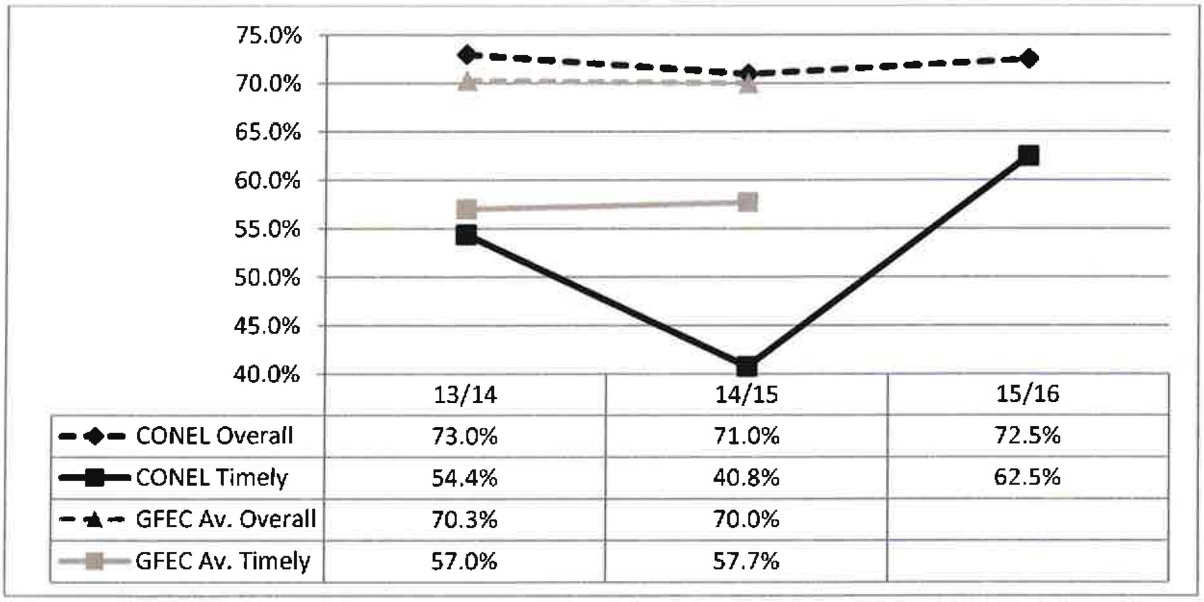
**All Age 3 year Classroom Based**
**Headline Achievement Rates with/without Functional Skills**




| | 13/14 | 14/15 | 15/16 |
|---|---|---|---|
| Inc. FS | 89.3% | 86.5% | 86.8% |
| Exc. FS | 90.3% | 90.1% | 90.7% |
| GFEC Av. | 83.6% | 82.3% | |

In Apprenticeship provision overall framework achievement rates improved further to 72.5% and are now above the provider national average of 70.0%. Timely achievement rates have significantly improved to 62.5% and are now also above the provider national averages of 57.7%. The majority of learners now make good progress in completing their qualifications. There were again considerable improvements in progress made by 16-18 apprentices (87.8% overall from 75.2% in 2014/15) and both Level 2 and 3 are now well above national averages and making outstanding progress (87.8% Provider National Average 72.4%). Adult groups are also now at or above national rates in both overall and timely achievement for all levels with timely achievement having significantly improved by between 10% and 25% for all groups.

**All Age 3 year Headline Apprenticeship Achievement Rates**




| | 13/14 | 14/15 | 15/16 |
|---|---|---|---|
| CONEL Overall | 73.0% | 71.0% | 72.5% |
| CONEL Timely | 54.4% | 40.8% | 62.5% |
| GFEC Av. Overall | 70.3% | 70.0% | |
| GFEC Av. Timely | 57.0% | 57.7% | |

## Curriculum Developments

In 2015-16 a number of changes to the curriculum and its delivery structure were introduced through the College's business planning processes in which curriculum review was an integral element. The business planning processes were informed by the Government's priorities for the Learning and Skills Sector, namely 14-19, and the Programmes of Study, Unemployed Adults, Apprenticeships and Traineeships. The focus of these curriculum changes was to continue to develop a curriculum of the highest quality built around the learning and training needs of learners, whilst at the same time incorporating within this the Government's priorities for funding provision. In addition, the annual curriculum review was designed to position the curriculum around occupational sectors to enable more rapid responses from curriculum teams to employers' training needs and the Job Centre Plus needs to train clients for employment vacancies within these sectors. The curriculum for young people was reviewed to ensure that it continues to offer a distinctive and high quality experience for young people offering an aspirational culture to motivate while delivering learning that is practical, applied, and develops their skills in preparation for work.

All programmes meet the new Programmes of Study requirements including mathematics and English conditionality. The focus is now on skills development to prepare for progression including employment.

During business planning 8.23 FTE staff were made redundant as a result of a detailed review of the proposed curriculum course file for 2016/17. Reductions in staffing for both curriculum and service areas were implemented in order to achieve a break even budget.

## 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. During the accounting period 1 August 2015 to 31 July 2016, the College paid 70 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

## Post-balance sheet events

There are no post balance sheet events.

## Future developments

With the stabilisation of adult classroom funding, as set out in the November 2015 Comprehensive Spending Review, key challenges have shifted to a number of other areas.

The Government has set in place a programme of Area Reviews, which aim to promote mergers and strategic collaboration between providers, on the premise that larger organisations will be more financially resilient. The London reviews are nearing completion, but relatively few mergers and strategic collaborations have been agreed to date. The College continues to explore merger options with neighbouring colleges, but as a strong successful college it is determined that a merger would only be entered into on the right terms.

The Government has announced an Apprenticeships Levy which is welcomed, as it will bring new money into the sector. Expected to launch in May 2017, it is currently subject to a consultation on the funding arrangements. The College is concerned about the removal of weightings for young and disadvantaged apprentices. It has responded to the consultation and awaits the outcome.

The Government is also committed to devolving adult classroom funding to regional government, in our case the London Development Agency. The Mayor of London is concerned, that following the Brexit vote, there will be fewer skilled workers from the European Union in London, and has been demanding an early devolution of funding in order to help maintain skill levels in the capital. Nevertheless, devolution is still thought unlikely before 2019.

The College needs to position itself in order to thrive under the new arrangements. It has identified STEM (Science, Technology, Engineering and Maths) provision as critical to its future positioning, and has invested in a new Engineering centre at its Enfield Centre. It is looking at similar provision at Tottenham. The College is aware that its premises at Tottenham need renewal in order to face future challenges. It has commissioned JLL to work up plans for an ambitious redevelopment of its Tottenham Centre, and this work is proceeding well.

The College has continued to make the necessary changes in order to build on its strengths. Its key focus is on delivery efficiency, especially class sizes and staff utilisation, and cutting costs wherever possible. It has already greatly expanded its internal apprenticeships delivery, with the creation of a sales team in 2015 which has been very successful. It will look for commercial and other revenue-raising opportunities and seek to reduce its dependence on grant funding.

## Operational Plan – 2016/2017

A number of curriculum changes have been planned for 2016/17.

We continue to significantly develop our internal delivery of Apprenticeships and reduce delivery by external partners, wherever possible. More than 70% of the delivery in 2015/16 was internal and plans for 2016/17 will further increase this further. The Apprenticeship team has been further enhanced with new sales staff, management and assessment teams. We have plans for significant growth in Apprenticeships in 2016/17 with 1,000 starts.

Skills for Life and Work courses remain significant for the College and further growth is planned in 2016/17 taking advantage of new flexibilities in the Adult Skills Budget (ASB) funding rule changes. There will be further increases in the number of 16-18 learners completing GCSE Mathematics and English qualifications as a result of the study programme requirements where learners with a "D" grade are required to resit GCSE's. There is a continued vocational short course offer planned for JCP clients based upon local vacancy needs and further expansion of the provision to include non-qualification based skills development activity. As unemployment rates have fallen there are fewer people who require short programmes in order to gain work and this has led to a much wider London based geographic area of delivery.

The curriculum has been reviewed further to meet the requirements of the new Programmes of Study. Learners will have larger programmes including guided learning hours for qualifications and non-qualifications activity including work related activity. We are continuing to extend work experience and involving many more employers in the delivery and assessment of vocational courses.

We have removed provision which was under performing in relation to recruitment, retention and achievement. Management structures have been reviewed based on business planning forecasts and further resourced in the Schools of Construction and Science and Engineering.

## RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. The College is constantly seeking to optimise its efficiency gains in procurement and non-teaching costs in order to maximise the resource available for learning.

### Financial

The College has £42.6 million (2014/15 £42.9 million) of net assets (including a £16.9 million (2014/15: £15.2 million) pension liability) and long term debt of £574,000 relating to the loan on the Kingfisher Building and a new loan for energy efficiency works.

### People

The College employs 337 (2014/15: 364) people (expressed as full time equivalents), of whom 194 (2014/15: 210) are teaching staff.

### Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting learners and external relationships.

The College was last inspected by Ofsted in March 2014 and was deemed to be Good in all aspects of provision with Outstanding Leadership and Management. The College is expecting another inspection as part of the normal cycle in 2016/17.

The College also achieved the Investors in People Standard and the Matrix Standard for Advice and Guidance in 2014. The College received re-accreditation in its Matrix standard during the 2016's annual continuous improvement check.

## PRINCIPAL RISKS AND UNCERTAINTIES:

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

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

A risk register is maintained at the College level which is reviewed at each meeting of 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.

## Operating and Financial Review

Outlined below is a description of the three 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 2015-16, 90% 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 several issues which may impact on future funding:

- Introduction of the Apprenticeship levy from May 2017 and the College's ability to compete with other colleges and training providers.
- Devolution of adult classroom funding to regional government, the London Development Agency.
- Competition from local schools, sixth form colleges and other providers for the recruitment of 16-18 learners.
- The requirement for learners aged 19 and above to fund their own advanced learning either through fees or student loans.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training.
- Ensuring the College continues to focus on those priority areas, particularly apprenticeships, which will continue to benefit from growth in public funding.
- Considerable focus and investment is placed on maintaining and managing key relationships with various funding bodies.
- Investing in the College's STEM provision to secure future funding
- Cutting costs and improving delivery efficiency, particularly class sizes and staff utilisation.
- Growing commercial and other sources of income.

2. Tuition fee policy

A global increase in fee rates of 3% was applied in 2015-16. The risk for the College is that excessive fees will discourage fee paying learners from enrolling on courses. This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for learners.
- Close monitoring of the demand for courses as prices change.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

## Operating and Financial Review

### STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, The College of Haringey, Enfield and North East London has many stakeholders. These include:

- Learners;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Local Enterprise Partnerships (LEPs);
- Local Schools;
- The local community;
- Other FE institutions;
- Trade unions;
- Private training providers;
- Professional bodies.

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

### Single Equality Scheme Statement

We believe that all that form the community of the College have a right to be valued equally and to have equality of opportunity. The College is firmly committed to equalising opportunities for all who form the College community. We have agreed shared values that include equality and diversity, fairness and consistency, respect for others, fostering a participative and supportive culture and listening to each other's opinions and ideas. The delivery of and promotion of equal opportunities underpins the College Quality Improvement Plan.

The College's Single Equality Scheme is published on the College's Internet site.

### Legislative Requirements

The Scheme will ensure that the College meets all its legal requirements in accordance with the following Acts including any future amendments or updates:

- Equality Act 2010
- Children and Families Act 2014

The Equality Act 2010 protects people from discrimination on the basis of 'protected characteristics' (these used to be called 'grounds').The relevant characteristics for services and public functions are:

- Age
- Disability
- Gender reassignment/identity
- Marriage and civil partnership
- Pregnancy and maternity
- Race
- Religion or belief/non belief
- Sex
- Sexual orientation.

## Operating and Financial Review

The Children and Families Act 2014 and in particular, Part 3,Section 41 of the Act as it relates to children and young people with special educational needs (SEN) and disabled children and young people. The legislation lays out the requirement for Further Education providers to have regard for the *Special educational needs and disability code of practice: 0 to 25*. The code lays out the statutory guidance for organisations who work to.

There are 4 statutory duties on post- 16 institutions emerging from section 7 of the guidance;

- A duty to co-operate with the local authority on arrangements for children and young people with SEN;
- A duty to admit a young person if the institution is named in an Educational Health Care (EHC) plan;
- A duty to have due regard to the Code of Practice;
- A duty to use their best endeavours to secure the special educational provision that the young person needs;

The College takes its responsibilities very seriously in regard to SEN learners and has a substantial SEN High Needs learner cohort each year. The college will always endeavour to make reasonable adjustments although these are limited by financial viability or where they would impinge on the efficient education of other learners.

## Good Practice in Staffing Issues

In order to ensure that current and prospective staff are treated equitably, justly, fairly and without unfair discrimination. We will:

- Operate a recruitment process which is based on equality of opportunity for all;
- Advertise all vacancies in the appropriate medium as determined by Human Resources and having regard to the staff profile and its imbalances in terms of age, disability, gender and ethnicity;
- Ensure a consistent approach on the interpretation of staff documentation (e.g. contracts of employment) and implementation of policies and procedures across the College;
- Monitor and review, through our quality assurance processes, that equal opportunities during employment are adhered to;
- Treat all staff equally with dignity and respect, valuing the contribution of each member of staff;
- Monitor the composition of staff and job applicants across the College and in each department/service by gender, ethnic origin, age and disability and address identified imbalances and under representation;
- Monitor our staffing against all the protected characteristics through the implementation of an enhanced Human Resources system;

- Ensure there is no direct nor indirect discrimination in all aspects of the employment relationship, including recruitment, pay, working conditions, training, promotion, dismissal, references and pensions with regards to sexual orientation and religion or belief.

## Disability statement

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

- The College provides for 139 high needs learners across 364 enrolments. Learners are integrated within supported learning provision (75 learners) and mainstream provision (36). 28 of these learners are with sub-contractor Chicken Shed Theatre in Enfield.

- In Supported Learning the College offers full-time and part-time courses at both Centres providing learning in small groups for abilities between Pre-Entry and Entry Level 3.

- Part time adult provision covers a range of vocational subjects combined with functional skills at Entry Level 1-3.

- The College has an assistive technology specialist, who maintains and promotes the use 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 centre.

- The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.

- The College has a team of 12 specialist lecturers to support students with learning difficulties and/or disabilities within the School of Supported Learning. There are 23 learning support assistants and 5 permanent Communication Support Workers for hearing impaired learners who provide Literacy, Numeracy, Language and Dyslexia support to learners in class, or on an individual basis.

- 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 described in 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 Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

- As part of its accommodation strategy the College has commissioned DisabledGo to conduct a full audit on access arrangements and the results of this will form part of the funding for future capital projects.

## Disclosure of information to auditor

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

**Approved by order of the members of the Corporation on ~~16~~ 15 December 2016 and signed on its behalf by:**

**Mr K Brown - Chair of the Corporation**

**Members of the Corporation of**
**The College of Haringey, Enfield and North East London**

The Governors who served on the Board during the year 2015-16 and to date of signature of this report were as follows:

| | Date of appointment | Term of office | Date of resignation | Status of membership | Committees served | Attendance % |
|---|---|---|---|---|---|---|
| Mr K Brown | Re-appointed 10 May 2016 | To 31 July 2017 | | External | Chair of Corporation; Chair of Search & Governance, Chair of Remuneration | 100 |
| Ms C Sullivan | Re-appointed 22 Nov 2015 | To 31 July 2016 | | External | Vice Chair of Corporation, Vice Chair of Search & Governance | 50 |
| Ms A Connell- Smith | 6 Feb 2015 | 4 Years | | External | | 75 |
| Ms P Dhillon | 17 Mar 2015 | 4 Years | | External | Search & Governance | 38 |
| Ms S Ebanja | 15 Dec 2015 | 4 Years | | External | Vice Chair of Corporation wef 31 July 2016 | 67 |
| Mr D Goddard | Re-appointed 11 July 2016 | To 31 July 2017 | | External | Search & Governance | 75 |
| Cllr J Goldberg | 16 Jun 2016 | 4 Years | | External | | 50 |
| Mr S Horne | 14 May 2014 | 4 Years | | External | | 75 |
| Mr S Mehmet | 14 July 2013 | 3 Years | 15 Dec 2015 | External | Search & Governance | 0 |
| Rev N Obunge | 15 Dec 2012 | 4 Years | | External | | 38 |
| Cllr V Pite | 15 Dec 2015 | 4 Years | | External | | 50 |
| Mr M Polledri | 16 Oct 2012 | 4 Years | | External | Vice Chair of Remuneration | 63 |
| Ms A Rudkin | Re-appointed 22 May 2012 | 4 Years | 21 May 2016 | External | Chair of Audit | 83 |
| Ms E Santry | Re-appointed 22 May 2012 | 4 Years | 21 May 2016 | External | Audit Until 21 May 2016 | 83 |
| Lord D Triesman | 15 Mar 2016 | 4 Years | | External | | 50 |
| Ms H Wilson | Re-appointed 10 May 2016 | 4 Years | | External | Vice Chair of Audit | 100 |
| Mr D Wyatt | 17 Mar 2015 | 4 Years | | External | Chair of Audit wef 21 May 2016 | 100 |
| Mr A Forbes | 20 April 2015 | N/A | | Principal | | 100 |
| Mr M Zuurmond | 20 Oct 2016 | 4 Years | | External | Audit | |
| Mr C Kastrup | Re-appointed 17 Mar 2015 | 2 Years | | Staff | | 43 |
| Ms J Sutton | 20 Nov 2014 | 2 Years | 19 Nov 2016 | Staff | | 71 |
| Mr A Robinson | 21 Nov 2016 | 2 Years | | Staff | | |
| Mr J Ellis Beattie | 1 Sep 2015 | 1 Year | 31 Aug 2016 | Student | | 29 |
| Ms D Roach | 1 Sep 2015 | 1 Year | 31 Aug 2016 | Student | | 71 |
| Ms J Wignall | 1 Sep 2016 | 1 Year | | Student | | |
| Ms L Webber | 1 Sep 2016 | 1 Year | | Student | | |
| **Co-Opted / Independent Members** | | | | | | |
| Mr R Pickford | Audit | | | | | 50 |
| Mr S Wright | Remuneration | | | | | 100 |
| **Emeritus Governors** | | | | | | |
| Mr F Ellis | Not Applicable | | | | | |
| Mr S Mehmet | | | | | | |

## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2015 to 31st July 2015 and up to the approval of the annual report and financial statements.

The College endeavours to conduct its business:

I. in accordance with the seven principles identifies by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
II. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
III. having due regard to the UK Corporate Governance Code 2014 ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the Corporation has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Members of the Corporation, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2016. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in December 2015.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

## The Corporation

The composition of the Corporation is set out on page 21. 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 up to eight times per year.

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 Search and Governance, Audit, and Remuneration. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website (at www.conel.ac.uk) or from the Head of Governance at:

The College of Haringey, Enfield and North East London
Tottenham Centre
High Road
Tottenham
London
N15 4RU

The Head of Governance maintains a register of financial and personal interests of 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 Head of Governance, who is responsible to the Corporation for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Head of Governance are matters for the Corporation as a whole.

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its external (non-executive) members are independent of management and free from any business or other relationship, which would materially interfere with the exercise of their independent judgement.

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

## Appointments to the Corporation / Search and Governance Committee

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee comprised of five members, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

## Corporation Performance

The Corporation met eight times last year, with one full day set aside for strategic planning. Governor attendance at Corporation meetings was below target compared to previous years but it is noted that this is due mainly to particularly poor attendance at the July meeting (47%). If that meeting/figure is discounted then average attendance was 70% (on target). Governor attendance at Committee meetings more than exceeded targets in all cases.

Over the past 18 months over 40% of the membership of the board has been refreshed both through natural wastage and as part of a targeted campaign to ensure the Corporation comprises the appropriate balance of skills and experience required to fulfil and carry out its duties, roles and responsibilities effectively.

The College regularly consults with learners at a Centre level, as well as at a curriculum and school-based level. Governors are invited to attend the Centre level consultation (forums). Results of the consultations are publicised to Governors, staff and students. A governor link scheme was introduced in February 2016 to afford external Governors other opportunities to engage with learners. Each governor has been assigned to a curriculum or support area within the College and invited to attend naturally occurring events to gain a better understanding of the staff and student experience. The feedback to date from Governors, Staff and learners has been positive.

## Remuneration Committee

Throughout the year ending 31 July 2016, the College's Remuneration Committee comprised two members and a Co-opted member. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2016 are set out in note 6 to the financial statements.

## Audit Committee

Throughout the year ending 31 July 2016, the Audit Committee comprised four members of the Corporation and a Co-opted member (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity 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 main FE funding bodies as they affect the College's business.

The College's internal auditors review 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 that such recommendations have been implemented.

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

## Internal Control

## Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable, 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 achievements 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/Funding Agreement between The College of Haringey, Enfield and North East London and the funding bodies. 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 the College of Haringey, Enfield and North East London for the year ended 31 July 2016 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 on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

## The risk and control framework

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

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

The College has an internal audit service, which operates in accordance with the requirements of the Education Funding Agency and the Skills Funding Agency'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. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. 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 and regularity auditors and the appointed funding 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 other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, 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 senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

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

## 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, it continues to adopt the going concern basis in preparing the financial statements.

Approved by the order of the members of the Corporation on 15 December 2016 and signed on its behalf by:

**Mr K Brown - Chair of the Corporation**

**15 December 2016**

**Mr A Forbes – Accounting Officer**

**15 December 2016**

## Corporation's statement on the College's regularity, propriety and compliance with the Skills Funding Agency's terms and conditions of funding

The Corporation has considered its responsibility to notify the Skills Fund 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 after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's Financial memorandum.

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

**Mr K Brown - Chair of the Corporation**

**15 December 2016**

**Mr A Forbes – Accounting Officer**

**15 December 2016**

## 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 Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements and the Operating and Financial Review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction for 2015 to 2016 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 results for that year.

In preparing the financial statements, the corporation is required to:

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

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and 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 steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the 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 that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency and the Education Funding Agency are used only in accordance with the Financial Memorandum and the Financial Agreement with the Skills Funding Agency and the Education Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency and the Education Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:

**Mr K Brown - Chair of the Corporation**

## Independent Auditor's Report to the Corporation of The College of Haringey, Enfield and North East London.

We have audited the College financial statements set out on pages 31 to 58. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 "The Financial Reporting Standing applicable in the United Kingdom and Republic of Ireland" as set out in our engagement letter dated 30 June 2016.

This report is made solely to the Corporation, as a body, in accordance with the Financial Memorandum published by the Skills Funding Agency and our engagement letter dated 30 June 2016. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required under our engagement letter dated 30 June 2016 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 The College of Haringey & Enfield and Auditor

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 28, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with the terms of our engagement letter dated 30 June 2016, Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency and International Standards on Auditing (UK and Ireland). The International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate.

## Opinion on financial statements

In our opinion the Financial Statements:

- Give a true and fair view of the state of the College's affairs as at 31 July 2016 and of the College's surplus of income over expenditure for the year then ended; and
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

## Independent Auditor's Report to the Corporation of The College of Haringey, Enfield and North East London.

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

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

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

RSM UK Audit LLP

**RSM UK AUDIT LLP**
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

16 December 2016

**Statement of Comprehensive Income**

| | Notes | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| **Income** | | | |
| Funding Body Grants | 2 | 26,868 | 31,240 |
| Tuition Fees and Education Contracts | 3 | 2,615 | 3,215 |
| Other Income | 4 | 374 | 560 |
| Investment Income | 5 | 78 | 63 |
| **Total Income** | | **29,935** | **35,078** |
| **Expenditure** | | | |
| Staff Costs | 6 | 17,027 | 18,819 |
| Restructuring Costs | 6 | 155 | 797 |
| Other Operating Expenses | 7 | 8,428 | 12,189 |
| Depreciation | 10 | 2,540 | 2,346 |
| Interest and Other Finance Costs | 8 | 658 | 718 |
| **Total Expenditure** | | **28,808** | **34,869** |
| **Surplus before other gains and losses** | | **1,127** | **209** |
| Actuarial loss in respect of defined benefit pension schemes | 21 | (1,445) | (556) |
| **Total Comprehensive Income for the year** | | **(318)** | **(347)** |

## Balance Sheet as at 31 July

| | Notes | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Tangible fixed assets | 10 | 63,469 | 63,132 |
| Investments | 11 | - | - |
| | | **63,469** | **63,132** |
| **Current Assets** | | | |
| Debtors | 12 | 1,110 | 1,418 |
| Investments | 13 | 11,000 | 10,000 |
| Cash at bank and in hand | | 4,945 | 6,050 |
| | | 17,055 | 17,468 |
| **Current Liabilities** | | | |
| Creditors–amounts falling due within one year | 14 | (11,400) | (12,694) |
| **Net Current Assets** | | **5,655** | **4,774** |
| **Total assets less current liabilities** | | **69,124** | **67,906** |
| Creditors– amounts falling due after more than one year | 15 | (8,134) | (8,339) |
| **Provisions for Liabilities** | | | |
| Defined benefit pension schemes | 17 | (16,928) | (15,195) |
| Other provisions | 17 | (1,476) | (1,468) |
| **Total Net Assets** | | **42,586** | **42,904** |
| **Unrestricted Reserves** | | | |
| Income and Expenditure Reserve | | 20,707 | 20,677 |
| Revaluation Reserve | | 21,879 | 22,227 |
| **Total Reserves** | | **42,586** | **42,904** |

The financial statements on pages 31 to 58 were approved and authorised for issue by the Corporation on 15 December 2016 and were signed on its behalf by:

**Mr K. Brown – Chair of the Corporation** **Mr A Forbes – Accounting Officer**

## Statement of Changes in Reserves

| | Notes | Income and Expenditure Reserve | Revaluation Reserve | Total |
|---|---|---|---|---|
| **Balances at 1 August 2014** | | **20,664** | **22,587** | **43,251** |
| Surplus for the year | | 209 | - | 209 |
| Other comprehensive income | 21 | (556) | - | (556) |
| Transfers between revaluation and income and expenditure reserves | | 360 | (360) | - |
| **Total comprehensive income for the year** | | 13 | (360) | (347) |
| **Balance at 31 July 2015** | | **20,677** | **22,227** | **42,904** |
| Surplus for the year | | 1,127 | - | 1,127 |
| Other comprehensive income | 21 | (1,445) | - | (1,445) |
| Transfers between revaluation and income and expenditure reserves | | 348 | (348) | - |
| **Total comprehensive income for the year** | | 30 | (348) | **(318)** |
| **Balance at 31 July 2016** | | **20,707** | **21,879** | **42,586** |

**Statement of Cash Flows**
**For the year ended 31 July**

| | Notes | 2016 £,000 | 2015 £,000 |
|---|---|---|---|
| **Net cash flow from operating activities** | 18 | **2,644** | **5,397** |
| **Cash flows from investing activities** | | | |
| Investment income | | 78 | 63 |
| New deposits | | (1,000) | (3,000) |
| Payments made to acquire fixed assets | | (2,877) | (2,507) |
| | | **(3,799)** | **(5,444)** |
| **Cash flows from financing activities** | | | |
| Interest paid | | (116) | (149) |
| New unsecured loans | | 218 | 32 |
| Repayment of amounts borrowed | | (52) | (505) |
| | | **50** | **(622)** |
| **Decrease in cash and cash equivalents in the year** | | **(1,105)** | **(669)** |
| Cash and cash equivalents at beginning of the year | | 6,050 | 6,719 |
| Cash and cash equivalents at end of the year | | 4,945 | 6,050 |

## 1. Accounting Policies

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

### General information

The College of Haringey, Enfield and North East London is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 22. The nature of the College's operations is set out in the Operating and Financial review.

### Basis of accounting

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), and the College Accounts Direction for 2015 to 2016 and in accordance with Financial Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The financial statements are prepared in accordance with the historical cost convention.

The College's subsidiaries and joint ventures are not material to the college's financial statements and therefore no consolidation has been undertaken.

### Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. Comparative figures have been restated to reflect the adjustments made, except to the extent that the College has taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'. Adjustments are recognised directly in reserves at the transition date.

The financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position and financial performance of the results of the College is provided in note 23.

### Fixed assets investment

The College's investment in its subsidiary and joint venture is limited by guarantee of a sum not exceeding £1. No investment in subsidiaries is accounted for in these accounts.

**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 in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

**Recognition of income**

**Grants – government and non-government**

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured 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 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 following the year end, and the results of any funding audits.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited when received or receivable.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102.

**Other Income**

Income from tuition fees is recognised in the period for which it is receivable and includes all fees chargeable to learners or their sponsors.

Income from the supply of services rendered is included at fair value to the extent of the completion of the contract or service concerned.

All income from short-term deposits is accrued in the period in which it is earned on a receivable basis.

**Retirement benefits**

Retirement benefits to employees of the College are principally provided by Teachers' Pensions Scheme (TPS) and the Local Government Pension Scheme (LGPS), which are multi-employer defined benefit plans.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll.

The contributions are determined by the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The Local Government Pension Scheme is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefits changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined liability) are recognised immediately in other comprehensive income.

**Short term Employment benefits**

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

**Enhanced Pensions**

The actual cost of any enhanced 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 bodies.

**Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land, that had been revalued to fair value on the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate.

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

New buildings – 50 years
Refurbishments – 25 years

Freehold land is not depreciated.

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

**Impairments of fixed assets**

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

**Equipment**

Non-computer equipment costing less than £2,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment, including all computer equipment, is capitalised at cost less accumulated depreciation and accumulated impairment loss.

Depreciation over their useful economic life as follows:

| | |
|---|---|
| Computer equipment | - 4 years; |
| Furniture and fittings | - 5 years; |
| Furniture and fittings taken over from Enfield College | - 10 years. |

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

**Leased Assets**

All leases are operating leases and annual rents are charged to comprehensive income on a straight line basis over the lease term.

**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 sections 478-488 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 exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 0.59% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

**Provisions and contingent liabilities**

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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

**Financial Instruments**

The College has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

*Financial assets and liabilities*
Financial assets and financial liabilities are recognised when the College becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measure at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Agency arrangements**

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the Skills Funding Agency/Education Funding Agency and subsequent disbursements to learners are excluded from the Income and Expenditure account except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

## 2. Funding Body Grants

| | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|
| **Recurrent Grants** | | |
| Skills Funding Agency | 14,526 | 18,318 |
| Education Funding Agency | 11,406 | 12,099 |
| Higher Education Funding Council | 81 | 89 |
| Local Government Grants | 473 | 517 |
| **Specific Grants** | | |
| Skills Funding Agency | 4 | 15 |
| Education Funding Agency | 171 | - |
| Releases of government Capital Grants | 207 | 202 |
| **Total** | **26,868** | **31,240** |

## 3. Tuition Fees and Education Contracts

| | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|
| Tuition fees | 1,921 | 2,367 |
| Education contracts | 694 | 848 |
| **Total** | **2,615** | **3,215** |

**Tuition fees funded by bursaries**

Included within the above amounts are tuition fees funded by bursaries of £183k (2014/15 £186k).

## 4. Other Income

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Commercial income | 53 | 57 |
| Hair and Beauty sales | 79 | 87 |
| Lettings | 56 | 134 |
| Other grant income | 47 | 25 |
| Miscellaneous income | 139 | 257 |
| | **374** | **560** |

## 5. Investment income

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Other interest receivable | 78 | 63 |
| **Total** | **78** | **63** |

## 6. Staff Costs and Key Management Personnel Remuneration

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

| | 2016 No: | 2015 No: |
|---|---|---|
| Teaching staff | 194 | 210 |
| Non teaching staff | 143 | 154 |
| | **337** | **364** |

**Staff costs for the above persons and contracted out staff:**

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Wages and salaries | 13,449 | 14,217 |
| Social security costs | 1,062 | 1,027 |
| Other pension costs (including FRS 102 adjustments of (£254,000), ((£301,000) – 2015) | 2,045 | 1,897 |
| **Payroll sub total** | **16,556** | **17,141** |
| Contracted out teaching staffing services | 471 | 1,678 |
| | **17,027** | **18,819** |
| Restructuring costs – contractual | 97 | 503 |
| – non contractual | 58 | 294 |
| Total staff costs | **17,182** | **19,616** |

**Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Management Team which comprises the Principal, Vice Principals and Directors.

**Emoluments of key management personnel, Accounting Officer and other higher paid staff**

| | 2016 No: | 2015 No: |
|---|---|---|
| The number of key management personnel including the Accounting Officer was: | 14 | 13 |

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions, in the following ranges was:

| | Key Management Personnel | | Other staff | |
|---|---|---|---|---|
| | 2016 No: | 2015 No: | 2016 No: | 2015 No: |
| £10,001 to £20,000 | 1 | 1 | n/a | n/a |
| £20,001 to £30,000 | 1 | 1 | n/a | n/a |
| £30,001 to £40,000 | 2 | 1 | n/a | n/a |
| £40,001 to £50,000 | 2 | 1 | 35 | 33 |
| £50,001 to £60,000 | 1 | 1 | 10 | 8 |
| £60,001 to £70,000 | 1 | - | - | - |
| £70,001 to £80,000 | 3 | 6 | - | - |
| £80,001 to £90,000 | - | - | - | - |
| £90,001 to £100,000 | - | 1 | - | - |
| £100,001 to £110,000 | 2 | 1 | - | - |
| £140,001 to £150,000 | 1 | - | - | - |
| | **14** | **13** | **45** | **41** |

Key management personnel (including the Accounting Officer) total compensation made up as follows:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Salaries | 901 | 827 |
| National insurance | 104 | 92 |
| Pension contributions | 163 | 143 |
| **Total** | **1,168** | **1,062** |

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

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

| | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|
| Salaries | 150 | 42 |
| National insurance | 19 | 5 |
| Pension contributions | 24 | 6 |
| **Total** | 193 | 53 |

In 2015 the emoluments of the current Accounting Officer were from his employment date, April 2015.

**Governors' remuneration**

The members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. Payments to the Accounting Officer and staff members were for employment in line with their contracts.

**Governors' expenses**

The total expenses paid to or on behalf of the Governors during the year was £74.86; 3 governors (2015: £40.17; 3 governors). This represents travel expenses incurred in attending Governor meetings.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2015: None).

## 7. Other Operating Expenses

| | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|
| Teaching costs | 2,949 | 6,024 |
| Non-teaching costs | 3,200 | 3,165 |
| Premises costs | 2,279 | 3,000 |
| **Total** | **8,428** | **12,189** |

**Surplus before taxation is stated after charging:**

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Auditors' remuneration: | | |
| Financial statements audit | 44 | 47 |
| Internal audit | 28 | 27 |
| Operating lease costs | 57 | 106 |

## 8. Interest Payable

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| On bank loans, overdrafts and other loans | 116 | 149 |
| | 116 | 149 |
| Net interest on defined pension liability (note 21) | 542 | 569 |
| **Total** | **658** | **718** |

## 9. Taxation

The College was not liable for corporation tax arising from its activities during the year.

## 10. Tangible Fixed Assets

| | Land and Buildings Freehold £'000 | Equipment £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 August 2015 | 80,395 | 10,714 | 91,109 |
| Additions | 1,435 | 1,442 | 2,877 |
| Disposals | - | (1,823) | (1,823) |
| **At 31 July 2016** | **81,830** | **10,333** | **92,163** |
| **Depreciation** | | | |
| At 1 August 2015 | 18,902 | 9,075 | 27,977 |
| Charge for the year | 1,437 | 1,103 | 2,540 |
| Elimination in respect of disposals | | (1,823) | (1,823) |
| **At 31 July 2016** | **20,339** | **8,355** | **28,694** |
| **Net book value at 31 July 2016** | **61,491** | **1,978** | **63,469** |
| Net book value at 31 July 2015 as restated | 61,493 | 1,639 | 63,132 |

If assets had not been revalued before being deemed cost on transition, they would have been included at the following historical cost:

| | Land and Buildings Freehold £'000 |
|---|---|
| Cost | Nil |
| Aggregate depreciation based on cost | Nil |
| **Net book value based on cost** | **Nil** |

**Commitments under operating leases**

The total future minimum lease payments under non-cancellable operating leases as follows:

| | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|
| **Payments due** | | |
| Not later than one year | 57 | - |
| Later than one year and not later than five years | 171 | - |
| **Total** | **228** | **106** |

## 11. Investments

| | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|
| Investments in subsidiary undertaking | - | - |
| **Total** | - | - |

The College holds 100% of Apprenticeships First Limited and 50% of Tottenham Green Enterprise Centre Limited, both of which are incorporated in England and Wales. Apprenticeships First Limited's principal activity is an Apprenticeship Training Agency which provides employment for apprentices. Tottenham Green Enterprise Centre Limited's principal business is the provision of facilities for start up businesses.

Neither the subsidiary nor the joint venture are material to the College's financial statements and therefore have not been consolidated.

## 12. Debtors

| | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|
| Amounts falling due within one year: | | |
| Trade debtors | 576 | 717 |
| Amounts owed by group undertakings | 59 | 35 |
| Other debtors | 22 | 20 |
| Prepayments and accrued income | 263 | 432 |
| Amounts owed by the Skills Funding Agency | 190 | 214 |
| **Total** | **1,110** | **1,418** |

## 13. Current Asset Investments

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Short term deposits | 11,000 | 10,000 |
| **Total** | **11,000** | **10,000** |

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time placement.

## 14. Creditors: Amounts Falling Due Within One Year

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Bank loans and overdrafts | 37 | 34 |
| Other loans | 63 | 8 |
| Trade payables | 532 | 1,179 |
| Other creditors | 604 | 603 |
| Other tax and social security | 350 | 317 |
| Other tax provision | 5,234 | 5,150 |
| Accruals and deferred income | 3,219 | 2,834 |
| Deferred income – government capital grants | 208 | 210 |
| Amounts owed to Skills Funding Agency | 1,153 | 2,359 |
| **Total** | **11,400** | **12,694** |

In 2001 HM Revenue & Customs ("HMRC") raised assessments on the College in respect of lease and lease back arrangements. The Governors have taken professional advice in support of both the arrangements that gave rise to the assessment and the College's current position and are contesting the assessment. Whilst the professional advice received by the Governors is that the College has a good case and that the assessment may not be payable, the Governors believe that it is appropriate that an accrual is maintained in respect of the assessment and the interest that may be payable.

## 15. Creditors: Amounts Falling Due more than One Year

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Bank loans | 405 | 442 |
| Other loans | 169 | 24 |
| Deferred income - government capital grants | 7,560 | 7,873 |
| **Total** | **8,134** | **8,339** |

## 16. Maturity of Debt

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| **(a) Bank loans** | | |
| Bank loans are repayable as follows: | | |
| In one year or less | 37 | 34 |
| Between one and two years | 82 | 76 |
| Between two and five years | 217 | 229 |
| In five years or more | 106 | 137 |
| | **442** | **476** |

Bank loans at 6.9 per cent repayable by instalments falling due between 1 August 2016 and 31 July 2025 totalling £442,000 are secured on the freehold land and buildings of the College.

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| **(b) Other loans** | | |
| Other loans are repayable as follows: | | |
| In one year or less | 63 | 8 |
| Between one and two years | 125 | 16 |
| Between two and five years | 44 | 8 |
| | **232** | **32** |

## 17. Provisions for liabilities

| | Defined benefit obligations £'000 | Enhanced pensions £'000 | Total £'000 |
|---|---|---|---|
| At 1 August 2015 | 15,195 | 1,468 | 16,663 |
| Expenditure in the period | (1,289) | (97) | (1,386) |
| Additions in period | 3,022 | 105 | 3,127 |
| **At 31 July 2016** | **16,928** | **1,476** | **18,404** |

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 21.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

| | 2016 | 2015 |
|---|---|---|
| Interest rate | 2.30% | 3.46% |
| Net interest rate | 1.30% | 1.75% |

## 18. Cash flow from operating activities

| | 2016 £,000 | 2015 £,000 |
|---|---|---|
| Surplus for the year | 1,127 | 209 |
| **Adjustment for non-cash items** | | |
| Depreciation | 2,540 | 2,346 |
| (Increase)/decrease in debtors | 308 | 1,273 |
| Increase/(decrease) in creditors due within one year | (1,352) | 1,397 |
| Increase/(decrease) in creditors due after one year | (313) | (205) |
| Increase/(decrease) in provisions | 8 | 23 |
| Pension costs less contributions payable | 288 | 268 |
| Investment income | (78) | (63) |
| Interest payable | 116 | 149 |
| **Net cash flow from operating activities** | **2,644** | **5,397** |

## 19. Financial instruments

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| The College has the following financial instruments: | | |
| **Financial assets** | | |
| Debt instruments measured at amortised cost | 883 | 1,047 |
| **Financial liabilities** | | |
| Financial liabilities measured at amortised cost | 6,006 | 7,244 |

## 20. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical areas of judgement*
In preparing these financial statements, management have made the following judgement:

**Local Government Pension Scheme**

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## 21. Retirement Benefits

The College's employees belong to two principal post-employment benefit plans: 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 London Borough of Haringey. Both are multi-employer defined-benefit plans.

**Total pension cost for the year**

| | | 2016<br>£'000 | | 2015<br>£'000 |
|---|---|---|---|---|
| Teachers' Pension Scheme: contributions paid | | 1,051 | | 908 |
| Local Government Pension Scheme: | | | | |
| Contributions paid | 1,143 | | 1,171 | |
| FRS 102 (28) charge | (254) | | (301) | |
| Charge to the Statement of Comprehensive Income | | 889 | | 870 |
| Enhanced pension charge to Statement of Comprehensive Income | | 105 | | 119 |
| **Total Pension Cost for Year within staff costs** | | **2,045** | | **1,897** |

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013. There were no outstanding or prepaid contributions at either the beginning or the end of the financial year. Contributions amounting to £257,000 (2015 £243,000) were payable to the scheme at 31st July and are included within creditors.

**Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. 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.

**Valuation of the Teachers' Pension Scheme**

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

The latest actuarial valuation 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 in June 2014. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion

- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £176.6 billion
-
- Notional past service deficit of £14.9 billion
- Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- Rate of real earnings growth is assumed to be 2.75%
- Assumed nominal rate of return is 5.06%

The new employer contribution rate was 14.1% until 1 September 2015, when it increased to 16.48% (including a 0.08% administration fees), with an employer cost cap of 10.9% of pensionable pay. The employer contribution rate will be payable until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £1,051,000 (2015: £908,000).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

**Local Government Pension Scheme**

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the London Borough of Haringey. The total contribution made for the year ended 31 July 2016 was £1,379,000 (2015: £1,431,000), of which employer's contributions totalled £1,143,000 (2015: £1,171,000) and employees' contributions totalled £236,000 (2015: £260,000). The agreed contribution rates for future years are 20.7% in 2016/17 for employers and range from 5.5% to 12.5% for employees, depending on salary.

**Principal Actuarial Assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

| | **At 31 July 2016** | **At 31 July 2015** |
|---|---|---|
| Rate of increase in salaries | 3.90% | 4.50% |
| Rate of increase for pensions in payment / inflation | 1.90% | 2.60% |
| Discount rate for scheme liabilities | 2.40% | 3.60% |
| Commutation of pensions to lump sums | | |
| • Pre April 2008 Service | 50% | 50% |
| • Post April 2008 Service | 75% | 75% |

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 2016 Years | At 31 July 2015 Years |
|---|---|---|
| ***Retiring today:*** | | |
| Males | 21.90 | 21.90 |
| Females | 24.10 | 24.10 |
| ***Retiring in 20 years:*** | | |
| Males | 24.20 | 24.20 |
| Females | 26.50 | 26.50 |

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

| | Long-term rate of return expected at 31 July 2016 | Value at 31 July 2016 £'000 | Long-term rate of return expected at 31 July 2015 | Value at 31 July 2015 £'000 |
|---|---|---|---|---|
| Equity instruments | 2.50% | 23,436 | 3.60% | 20,204 |
| Debt instruments | 2.50% | 7,237 | 3.60% | 6,240 |
| Property | 2.50% | 3,102 | 3.60% | 2,971 |
| Cash | 2.50% | 689 | 3.60% | 297 |
| **Total fair value of plan assets** | | **34,464** | | **29,712** |
| **Actual return on plan assets** | | **3,174** | | **1,952** |

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

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Current service cost | 992 | 966 |
| Past service cost | 43 | - |
| **Total** | **1,035** | **966** |

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Net interest | (542) | (569) |
| **Total** | **(542)** | **(569)** |

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Return on pension plan assets | 3,174 | 1,952 |
| Experience losses arising on defined benefit obligations | - | - |
| Other experience | 618 | 321 |
| Changes in assumption underlying the present value of plan | (5,237) | (2,829) |
| **Total** | **(1,445)** | **(556)** |

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| **Changes in the present value of defined benefit obligation** | | |
| **Defined benefit obligation in scheme 1 August** | (44,907) | (40,515) |
| Current service cost | (992) | (966) |
| Contributions by Scheme participants | (241) | (260) |
| Past Service cost | (43) | - |
| Interest cost | (1,621) | (1,625) |
| Benefits paid | 1,031 | 967 |
| Actuarial loss | (4,619) | (2,508) |
| **Defined benefit obligation in scheme at 31 July** | **(51,392)** | **(44,907)** |

**Changes in fair value of plan assets**

| | | |
|---|---|---|
| **Fair value of plan assets at start of period** | 29,712 | 26,144 |
| Interest on plan assets | 1,079 | 1,056 |
| Return on plan assets | 3,174 | 1,952 |
| Employer contributions | 1,289 | 1,267 |
| Contributions by Scheme participants | 241 | 260 |
| Estimated benefits paid | (1,031) | (967) |
| **Assets at end of period** | **34,464** | **29,712** |

## 22. 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 organisations in which a member of the Corporation may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. Governors expenses have been disclosed in note 6. No transactions were identified which should be disclosed under FRS102 - Related Party Disclosures.

## 23. First time adoption of FRS 102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards. An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

| | Note | 1 August 2014 £'000 | 31 July 2015 £'000 |
|---|---|---|---|
| **Reconciliation of College Reserves** | | | |
| **Total reserves under previous SORP** | | 30,915 | 30,568 |
| Revaluation of freehold land | (a) | 12,336 | 12,336 |
| **Total effect of transition to FRS 102 and 2015 FE HE SORP** | | 12,336 | 12,336 |
| **Total reserves under 2015 FE HE SORP** | | **43,251** | **42,904** |

| | Note | Year ending 31 July 2015 £'000 |
|---|---|---|
| **Reconciliation of Comprehensive Income** | | |
| **Surplus for the year after tax under previous SORP** | | 736 |
| Pensions provision – actuarial loss | (b) | (556) |
| Changes to measurement of net finance cost on defined benefit | (c) | (527) |
| **Total effect of transition to FRS 102 and 2015 FE HE SORP** | | (1,083) |
| **Total Comprehensive Income for the year under 2015 FE HE SORP** | | **(347)** |

**a) Revaluation of freehold land**

On adoption of FRS 102 the College followed the transitional provisions and retained the carrying value of freehold land as being deemed at cost and measured at fair value. Freehold land has been revalued as at 1st August 2014 on the basis of depreciated replacement cost. The land valuation as at 1st August 2014 has been reflected in the NBV of tangible fixed assets and as a movement in the revaluation reserve on the date of transition.

**b) Presentation of actuarial gains and losses within Total Comprehensive Income**

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

**c) Change in recognition of defined benefit plan finance costs**

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

**Independent Reporting Accountant's Report on Regularity to the Corporation of The College of Haringey, Enfield and North East London and The Secretary of State for Education acting through the Skills Funding Agency**

In accordance with the terms of our engagement letter dated 30 June 2016 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The College of Haringey, Enfield and North East London during the period 1 August 2015 to 31 July 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

This report is made solely to the corporation of The College of Haringey, Enfield and North East London and the Secretary of State for Education acting through the Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of The College of Haringey, Enfield and North East London and the Secretary of State for Education acting through the Skills Funding Agency those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of The College of Haringey, Enfield and North East London and the Secretary of State for Education acting through the Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of The College of Haringey, Enfield and North East London and the reporting accountant**

The corporation of The College of Haringey, Enfield and North East London is responsible, under the financial memorandum and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework and our engagement letter

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas where we identified areas where a material irregularity is likely to arise. We undertook detailed testing, based on our identification of the areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

**Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

RSM UK Audit LLP

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16 December 2016