



# Hills Road Sixth Form College Cambridge

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 July 2015



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**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review**  
**Year ended 31 July 2015**

**NATURE, OBJECTIVES AND STRATEGIES**

The members present their report and the audited financial statements for the year ended 31 July 2015.

**Legal status**

The Corporation, which was incorporated as Hills Road Sixth Form College, was established under the Further and Higher Education Act 1992 for the purpose of governing Hills Road Sixth Form College. The College is an exempt charity for the purposes of the Charities Act 2011.

**Regulatory status**

The College receives funding for its 16-18 year old students from the Education Funding Agency (EFA). Post 19 funding is received from the Skills Funding Agency (SFA). The EFA is an executive agency of the Department for Education and its responsibilities include audit assurance and the monitoring of financial performance.

**College's Mission**

The College's mission statement, as approved by its Members is:

*To provide an education distinguished by opportunity, quality and achievement for all our students within a caring college community.*

**Public Benefit**

The College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1<sup>st</sup> September 2013, has been regulated by the Secretary of State for Education as Principal Regulator for all sixth form colleges in England. The members of the Corporation, who are trustees of the charity, are disclosed on pages 23-24.

In setting and reviewing the College's strategic objectives, the Corporation has had due regard to 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 within a broad based curriculum
- strong student support, guidance and enrichment activities
- excellent examination outcomes
- successful progression for students to their preferred destination; for the vast majority, this is a higher education establishment

Further details may be found in the Operating and Financial Review and Members' Report.

# **HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**

## **Operating and Financial Review (continued)**

### **Year ended 31 July 2015**

#### **Implementation of the strategic plan**

The College prepares a Strategic Plan which includes a Property Strategy and a Financial Forecast. The Corporation monitors the performance of the College against these plans which are reviewed and updated annually. The current plan which covers the period 2014-2016 was adopted by the College's Corporation in April 2014 and reviewed and updated in May 2015.

The plan was developed after a two-stage consultation with staff in 2014 and students who had applied to the College during the 2014 admissions round. In addition the plan was also influenced by the College's 2013 Self-Assessment Report and the research on which this was based.

This plan renewed the commitment to the following key strategic aims which were set out in the Forward Strategy of the previous interim plan which was developed following a series of consultations with staff, students and governors in 2012:

- Aim 1 Admissions
- Aim 2 Transition
- Aim 3 Support

More significantly, the updated plan placed major emphasis on the following additional key strategic aims:

- Aim 4 Funding and Curriculum Reform
- Aim 5 Property

The operational details associated with the plan feature within a series of separate Development Plans for different areas/departments of the College, the College's Strategic Plan and progress towards these key aims is reviewed annually by the Corporation. The Strategic Plan and its update were submitted to the Education Funding Agency in April 2014 and May 2015 respectively. The College's most recent Financial Forecast was submitted to the Educational Funding Agency in July 2015.

Naturally, the College will continue to develop in a variety of ways; the College's strategic aims are not intended to preclude development in other areas, but rather to emphasise priorities.

#### **Financial Objectives**

In order to maintain a sound financial base the College including its subsidiary, Cantabrigian Ltd, will aim to:

- maintain a positive cashflow from operating activities each year
- maintain an operating surplus before FRS17 adjustments and exceptional items
- aim to achieve on average a current ratio of at least 2.0
- maintain total borrowing as a percentage of reserves and debt at no more than 15%
- maintain the ratio of borrowings to adjusted operating surplus at no more than 5:1 (bank covenant)
- available cashflow to be no less than 100% of debt servicing costs (bank covenant)
- aim to maintain cash days of 30 or more

## **HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**

### **Operating and Financial Review (continued)**

#### **Year ended 31 July 2015**

- aim to maintain its performance ratio on average at 4.5% and above
- ensure the Chair of the Corporation and the College Strategy Team monitor financial performance on a monthly basis and take any necessary corrective action.

#### **Performance Indicators**

The College produces an annual Self-Assessment Report which informs strategic planning and is presented to the Corporation at a meeting in December. The Report comprises a summary of findings and self-assessment judgements together with findings from an evaluation process, feedback from learners and a range of performance measures relating to key areas of the College's activity.

The College has a national reputation for the quality of its provision; it was inspected by Ofsted in November 2006 and awarded '*outstanding*' status as a consequence of receiving grade 1 in all five inspection areas. As was evident to Ofsted in that inspection, the College's success rates are amongst the strongest in the country. Subsequent desk monitoring exercises and visits by Ofsted to look at specific areas of the curriculum have confirmed the College's '*outstanding*' status. As an outstanding institution the College is no longer subject to routine inspection by Ofsted unless its performance declines.

The College's success rates can be found on the FE Choices website. As a sixth form college the College is exempt from undertaking the learner and employer satisfaction surveys which feature on this website. Copies of alternative satisfaction surveys which are completed appear on the College website.

The College regularly monitors its financial health and completes annually the Financial Forecast and Finance Record which produce an automated financial health grading. Although no longer obligatory the College also undertakes an annual Internal Audit of systems and provides the annual report to the EFA. The College's finances are evaluated against criteria set by the EFA and are considered to be robust. Its financial plan submitted in July 2014 was assessed as *outstanding* by the EFA. The College's self-assessment of the July 2015 plan is also *outstanding* and the 2016 year is forecast to be *good*, due to a reduction in cash as a consequence of the Phase V construction works.

#### **FINANCIAL POSITION**

##### **Financial results**

The impact of government funding cuts and curriculum reform continue to have a deleterious effect on post 16 institutions. Hills Road Sixth Form College has not been immune and has recorded a **deficit** on continuing operations after depreciation of assets at valuation and tax of -£10,000 (2013-14 surplus of £154,000) in 2014-15. However this does include an exceptional item totalling £84,932 which relates to accelerated depreciation on the demolition of a substandard building on the College estate. Also included is profit of £77,000 (2013-14 £31,000) from the trading subsidiary, Cantabrigian Limited which operates Hills Road Sports and Tennis Centre. The reason that the Cantabrigian profit for this year is significantly higher than last year is due to a VAT inspection last year during which it was determined that an element of the VAT had been treated incorrectly. The company was obligated to repay understated VAT for the previous four years and, in addition, were required to pay a

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2015**

penalty and interest. This totalled £43,499 which was entered onto the accounts as an exceptional item and reduced the profit considerably.

The Group has met its financial objectives for the year (stated above), maintaining a positive net current asset base during the year with a current ratio of 2.3 at July 2015. Tangible fixed assets are valued at £18.9 million.

The Group has accumulated general reserves of £7.7 million and cash balances of £2.1 million.

The College's trading subsidiary, Cantabrigian Limited which has as its principal business activity the operation of Hills Road Sports and Tennis Centre, has achieved good results during challenging economic times and increased competition. Cantabrigian's business activities are confined to the UK. The Corporation of the College owns 100% of the issued Ordinary Shares of Cantabrigian Limited at a cost of £2. The profit is gift aided to the College.

The College remains committed to continuing investment wherever possible in staff development, infrastructure, buildings and equipment despite the funding cuts, in order to create the best possible teaching and learning environment for its students and staff. It has continued to renew and remodel its estate over the past two decades and is currently implementing Phase V of its Property Strategy; replacing the only remaining building of poor quality on the site.

In order to secure adequate finance for Phase II and III of its Property Strategy, the College entered into secured borrowing. Consent for Phase II of the Property Strategy, budgeted at £4.3 million, and for a loan of £2.8 million was received from the Further Education Funding Council (FEFC) in April 1996. The College received capital support of £1.79 million from the FEFC for this phase which assisted with the reduction of the capital balance on the loan which was finally repaid during 2006-07.

During 2002-03 the Learning and Skills Council (LSC) approved Phase III of the College's Property Strategy and agreed to capital support of just over £1.7 million. This phase was completed during 2005-06 with a final cost of £5.38 million. In addition to capital support from the LSC and College reserves, the College took a loan of just under £1 million to assist with the financing of these works. Capital repayments began in 2005-06. This outstanding balance of £312,824 was redeemed in July 2015 so that the charge on the College estate could be lifted - a requirement of obtaining a subsequent loan to assist with Phase V. The outstanding balance at 31 July 2015 is therefore £nil (2013-14 £366,000).

In March 2010 the College received approval from the LSC for Phase IV of the Property Strategy, a self-funded project which was completed in October 2010 at a cost of £2.12 million.

In April 2011 the College was allocated just over £108,000 from the YPLA Sixth Form College Building Condition Improvement Fund (BCIF) to support the rebuilding of its Sports Pavilion, the balance being funded from the College's reserves. The Pavilion was completed in August 2013 at a cost of £1 million and close to budget.

In April 2014 the College was allocated just under £1.5 million following a successful bid to the EFA's Building Condition Improvement Fund (BCIF) to support Phase V of its Property Strategy. This comprises a three storey building to be located on the site of the 'Stable Block' the last remaining building on the site which is not of an acceptable

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2015**

standard, for which planning permission was received in August 2014. The new building will accommodate Mathematics, Performing Arts and Physical Education.

The existing Mathematics space will be remodelled for the relocation of the Study Skills department to a more central and accessible position in the College and for additional and much needed social and study space for students. The budget for the project of £4.6 million, will be financed using a loan of £1.85 million (planned for draw down commencing Autumn 2015) and existing College reserves, in addition to the £1.5m grant received from the BCIF. Phase V enabling works started in January 2015 comprising a new bin store located on the staff car park and a new bike shelter and hoops for which the College received a £35,000 grant from the Sustainable Transport Fund. The main building contract commenced on 1<sup>st</sup> April 2015 with a 52 week build programme.

Although the majority of the College's income is received from its funding body, largely from recurrent grants, the College continues to generate income from other sources such as Adult Education tuition fees, the hiring of premises, and the use of its Sports and Tennis Centre by approximately 2,000 local community customers per week.

**Treasury Management**

The College has a treasury management policy which is regularly reviewed. This provides the framework within which the College manages its investments and borrowings. The College manages the risk to public funds by investing its surplus cash.

In May 2015, the College made the decision to move its transactional banking from Yorkshire bank to Barclays bank. This was as a result of a perceived loss of service in recent years and concerns about the future of the Bank now that the Australian parent has declared its intention to divest itself of the Yorkshire and Clydesdale banks once a suitable buyer can be found.

The College's savings accounts are interest bearing and when with Yorkshire bank the College would regularly manually transfer funds to maximise the amount held in an interest bearing account. Barclays bank, however, operates a nightly automatic transfer to the interest bearing savings account which leaves a small amount in the non-interest bearing current account and the maximum amount in the savings account. This will result in higher interest received over the year.

The funds received from BCIF allocated in April 2014 have, for the majority of the year, been held in the College's savings account while pre-construction planning discharges were carried out. As a result, and despite the Bank of England Base rate remaining unchanged throughout the year at 0.5%, returns have been higher in 2014-15 than previous years; at £16,000 (2013-14 £14,000). Interest on the Bank of Ireland loan, which amounted to £4,000 (2013-14 £5,000), was paid before the remaining loan was redeemed in July.

The Corporation approved a loan from Barclay's bank to support the Phase V of the College's Property strategy of £1.85million at their meeting in July 2014 and the Facility Letter was signed by the Chair and Clerk to the Corporation in September 2014.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2015**

**Cash flows**

Cash inflow from operating activities was £418,000, (2013-14 £1.15 million). After allowing for expenditure on capital there was an increase in cash of £58,000 (2013-14 increase of £0.65 million).

**Liquidity**

The size of the Group's total borrowing and its approach to interest rate management have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. The interest rate received on surplus funds provides a natural hedge to that paid in servicing the loan. Net funds at 31 July 2015 amounted to £2.13 million (2013-14 £1.68 million).

**Payment Performance**

The Late Payment of Commercial Debts (Interest) Act 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%. Consistent with the College's policy, creditors are paid promptly and according to their terms of business which is usually within 30 days. The College incurred no interest charges in respect of late payment for this period. The College's creditor deferral interval at the year end, that is the time taken to pay its creditors, is just under 12 days.

**CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

**Student Numbers**

The College's allocation is calculated on activity achieved in the previous year i.e. 'lagged' funding. In 2014-15, the College was funded for 2,041 16-18 students and had an out-turn of 2,081 (2013-14 out-turn was a total of 2,047 16-18 students). Until last year this figure was supplemented by circa 30 part-time 16-18 students, nearly all enrolled on Adult Education programmes. Funding was discontinued in this area from September 2014.

The part-time Adult Education programme at the College has been in operation for over 20 years, beginning in 1994. Significant growth has taken place since then. In 2014-15 the part-time programme achieved 3,542 enrolments (2013-14 3,501). Adult Learner Responsiveness (ALR) funding from the Skills Funding Agency was discontinued in September 2014 (2013-14 832 students were eligible). However the College did enrol 473 learners who were eligible for Adult Safeguarded Learning (ASL) funding, against a target of 250.

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**Year ended 31 July 2015**

**Examination Achievements**

**16-19**

In summer 2015, 990 students successfully completed their two-year advanced level courses, representing a two-year retention rate of 96%. 43 of those students who enrolled in 2013 failed to complete their two year course, similar to the previous cohorts. For the tenth successive year no student left the College without securing the equivalent of at least two A-level passes.

The College's pass rate for A-level courses was 99.5%, similar to the level achieved in recent years. There has been a sharp rise in A\* grades to 598 (19.1%), compared with 527 (17.4%) in 2014 and 484 (15.8%) in 2013, our figure remaining more than double the national rate of 8.2%. The College was once again the highest placed sixth form college in tables published in the press based on an 80% A\*-B rate, the second placed sixth form college being at 67%. The average A level grade per entry remains close to midway between A and B.

The average Qualifications and Curriculum Authority points score per completing student in 2014 is 975, with an average points score per subject entry of 248. The latter score, as in previous years, is likely to be the highest of any sixth form college and the points per student is expected to be in the top ten sixth form college scores. The points per student measure is however likely to continue to decline, at the College and elsewhere, as programmes are trimmed in response to funding pressures. Points per entry are sometimes referred to by the Department for Education (DfE) as their 'measure of quality' and points per student as a 'measure of quantity'. A new performance measure showing the percentage of students who achieve at least AAB at A level, in at least two of the Russell Group's list of 'facilitating subjects', was introduced in 2012<sup>1</sup>. 36% of the College's students achieved this measure in 2015, very close to the level of the three previous years in each of which the College had the highest sixth form college percentage in the country.

Overall there were 197 A level subject entries for which students received 95% of the total marks. 35 students in 39 subject entries achieved 99% or 100% of the total marks available. 133 students achieved at least 550 UCAS points, equivalent to close to 4 A levels at A\*.

It is anticipated that around 90-95% of Hills Road's 2015 leavers will eventually enter higher education, with approximately one third taking a gap year before starting their course.

**Adult Education**

Similar to previous years few Adult Education learners sought AS and A level certification in 2014, but results for those that did were similar to last year with 88% of students receiving grades A\*- C. As with last year there was just one fail grade recorded amongst the AS subjects and none at all at A level. Counselling students also sat level 2 and level 3 examinations in June 2015. Results from these were also very strong with no fail grades at level 2 and just one at level 3.

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<sup>1</sup> *Mathematics; Further Mathematics; Physics; Chemistry; Biology; Geography; History; Languages (Modern and Classical); English Literature.*

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2015**

**Curriculum Developments during 2014-15**

**16-19**

GCSE and A Level qualifications are currently going through a period of unprecedented simultaneous change which is beginning to have an impact on the curriculum breadth that the College can offer. 2014-15 therefore saw the last intake of students for AS Accounting, Archaeology and Performance Studies and for GCSE Italian. Some of these initial reductions are pragmatic and essentially financially driven in terms of class size and viability, and some reflect government withdrawal of current A level qualifications. This is the beginning of a planned reduction in the College's curriculum that inevitably diminishes the breadth of offer and is regrettable but necessary.

In terms of curriculum delivery, the 2014 intake saw a fairly standard initial class size of 23 students for the majority of subjects, necessitating increasingly diverse, creative approaches to managing the marking and workload associated with increased numbers.

At the same time, government changes to the funding and provision of support for students with special educational needs has necessitated an increasingly differentiated approach within the classroom. The emphasis on 'quality first teaching' means that all teaching colleagues must adapt learning appropriately to meet the needs of a range of students who might previously have been supported outside the mainstream classroom or with more specialist 1:1 help within it.

Notwithstanding these challenges, Hills Road staff have once again delivered a curriculum experience of which the College is proud. The wealth and quality of both curricular and extra-curricular opportunities that are offered to the students, despite these straitened times, continues to defy expectation and results in a sixth form experience that represents the best of what a tertiary education can be.

Through the variety of learning experiences provided, the expertise and enthusiasm of staff and the energy and aptitude of the students, the curriculum offered through qualifications, through enrichment opportunities and through the extended project, the College continues to offer a first class sixth form experience.

**Adult Education**

The adult education department continues to provide a range of courses to the local and wider community. In 2014-15 the department performed marginally better than the previous year in terms of enrolments but lower in terms of profit. The on-line enrolment facility stands the College apart from other adult education providers in the area and continues to prove a success with three quarters of all enrolments now being taken on-line. This, together with a member of staff taking semi-retirement, has allowed the department the opportunity to rationalise the staffing level further.

The most popular program remains the Art and Design area, where many courses reach capacity; painting, dressmaking, ceramics and photography attracting the greatest number of enrolments. In addition the wide range of Language courses continue to dominate the Adult Education provision at the College.

Recreational courses continue to be the most challenging area of the adult education provision although a number of courses still proved popular.

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Courses with a professional element have been very successful in 2014-15 with the accredited bookkeeping courses, in particular, proving to be very popular. This area is witnessing a steady rise year on year possibly reflecting students' desire to further their expertise in a particular area.

The counselling programme was disappointing this year especially after a very good year in 2013-14. A new competitor entered the market during the Summer of 2014 and succeeded in persuading a number of higher level students away from the College. The students who did remain however did very well in their examination results with a promising number of students already enrolling for the next levels starting in September 2015.

The Access to Bioscience course was launched in September 2013, and ran in 2014-15 for the second year. Five students followed the course, achieving 100% completion and success rates and all but one of the units was awarded distinction. In addition two of the students were awarded a special prize as top students across the country for their Royal Society of Chemistry (RSCChem) research projects and a third was accredited with RSCChem technical status. Three of the five have gone on to University as a result. Sadly, despite the success of the 2014-15 students themselves, enrolments overall fell short of expectation for the second year running and so the decision has been made to discontinue the course from September 2015.

**IT developments during 2014-15**

This year saw the first use of the exams system ProSolution. This was selected in order to meet the forthcoming requirements of the new A2C transfer protocols between schools/colleges and all exam boards. Consistent with the College's IT strategy and the need to balance available resources, Compass Computing Consultants were chosen as an external supplier for this solution rather than attempting internal development work. The installation and commissioning has been a major project and has made good progress resulting in successful delivery of all requirements in the busy 2015 summer exams series. The college therefore feels well placed to meet the demands of the national IT changes scheduled for autumn 2016.

Following from the decision to introduce ProSolution the College has adopted ProMonitor, an integrated student support and monitoring system, from the same supplier. This replaces and upgrades the majority of the in house student systems and as such has also been a major IT project running through 2014-15 which is continuing into the autumn term.

ProMonitor is an information system specifically designed to assist teachers and support staff with the progress of students. As well as presenting key student data it has a high level of interactivity, for example facilitating communication through the use of comments, meetings and student targets from teachers and tutors. It also provides a wealth of options for sophisticated support and communication from Study Skills. ProMonitor is software that is widely used in the post 16 sector and has been developed by Compass in conjunction with FE and other Sixth Form Colleges.

In addition to replacing the older student systems ProMonitor comes with a whole College Markbook module, which is being trialled as a new initiative across all teaching departments in 2015-16.

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The College is also introducing a new Human Resources system with appraisal and self-service modules being piloted with a small number of departments before full roll out later in the 2015-16 year.

In the spring improvements were made to the IT backup solutions by installing an HP 900GB storage device to support the virtualised server systems.

A PC audit which tracked all the College's PCs against location and type of usage was also completed. The resultant analysis has facilitated the stretching of the projected age profile of the College's PCs to a maximum of six years, where the oldest machines are continually circulated to the lowest demand areas. It is planned to purchase 150 new machines each year to even out the age profile of current stock over time. In relation to this plan the College continues to evaluate the impact of Wi-Fi and 'bring your own device' (BYOD), however whilst Wi-Fi is reasonably popular the volume of truly open access student fixed PCs is not that high in ratio to student numbers. It is hard to anticipate any PC reductions at present as these resources remain in high demand.

Due to the need to re-route the internet feed during the early stage of the Phase V building work, the College brought forward plans to upgrade its service. The 100Mbit feed increased to 2Gbit in June and the College is now connected to JaNet via the university network at nearby Homerton College. This bandwidth upgrade will support plans to evaluate and develop further cloud service provision.

The College has recently completed a period of evaluation of digital textbooks in relation to the A level specification changes. The pricing models offered by publishers in the main have presented no potential savings, as the favoured method of charging is by individual student subscription. This can often be more expensive than the cost of ownership of paper copies if spread over a number of years. A notable exception is OUP and the Kerboodle product which will offer site licenses for all of the new A level science textbooks from OCR. All students will get their own individual digital textbook on which annotations can be made and saved, as well as access to interactive content such as tests.

**Estates developments during 2014-15**

In early August 2014 planning consent was given for the single storey Stable Block to be demolished and be replaced by a new three storey classroom teaching block. The scheme also included the re-location of the bin store from the front of the College to the rear car park to make way for the new development and the construction of increased cycle parking facilities at the science building which ensures sufficient storage for all bicycles to be parked on site.

Work on the bin store and cycle parking was completed at the end of March and the Stable Block was demolished over Easter allowing construction on the new classroom block to commence immediately afterwards. The new building is scheduled for completion in April 2016.

The staff female toilets were refurbished during the summer holiday 2014 and were finally re-opened during early September.

On 17 July 2015 Cambridge suffered the effects of unprecedented rainfall in the early hours of the morning. The basement in the main building was flooded to a depth of up to 0.5m and the top surface of the clay courts was washed into the indoor courts at the Sports Centre.

## **HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**

### **Operating and Financial Review (continued)**

#### **Year ended 31 July 2015**

The floor and furniture in the basement is being replaced and the three large photocopiers in Reprographics were written off, costing £50,000 to replace. Insurers have accepted the claim and are providing the necessary assistance. It is hoped that all the necessary repairs will largely be completed by the end of September 2015.

### **Sustainability**

Income and benefit from solar electricity generation continues at just under £35,000 in 2014-15. The sustainability measures taken during recent years continue to result in significant successful outcomes with the College's electricity and gas consumption at a similar level to 2000-01 despite the growth in accommodation, student numbers and IT equipment.

### **Future Developments**

#### **Curriculum**

##### **16-19**

DfE and Ofqual consultations have been responded to by the College throughout 14-15 in relation to determining new A level qualifications. In STEM subjects the College has had a voice in the shaping of the practical endorsements that will be part of the new Science qualifications from 2015. The end of the assessment difficulties imposed on large centres by the legacy science coursework and the introduction of the new practical endorsements within STEM should help to alleviate practical science resourcing pinch points.

In support of STEM, the College has secured sponsorship from global company MathWorks to continue to offer Year 13 students an opportunity to take up Further Maths AS. This course is specifically aimed at those students who have realised late into their sixth form study that they are thriving with Maths and that they now have an ambitious H.E. STEM progression route in mind. Given that these additional curriculum opportunities are becoming unaffordable in the new funding reality, the College is delighted to have secured funding to retain the course for 15-16 with the financial support of MathWorks and the free licencing of their industry-standard software, MATLAB.

The College's funding challenges mean that text books will no longer be routinely provided to students free of charge. Students embarking on the new linear A levels from September 2015, are required to purchase the requisite text books themselves for the first time. However as noted above the Kerboodle licencing agreement with OUP for the OCR qualifications in science, looks set to offer all our STEM students very cost-effective access to the online text book.

Further reductions in the Curriculum offer to come include Electronics, Use of Maths and World Development which will no longer be part of the offer beyond 2017. All three of these courses have been particularly successful qualifications for Hills Road and, in the case of both Use of Maths and World Development, have provided much needed safety net qualifications for students who would otherwise have struggled to achieve their potential.

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By far the biggest challenge that the College is going to face, however, will be the movement to an essentially linear curriculum from 2016 with a concomitant reduction from a standard four subject offer (plus extended project) on entry to a standard three subject offer (plus extended project) on entry. This will have far-reaching consequences for the College's curriculum and therefore for the College's staffing need which is expected to reduce by approximately ten full time equivalent staff members. The planned use of fixed term contracts in recent years should assist in mitigating this reduction for permanent staff.

**Adult Education**

The removal of Skills Funding Agency (SFA) funding from the College's successful Modern Languages programme for 2014-15 has had a significant impact on the College, with only a fraction of the lagged funding retained. This also affects the funding available in 2015-16 although the GCSEs offered in Maths and English, which continue to be funded, are looking promising at this early stage. The new category of courses; Skills for Employment and Development was popular in 2014-15, in particular the City and Guilds qualifications in Bookkeeping and Accounting. In 2015-16 the adult education department will look into promoting these courses further and seek to identify follow on courses in this area.

Although funding has been, and continues to be cut, the 24+ loans that the government have replaced an element of funding with, have proved to be increasingly popular. The number of loans issued this year were three times the number allocated in 2013-14 and it looks likely that 2015-16 will witness a threefold increase again. Most loans are requested in the counselling area where the College has a competitive edge against other institutions that don't have access to these loans.

Counselling continues to represent one of the significant areas for development within the Adult Education programme. The unexpected decision made by the higher level students at the beginning of this year to continue their training elsewhere in the area, was disheartening and affected the financial surplus. The department has worked hard throughout 2014-15 to ensure that students are kept informed about the progression opportunities at the College and reminded that the 24+ loan is not available from every provider. Early indications for 2015-16 signal that the College has retained the vast majority of students from this year into the next.

**IT**

During 2015-16 it is planned to evaluate Microsoft Office 365 as a potential cloud solution for individual document storage, SharePoint, email and mobile access for all staff and students. This will be carried out in conjunction with the development of a full strategic plan for sustaining the current in house IT provision in the medium term.

In addition it is planned to implement a new library management system, to be supplied by Heritage. This will replace the outdated Autolib system and bring many improvements to all users, including full mobile capabilities.

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**Year ended 31 July 2015**

**Estates**

It is anticipated that there will be a further round of Building Improvement funding announced in autumn 2015. The College is preparing a bid which will be linked to the completion of the new classroom block when the Mathematics and Sports Departments vacate their existing accommodation and move into the new building. This will allow vacated Sport to be used as a science classroom, the upgrading of an existing Chemistry laboratory to provide full laboratory facilities and the vacated Mathematics block to be refurbished for use by Study Skills plus student social and study space. It is planned to commence refurbishment in May/June 2016 and for the works to be completed by the start of term in September 2016.

**RESOURCES**

The College is located on a six acre site on a main arterial road into the City of Cambridge which is about 1.5 miles to the north. It enjoys excellent transport links with frequent bus services that stop outside the College and the railway station is ten minutes' walk away. The Sports and Tennis Centre is adjacent to the College on a three acre site and in addition ten acres of playing fields are located approximately 0.5 miles away.

The College has been modernised successfully over the past two decades, since leaving local authority control, and provides outstanding facilities for teaching and learning for 16-18 and post 19 students. It also provides modern accommodation for the use of the local community and other external organisations.

The Group has £17.782 million of net assets including a pension liability of £2.474 million (2013-14 £2.007 million) and has redeemed its outstanding loan (2013-14 £384,000). Net current assets stood at £1.370 million (2013-14 £1.089 million) at the year end. None of the Group's assets is held with high credit risk banks.

During 2014-15 the Group employed just fewer than 360 staff, of whom four comprised the College's senior management team, 149 daytime teachers and instructors, 110 support staff and on average 100 adult education tutors. This represents around 184 full-time equivalents. In addition there are about 100 staff who are employed casually mainly as invigilators in the examination periods. Following a reduction from six to five members at the end of the 2013 academic year, the senior management team's responsibilities have been restructured further across four members following the retirement of the Assistant Principal (Staff Development and Communication) on 31<sup>st</sup> July 2014.

The College enjoys an excellent local, regional and national reputation as one of the top sixth form colleges in the country. The College has high retention and achievement rates for 16-19 students and its examination results are acknowledged as being among the best in the country. Each year around 70 students successfully apply to Oxford and Cambridge universities, more than any other state school or college in the country. The College also has the highest number of students achieving AAB in 'facilitating subjects' at A level of any institution, state or independent, in the country.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2015**

**PRINCIPAL RISKS AND UNCERTAINTIES**

The risk management policy of the College is to adopt best practices in the identification, evaluation and cost effective control of risks to ensure that they are eliminated or reduced to an acceptable level.

The College's risk management objectives are to:

- integrate risk management into the culture of the College;
- manage risk in accordance with statutory and mandatory obligations and best practice;
- minimise the costs associated with risk in order to continue to fulfil the College's mission;
- anticipate and respond to changing social, environmental and legislative requirements; and
- raise awareness of the need for risk management.

The College achieves these objectives by adopting key principles in its approach to risk management and internal control which are noted in the College's Risk Management policy.

The College Strategy Team (CST) implements the policy and identifies and evaluates significant risks. It compiles a register of risks which indicates the principal risks that may affect the College. Emerging risks are added as required and improvement actions and risk indicators monitored on a termly basis by the CST, the Clerk to the Corporation and the Audit Committee. The full register is reviewed annually by the Corporation. Risks are prioritised using a consistent scoring system. An annual Risk Report is also presented to the Corporation.

The College continues to have significant concerns about the impact of public sector cuts on its finances and the nature of curriculum reform and these present major financial and reputational risks. To add to the challenging financial outlook there will be a considerable uplift in employer payroll expense as a result of the National Insurance rebate for Defined Benefit pension schemes being removed with effect from April 2016 and additional costs for the Teachers Pension contribution with effect from September 2015; the full year costs of these together the college forecasts at £225,000. Hills Road Sixth Form College along with other colleges and, in particular the Sixth Form Colleges Association (SFCA) continue to undertake considerable lobbying in relation to funding, curriculum reform and the effect on student choice and opportunity. The College estimates that the funding cuts and together with the increases in payroll expense amount to a real-terms funding reduction of almost 40% between 2009-10 and 2016-17. The announcement from the Government in late summer 2014 that there would be a modest funding uplift for those students studying four or five A Levels and achieving at least a B grade in all subjects studied, while welcomed, will only produce a modest change in the College's funding and still does not address the overriding issue of the reduction in funding per student. Indeed the future funding landscape does not look promising for Sixth Form Colleges. The Government's decision not to protect the 16-19 education budget from spending cuts means that further funding reductions are likely.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2015**

In addition, despite the Government's suggestions that it has closed the 16-19 gap between schools/academies and colleges this is not the case for several areas of expenditure, particularly VAT. Schools and academies can claim their input VAT back whereas Colleges cannot prompting the SFCA to launch the 'Drop the Learning Tax' campaign which, while well publicised and collecting over 18,000 signatures on the petition, was dismissed by the Government as too expensive, at least for the financial year 2015-16. The Sixth Form Colleges Association (SFCA) estimate that sixth form colleges are, on average, absorbing in the region of £320,000 VAT each year. Academies also receive significant contributions towards their insurance costs, which for Hills Road are around £90,000 per annum.

These cuts together with the change in the landscape for the delivery of A levels represent the most serious challenge to the College's educational quality since Incorporation. The College Strategy Team (CST), in consultation with the Members of the Corporation and staff has considered models for delivering the curriculum within the context of reduced funding and curriculum reform and concluded that inevitably this will impact negatively to an increasing degree on the educational and progression opportunities of our students. In 2013-14 the College agreed its strategy to respond to the substantial impact of the reduction in funding to £4,000 per fte student (the final year of formula protection will be 2015-16) and curriculum reform (which commences 2015-16) but it has been necessary to make further revisions to the plan in 2014-15 to address additional funding issues not least the increase in employer payroll expense. The College is now considering further strategies that could be deployed if the funding rate is cut further.

Factors affecting the College's financial health include:

- the cut in government funding already implemented which over the period from 2011-12 to 2014-15 has cost the College around £1.00 million;
- the flat rate funding methodology which took effect from 2013-14 and which will cost the College around an additional £1.00 million although funding will not be reduced until 2016-17;
- the withdrawal of the National Insurance rebate for defined benefit pension schemes in April 2016 to facilitate 'flat rate' state pensions which will cost the College in excess of £125,000 per annum;
- the increase in employer contributions to the Teachers' Pension Scheme to 16.48% from September 2015 which will cost the College £100,000 per annum;
- the change in government funding priorities for post 19 learning that has cost the College in excess of £100,000 with effect from 2014-15;
- the consistent lack of any inflation uplift to the funding rate which has a significant real terms impact;
- the probability of a further cut to the funding rate to below £4,000 per fte;
- the change to the methodology for allocating Additional Learning Support which has cost about £140,000 per annum;
- continuing increases in costs in relation to the Local Government Pension scheme;
- a drop in funding in 2015-16 of £140,000 due to a technicality resulting from the approach used by the EFA which uses the profile of the banding of students study programme as it was in 2013-14 to allocate funding for 2015-16;
- the necessity to continue to fund the VAT element of purchases costing circa £300,000 per annum;

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2015**

- the inadequate area cost adjustment of 2% which fails to recognise the high cost of living in Cambridge and South Cambridgeshire and is well below adjustments for comparable areas in the south-east of the country.

The cuts, which are significantly eroding resources, and the failure to redress the balance with academies and maintained schools in respect of VAT and other costs is damaging a sector which is providing the most effective approach to level 3 education for 16-19 year olds. This was demonstrated by a report commissioned by the SFCA from London Economics [Assessing value for money in sixth form education](#) published in June 2014. The report shows that students educated in sixth form colleges are more likely to achieve better exam results and progress to higher education than their peers in academy or maintained school sixth forms. The report's authors calculate that this leads to an additional 2,500 students entering higher education each year, which in turn benefits the economy by around £418 million per year. The report highlights the exceptional value for money offered by sixth form colleges compared to school and academy sixth forms, but warns that the cuts to sixth form college funding are already starting to limit the ability of the sector to maintain its high standards. Perhaps most starkly, the report's authors conclude that each year, academies are able to spend an average of £1,598 more per sixth form student than sixth form colleges. This is based on the additional funding for VAT, insurance and capital received by academies and a conservative estimate of the amount used to cross-subsidise their sixth forms with the more generous funding they receive to educate 11-16 year olds. This is backed up in the [funding impact survey report 2015](#) released in August 2015 by the SFCA; This reports that "...Sixth Form Colleges in England are an education success story. They outperform school and academy sixth forms while educating more disadvantaged students and receiving less funding. However, this year's funding impact survey shows that the sector has reached the point where it cannot absorb any further reductions - courses have been cut, enrichment and support activities reduced and student programmes curtailed".

In late July 2015 the Government announced a major reform of post-16 education and training institutions. The aim of these area based reviews is to ensure that there is the right capacity to meet the needs of students and employers in each area, provided by institutions which are financially stable and able to deliver high quality provision.

Areas will be asked to take forward reviews according to a national framework the results of which are likely to result in fewer, often larger specialist providers. Each review will be led by a steering group composed of a range of stakeholders within the area which will oversee and steer the reviews work. Governing bodies of institutions will be expected to engage actively in the review process, and to ensure that the options they formulate as an institution and also with other institutions are actively considered as part of the review. All area reviews will be completed by March 2017. These proposals are potentially very far reaching for the sector and ahead of detailed guidance about the nature and timing of the review the College has already started to engage with other colleges and stakeholders in the area.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2015**

**STAKEHOLDER RELATIONSHIPS**

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

- Association of Colleges (AoC);
- Cambridge Area 14-19 Partnership (CAP);
- Cambridge City and Cambridgeshire County Councils;
- Education Funding Agency (EFA);
- Local community;
- Maple Group of Colleges (ten leading sixth form colleges)
- Parents and Friends;
- Sixth Form Colleges' Association (SFCA);
- Skills Funding Agency (SFA);
- Sixth Form/FE Commissioner;
- Staff;
- Students; and
- Universities.

The College recognises the importance of these relationships and engages in regular communication with its stakeholders through the College website, by meetings and through its Enrolment and Open Evenings.

**Equality and Diversity**

The College is committed to ensuring that all its members enjoy equality of opportunity within its community; the College is aware of its statutory responsibilities in this respect. The College's commitment to equality and diversity is embodied in a set of principles which underpins the College's Single Equality Scheme. Overall responsibility for all aspects of equality and diversity is placed with the Director of Quality who is supported in this work by the Equality and Diversity Officer and the Equality Forum. An equality and diversity briefing is included in the induction programme for new staff and all existing staff receive regular updates including through the monthly E&D newsletters and through the diversity diaries located in all base rooms. Annual reviews include consultation with the College Equality Forum, the College Strategy Team and the Corporation as well as the views of relevant stakeholders.

The College publishes annually an Equality and Diversity Report and a Single Equality Scheme Action Plan, which incorporates our Equality Objectives, to ensure compliance with the Equality Act 2010 and the Public Sector Equality Duty. The College undertakes equality analyses on all new policies and procedures; equality analyses are also undertaken for existing policies and procedures on a prioritised basis.

The aims and intentions of the Equality Forum continue to be to achieve equality practices that are beyond compliance and show demonstrable celebration of diversity. Activities this year have included awareness raising activities during LGBT History Month, Black History month and through HillsFest which was themed around the values and the diversity of the countries that make up the United Nations. In addition the screens around the College regularly display information about a range of religious festivals and other important dates throughout the year e.g. International Day of Peace, Dyslexia Awareness Week, etc. All lower sixth students completed an online Equality and Diversity programme specifically designed for post-16 institutions during their first term of the academic year 2014-15.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2015**

Work is continuing to ensure that the nine protected characteristics enshrined in legislation remain a natural part of the College's working practices and personal data on all nine protected characteristics is collected from staff. From August 2014 similar data was also gathered from students at enrolment as well as information relating to special needs and socio-economic indicators (e.g. eligibility for Free School Meals). There is also an additional category for students regarding access to the internet and computers at home, to ensure that socio-economic or other factors do not become a barrier to students achieving their potential.

**Employment of Disabled Persons**

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the standard. The College considers all applications for employment from disabled persons bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment within the College continues. The College's policy is to provide training, professional career development and opportunities for promotion for disabled persons which are commensurate with those for non-disabled employees.

**Disability Statement**

The College is committed to promoting equality for disabled staff and students, seeking to create an environment that is open and accessible, where diversity and individual choice are celebrated, thus enabling all of its members to participate fully in College life. The College seeks to achieve the objectives set down by the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005 and the Equality Act 2010.

**Staff and Student Involvement and Consultation**

The Members of the Corporation, the Principal and senior management fully accept their responsibility for important matters of policy. However, the College encourages employee involvement through the membership of a number of teams, the annual staff forum, support staff meetings and through consultation on matters affecting the College's strategy and operation. There are two staff members on the Corporation, one from each of the teaching and support staff. The College encourages participation from students, one of whom, normally the Chair of the Student Council is a student member of the Corporation. The Student Council is elected by their peers on an annual basis and as the representative forum they are consulted on a range of issues and are encouraged to bring forward proposals. Students are also involved in the appointment of new teaching staff with their feedback considered alongside that arising from other elements of the appointment process. The College also consults on particular issues by using focus groups of interested students and undertakes satisfaction surveys with both sixth form and adult students.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2015**

**Training and Development of Staff**

The College is committed to recruiting staff with excellent qualifications and appropriate experience. It recognises the importance of providing continuous professional development as an entitlement to all staff in order to develop the ability of each member of staff to contribute towards the achievement of the College's objectives, and to sustain and enhance the high quality educational experience which the College provides for students. In addition to off-site training the College has a two week staff development period in the summer term each year in which all staff participate in elective and compulsory sessions. The College is committed to maintaining a budget for training and development sufficient to realise its strategic aims.

**Health and Safety**

The College is committed to safeguarding and promoting the welfare of its students and staff and expects all members of the College community, volunteers and visitors to share this commitment.

All students, staff and visitors have the right to be safe and feel secure both within the College and whilst engaged in College-related activities. The College aims to ensure that relevant and effective safeguarding practices exist which are actively promoted. The College encourages students and staff to talk to the appropriate staff about concerns they may have regarding health, safety and welfare.

Health and safety at work is the responsibility of everyone at the College. All staff and students, with the appropriate support, training and supervision, are required to operate safe working practices and procedures and to work and study with due consideration for the safety of others.

The College has a Health and Safety team which meets termly to discuss and review health and safety issues and contributes to the development, implementation and monitoring of health and safety policy. Any significant health and safety matters are reported to the Corporation and an annual health and safety review is carried out by the Estates Bursar and presented to the Corporation. During 2014-15 there were no accidents and incidents that resulted in insurance claims.

The College fulfils its statutory responsibilities in respect of Safeguarding and an annual report is compiled by the Assistant Principal (Resources) and presented to the Corporation.

**Post-Balance Sheet Events**

There were no post-balance sheet events that require disclosure in the financial statements.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2015**

**Disclosure of information to auditors**

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

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



Dr Peter Southwick  
Chair

16 December 2015

# HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

## PROFESSIONAL ADVISORS

Year ended 31 July 2015

**Financial Statement and Regularity Auditor** MHA MacIntyre Hudson  
Boundary House  
4 County Place  
Chelmsford  
Essex  
CM2 0RE

**Internal Auditor** Icca Education Training and Skills  
11<sup>th</sup> Floor, Maclaren House  
46 Priory Queensway  
Birmingham  
B4 7LR

**Bankers** Barclays Bank  
9-11 St Andrews Street  
Cambridge  
Cambridgeshire  
CB2 3AA

Yorkshire Bank Plc.  
10 Church Street  
Peterborough  
Cambridgeshire  
PE1 1XB

Bank of Ireland UK  
1 Bread Street  
London  
EC4M 9BE

**Solicitor** Eversheds LLP  
Kett House  
1 Station Road  
Cambridge  
CB1 2JY

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Statement of Corporate Governance and Internal Control**  
**Year ended 31 July 2015**

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

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);  
and
- ii having due regard to the UK Corporate Governance Code ('the Code') insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. 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.

The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Members of the Corporation, who are also 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.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Statement of Corporate Governance and Internal Control (continued)**  
**Year ended 31 July 2015**

**The Corporation**

Members who served the Corporation during the year and up to the date of signature of this report were as follows:

<b>Name</b>	<b>Date of Appointment</b>	<b>Term of Office</b>	<b>Date of Resignation/ termination</b>	<b>Committees served</b>	<b>Attendance including committees</b>
Mrs H Borrett	1 September 2014	1 year	31 August 2015	Audit	44%
Mr P Brindle	1 August 2014	4 years		Audit	44%
Mr E Brookes	1 August 2012	4 years		Remuneration, Search & Governance	100%
Mrs V Brownlee Staff Nominee	23 May 2011	4 years	22 May 2015		75%
Mr J Culpin	1 August 2014	4 years			83%
Miss U Edirisinghe Student Nominee	25 March 2015				100%
Miss A French Student Nominee	3 December 2014		24 March 2015		67%
Mr I C Harvey Staff Nominee	1 August 2012	4 years			83%
Ms L Jeanroy	1 August 2010	4 years	1 February 2015	Chair : Audit	60%
Ms A Moore Staff Nominee	23 May 2015	4 years			100%
Mrs E Murphy	25 February 2013	4 years		Vice Chair of Corporation Remuneration, Search & Governance	82%
Mr J Sam	1 January 2015	4 years		Senior Vice Chair of Corporation Remuneration Search & Governance	91%

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Statement of Corporate Governance and Internal Control (continued)**  
**Year ended 31 July 2015**

<b>Name</b>	<b>Date of Appointment</b>	<b>Term of Office</b>	<b>Date of Resignation/ termination</b>	<b>Committees served</b>	<b>Attendance</b>
Mr D Secher	12 March 2012	4 years		Audit	44%
Mrs L Sinclair Principal	Ongoing			Search & Governance	100%
Dr P Southwick	1 January 2012 Reappointed wef 1 January 2016	4 years		Chair of Corporation Remuneration Search & Governance	91%
Ms J Taylor	19 December 2012	4 years		Audit	78%
Mrs F Williams	14 December 2011 Reappointed wef 15 December 2015	4 years		Search & Governance	89%

Mr R Smith, ACIS, an independent person, acts as Clerk to the Corporation.

The average percentage attendance at Corporation meetings during the year was 77%. With committee attendance included it was 78%. Ofsted's target is 70%.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Statement of Corporate Governance and Internal Control (continued)**  
**Year ended 31 July 2015**

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 targets, proposed budgets and major capital expenditure, quality, curriculum and planning matters, equality and diversity information, safeguarding, and health and safety and environmental issues. The Corporation meets twice each term.

The Corporation conducts the majority of its business at its meetings and has three committees: Audit, Remuneration and Search and Governance. Each committee has terms of reference, which have been approved by the Corporation. Full minutes of all meetings except those deemed to be confidential by the Corporation are available from the Clerk to the Corporation at Hills Road Sixth Form College, Hills Road, Cambridge CB2 8PE and minutes of meetings held since September 2007 can also be viewed on the College's website [www.hillsroad.ac.uk](http://www.hillsroad.ac.uk).

The Clerk to the Corporation maintains a register of financial and personal interests of all the members of the Corporation. The register is available for inspection on the College website.

All Members of the Corporation are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment, appraisal and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to Members of the Corporation in a timely manner, prior to 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 non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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

**Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee which comprises six members of the Corporation and 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; a second four year term is possible with total service not normally exceeding two terms.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Statement of Corporate Governance and Internal Control (continued)**  
**Year ended 31 July 2015**

**Remuneration Committee**

Throughout the year ending 31 July 2015, the College's Remuneration Committee comprised the Chair and three other members of the Corporation. The committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Principal and other senior postholders and the Clerk to the Corporation

Details of the remuneration for the year ended 31 July 2015 are set out in notes 5 and 6 of the financial statements.

**Audit Committee**

The Audit Committee comprises four members of the Corporation (excluding the Principal) and a Chair that has been independent of the Corporation since 2<sup>nd</sup> February 2015. Prior to this the Chair was a member of the Corporation. The committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management control and governance processes.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and financial statement auditors, who have access to the committee for independent discussion, without the presence of College management. The committee also receives and considers reports from the main Further Education 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 audit recommendations and internal audit undertakes periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal and financial statement 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 and not absolute assurance against material mis-statement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Statement of Corporate Governance and Internal Control (continued)**  
**Year ended 31 July 2015**

the public funds and assets for which the Principal is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the funding bodies.

The Principal 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 Hills Road Sixth Form College for the year ended 31 July 2015 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 2015 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 and forecasting systems with an annual budget and financial forecast, which is reviewed and agreed by the governing body;
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- 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 (EFA) and Skills Funding Agency (SFA) 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 a minimum of annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity in the College. The report includes the Head

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Statement of Corporate Governance and Internal Control (continued)**  
**Year ended 31 July 2015**

of Internal Audit's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

- **Review of effectiveness**

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

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

The Principal has been advised on the implications of the result of her 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, not merely reporting by exception. At its December 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the Audit Committee, the senior management team and internal audit and taking account of events since 31 July 2015.

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

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Statement of Corporate Governance and Internal Control (continued)**  
**Year ended 31 July 2015**

**Going Concern**

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

Approved by order of the members of the Corporation on 16 December 2015 and signed on its behalf by:



Dr Peter Southwick  
Chair



Mrs Linda Sinclair  
Principal

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Governing Body's statement on the College's regularity, propriety and**  
**compliance with Funding body terms and conditions of funding**  
**Year ended 31 July 2015**

The Corporation has considered its responsibility to notify the Education Funding Agency of material irregularity, impropriety and non-compliance with Education Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Education Funding Agency. As part of our consideration we have 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 Education 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 the date of this statement, these will be notified to the Education Funding Agency.

Approved by order of the members of the Corporation on 16 December 2015 and signed on its behalf by:



Dr Peter Southwick  
Chair



Mrs Linda Sinclair  
Principal

## **HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**

### **Statement of the Responsibilities of the Members of the Corporation Year ended 31 July 2015**

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

Within the terms and conditions of the Financial Memorandum agreed between the Education Funding Agency and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction for 2014 to 2015 financial statements issued jointly by the Education Funding Agency and the Skills Funding Agency and, which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements the Corporation is required to:

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

The Corporation is also required to prepare an Operating and Financial Review which describes 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 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's 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Statement of the Responsibilities of the Members of the Corporation**  
**(continued)**  
**Year ended 31 July 2015**

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Education Funding Agency and the Skills Funding Agency are used only in accordance with the Financial Memorandum with the Education Funding Agency and the Skills 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 that these are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Education Funding Agency and the Skills Funding Agency are not put at risk.

Approved by order of the Members of the Corporation and signed on behalf of the Corporation:



Dr Peter Southwick  
Chair

16 December 2015

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Independent Auditor's Report to the Corporation of Hills Road Sixth Form College**  
**Year ended 31 July 2015**

We have audited the Group and College financial statements ('the financial statements') of Hills Road Sixth Form College which comprise the Income and Expenditure Account, the Statement of Historical Cost Surpluses and Deficits, the Statement of Total Recognised Gains and Losses, the Balance Sheets, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

**Respective Responsibilities of the Members of the Corporation of Hills Road Sixth Form College and Auditor**

As explained more fully in the Statement of the Corporation's responsibilities set out on pages 31 and 32, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

**Scope of the audit of the financial statements**

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

**HILLS ROAD SIXTH FORM COLLEGE ACCOUNTS**  
**Independent Auditor's Report to the Corporation of Hills Road Sixth**  
**Form College (continued)**  
**Year ended 31 July 2015**

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the College's affairs as at 31 July 2015 and of the Group's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions.

**Opinion on other matters prescribed by the revised Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency (August 2015)**

In our opinion:

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

*MHA MacIntyre Hudson*

.....  
MHA MACINTYRE HUDSON  
Chartered Accountants & Statutory Auditor  
Boundary House  
4 County Place  
Chelmsford  
Essex  
CM2 0RE

Date.....21 December 2015.....

**HILLS ROAD SIXTH FORM COLLEGE ACCOUNTS**  
**Independent Auditor's Report on Regularity to the Corporation of**  
**Hills Road Sixth Form College and the Secretary of State for Education**  
**acting through the Education Funding Agency**  
**Year ended 31 July 2015**

This report is produced in accordance with the terms of our engagement letter for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2015 are regular as defined by and in accordance with the Funding Agreement with Secretary of State for Education acting through the Education Funding Agency, in accordance with the authorities that govern them.

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

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

**Responsibilities of the Corporation of Hills Road Sixth Form College**

The Corporation of Hills Road Sixth Form College is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2015 are regular.

The Corporation of Hills Road Sixth Form College is also responsible, under the requirements of the Accounts Direction 2014/15 published by the Skills Funding Agency and the Education Funding Agency for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the Education Funding Agency's terms and conditions of funding under the College's funding agreement. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2015 have been notified to the Education Funding Agency.

**HILLS ROAD SIXTH FORM COLLEGE ACCOUNTS**  
**Independent Auditor's Report on Regularity to the Corporation of**  
**Hills Road Sixth Form College and the Secretary of State for Education**  
**acting through the Education Funding Agency (continued)**  
**Year ended 31 July 2015**

**Auditor's responsibilities**

Our responsibility is to express a reasonable assurance opinion in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2015 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter.

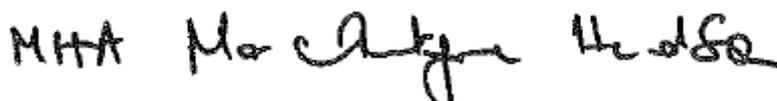
The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.

**Basis of opinion**

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement of Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2015.

**Opinion**

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 year 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



.....  
MHA MacIntyre Hudson  
Chartered Accountants and Registered Auditor  
Boundary House  
4 County Place  
Chelmsford  
Essex  
CM2 0RE

Date ...21 December 2015.....

## HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

### Consolidated Income and Expenditure Account Year ended 31 July 2015

	Note	2015 £000	2014 £000
<b>INCOME</b>			
Funding body grants	1	9,053	9,383
Tuition fees and education contracts	2	588	597
Other operating income	3	1,393	1,370
Investment income	4	46	14
<b>Total Income</b>		<b>11,080</b>	<b>11,364</b>
<b>EXPENDITURE</b>			
Staff costs	5	7,855	7,780
Other operating expenses	7	2,571	2,796
Depreciation	10	575	623
Exceptional item – Accelerated depreciation	10	85	-
Interest payable	8	4	11
<b>Total Expenditure</b>		<b>11,090</b>	<b>11,210</b>
<b>(Deficit)/Surplus on continuing operations after depreciation of tangible fixed assets at valuation and tax and after exceptional items</b>	9	<b>(10)</b>	<b>154</b>

The Income and Expenditure account is in respect of continuing activities.

The notes on pages 41 to 65 form part of these financial statements.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Consolidated Statement of Historical Cost Surpluses and Deficits**  
**Year ended 31 July 2015**

	<b>Note</b>	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and tax		(10)	154
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	17	181	97
		<u>171</u>	<u>251</u>
<b>Historical cost surplus for the year</b>		<u>171</u>	<u>251</u>

**Consolidated Statement of Total Recognised Gains and Losses**  
**Year ended 31 July 2015**

	<b>Note</b>	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
(Deficit)/surplus on continuing operations after depreciation of assets at valuation and tax	9	(10)	154
Actuarial loss in respect of pension scheme	25	<u>(411)</u>	<u>(495)</u>
<b>Total recognised losses relating to the year</b>		<u>(421)</u>	<u>(341)</u>

**Reconciliation of Movements in Group Reserves**  
**Year ended 31 July 2015**

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
Opening reserves	12,540	12,881
Total recognised losses for the year	<u>(421)</u>	<u>(341)</u>
<b>Closing reserves</b>	<u>12,119</u>	<u>12,540</u>

The notes on pages 41 to 65 form part of these financial statements.

# HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

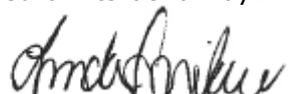
## Balance Sheets at as 31 July 2015

	Note	Group 2015 £000	College 2015 £000	Group 2014 £000	College 2014 £000
<b>FIXED ASSETS</b>					
Tangible assets	10	18,886	18,886	18,398	18,398
<b>CURRENT ASSETS</b>					
Stock		25	24	15	13
Debtors	12	274	314	279	288
Investments	11	1	1	2	2
Cash in bank and in hand		<u>2,125</u>	<u>2,055</u>	<u>2,066</u>	<u>2,021</u>
<b>TOTAL CURRENT ASSETS</b>		<u>2,425</u>	<u>2,394</u>	<u>2,362</u>	<u>2,324</u>
Creditors: amounts falling due within one year	13	<u>(1,055)</u>	<u>(1,042)</u>	<u>(1,273)</u>	<u>(1,253)</u>
<b>NET CURRENT ASSETS</b>		<u>1,370</u>	<u>1,352</u>	<u>1,089</u>	<u>1,071</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		20,256	20,238	19,487	19,469
Creditors: amounts falling due after more than one year	14	-	-	(307)	(307)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>20,256</u>	<u>20,238</u>	<u>19,180</u>	<u>19,162</u>
Net pension liability	25	<u>(2,474)</u>	<u>(2,474)</u>	<u>(2,007)</u>	<u>(2,007)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>17,782</u>	<u>17,764</u>	<u>17,173</u>	<u>17,155</u>
<b>DEFERRED CAPITAL GRANTS</b>	16	<u>5,663</u>	<u>5,663</u>	<u>4,633</u>	<u>4,633</u>
<b>RESERVES</b>					
Income and expenditure account excluding pension reserve	19	10,214	10,196	9,988	9,970
Pension reserve		<u>(2,474)</u>	<u>(2,474)</u>	<u>(2,007)</u>	<u>(2,007)</u>
Income and expenditure account including pension reserve		7,740	7,722	7,981	7,963
Restricted reserve	18	41	41	40	40
Revaluation reserve	17	4,338	4,338	4,519	4,519
<b>TOTAL RESERVES</b>		<u>12,119</u>	<u>12,101</u>	<u>12,540</u>	<u>12,522</u>
<b>TOTAL FUNDS</b>		<u>17,782</u>	<u>17,764</u>	<u>17,173</u>	<u>17,155</u>

The financial statements on pages 37 to 67 were approved by the Corporation and authorised for issue on 16 December 2015 and were signed on its behalf by:



Dr Peter Southwick  
Chair



Mrs Linda Sinclair  
Principal

The notes on pages 41 to 65 form part of these financial statements.

## HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

### Consolidated Cash Flow Statement Year ended 31 July 2015

	Note	2015 £000	2014 £000
Cash Inflow From Operating Activities	20	418	1,151
Returns on investments and servicing of finance	21	13	10
Capital expenditure and financial investment	22	11	(418)
Financing	23	<u>(384)</u>	<u>(92)</u>
<b>Increase in cash in the year</b>		<u>58</u>	<u>651</u>

### Reconciliation of Net Cash Flow to Movement in Net Funds

		2015 £000	2014 £000
Increase in cash in the period		58	651
Change in net funds resulting from financing	23	<u>384</u>	<u>92</u>
Change in net funds		442	743
Net funds at 1 August 2014		<u>1,684</u>	<u>941</u>
<b>Net funds at 31 July 2015</b>		<u>2,126</u>	<u>1,684</u>

The notes on pages 41 to 65 form part of these financial statements.

# **HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**

## **Notes to the Accounts**

**Year ended 31 July 2015**

### **Accounting Policies**

#### **Statement of Accounting Policies**

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

#### **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): *Accounting for Further and Higher Education Institutions 2007, the Accounts Direction for 2014-15 financial statements* and in accordance with applicable Accounting Standards.

#### **Basis of accounting**

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

#### **Going Concern**

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review.

The College has a national reputation and is acknowledged as amongst the best in the country for successful outcomes from examination results and university progression. This, together with consistent oversubscription for student places, ensures that the College is maintained on a sound operational footing. With Phase V of the Colleges Property Strategy under way, carefully monitored by the Corporation, the College will have the capacity to continue to be able to meet the demand for student places ensuring that it remains a viable entity for the foreseeable future.

The College has a proactive approach to risk management, with senior managers tasked with identifying any new risks and monitoring and evaluating previously identified risks every term. The risk register is reviewed by the audit committee each term and annually by the Corporation along with an annual presentation of a risk report.

The financial position of the College is strong with experienced, qualified staff running the finances of the College all carefully scrutinised and approved by the College Strategy Team, the Corporation and external auditors. The College has no outstanding loans and the 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.

## **HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**

### **Notes to the Accounts (continued)**

**Year ended 31 July 2015**

#### **Basis of Consolidation**

The consolidated financial statements include the College and its subsidiary undertaking, Cantabrigian Limited. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with Financial Reporting Standard (FRS) 2, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2015.

#### **Recognition of income**

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

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

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

#### **Post-Retirement Benefits**

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

Contributions to the TPS are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2015**

future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

As stated in note 25, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

**LGPS**

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

**Enhanced Pensions**

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

a) Freehold land and buildings

The College's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost. Land and buildings acquired since incorporation are included in the balance sheet at cost inclusive of any irrecoverable VAT. Freehold land is not depreciated.

The main College buildings are depreciated over their expected useful economic life to the College of 60 years and the Sports Centre over 40 years. Photo-voltaic cells are depreciated over 25 years. The 'Stable Block' was originally depreciated over 40 years but the depreciation rate has been accelerated in 2014-15 following its demolition to allow for Phase V of the College's Property Strategy.

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

## **HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**

### **Notes to the Accounts (continued)**

**Year ended 31 July 2015**

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

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

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings and not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

#### b) Assets under construction

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

#### c) Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- market value of the fixed asset has subsequently improved;
- asset capacity increases;
- substantial improvement in the quantity of output or reduction in operating costs;
- substantial improvement in the quality of the asset's life beyond that conferred by repairs and maintenance.

#### d) Buildings owned by third parties

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

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

#### e) Equipment

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

Equipment inherited from the Local Education Authority is included in the balance sheet at an estimated depreciated cost value for each asset category. Equipment is depreciated over its useful economic life using the reducing balance method as follows:

## **HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**

### **Notes to the Accounts (continued)**

**Year ended 31 July 2015**

Equipment	15%	per annum
Furniture	15%	per annum
Audio Visual equipment	20%	per annum
Reprographics equipment	20%	per annum
Vehicles	25%	per annum
I.T. equipment	50%	per annum
Sports Equipment	25%	per annum

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

#### **Leased assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full form funding council capital equipment grants, the associated assets are designated as grant-funded assets.

#### **Investments**

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

#### **Stocks**

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

#### **Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2015**

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

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

**Liquid resources**

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

**Provisions**

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

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2015**

**1. Funding Body Grants**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
<u>Education Funding Agency:</u>		
Recurrent grant	8,813	8,957
Devolved Formula Capital Funding	49	53
Building Condition Improvement Funding	-	100
16-19 Bursary grant	68	60
<u>Skills Funding Agency</u>		
Recurrent grant	33	131
Other grant	-	-
Free School Meals Funding	9	-
Release of deferred capital grants (note 16)	81	82
	<u>9,053</u>	<u>9,383</u>

**2. Tuition Fees and Education Contracts**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Tuition fees	519	561
Education contracts	69	36
	<u>588</u>	<u>597</u>

**3. Other Operating Income**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Release of deferred capital grants (non funding body) (note 16)	48	48
Catering and residence operations	21	17
Other income generating activities	468	479
Exam fees income	190	168
Educational visits income	388	406
Other income	278	252
	<u>1,393</u>	<u>1,370</u>

**4. Investment Income**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Other interest receivable	16	14
Pension interest receivable	29	-
Redemption of government bonds (note 21)	1	-
	<u>46</u>	<u>14</u>

# HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

## Notes to the Accounts (continued)

Year ended 31 July 2015

### 5. Staff Costs

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

	<b>2015</b>	<b>2014</b>
	<b>No.</b>	<b>No.</b>
Teaching departments – teaching staff	92	91
Teaching departments – other staff	12	13
Teaching support services	15	13
Other support services	17	17
Administration and central services including Sports and Tennis Centre	36	37
Premises	<u>12</u>	<u>13</u>
	<u>184</u>	<u>184</u>

The College apportions staff costs to the appropriate cost centres for staff who work in more than one area. The above full-time equivalents represent an assessment of work carried out under each head.

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	6,383	6,369
Social security costs	436	440
Other pension costs (including FRS 17 adjustments of £86,000; 2014 £43,000) – see note 25	1,036	946
Restructuring costs (senior post-holder)	<u>-</u>	<u>25</u>
	<u>7,855</u>	<u>7,780</u>

The number of senior post-holders and the Principal who received emoluments, in the following ranges were:

	<b>2015</b>	<b>2014</b>
	<b>No.</b>	<b>No.</b>
Up to £10,000	-	1
£60,000 - £70,000	-	-
£70,001 - £80,000	1	2
£80,001 - £90,000	2	2
£120,001 - £130,000	<u>1</u>	<u>1</u>
	<u>4</u>	<u>6</u>

A pay award of 1% was made during 2014-15 to the generality of staff and to the senior postholders.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2015**

**6. Senior Post-Holders' Emoluments**

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

	<b>2015</b>	<b>2014</b>
	<b>No.</b>	<b>No.</b>
The number of senior post-holders including the Principal was:		
1 August 2013 – 31 August 2013	-	1
1 September 2013 – 31 July 2014	-	5
1 August 2014 – 31 July 2015	<u>4</u>	<u>-</u>
Senior post-holders' emoluments are made up as follows:	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Salaries	328	399
Benefits in kind	-	-
Pension contributions	<u>51</u>	<u>61</u>
<b>Total emoluments</b>	<u>379</u>	<u>460</u>

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

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Salary	112	111
Pension contributions	<u>16</u>	<u>16</u>
<b>Total emoluments</b>	<u>128</u>	<u>127</u>

The pension contributions made for the Principal and two senior post-holders are in respect of employer's contributions to the Teachers Superannuation Scheme and in respect of one senior post holder to the Local Government Pension Scheme. The contributions are paid at the same rate as for other employees.

The Members of the Corporation other than the Principal 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.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2015**

**7. Other Operating Expenses**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Teaching departments	231	255
Teaching support services	219	150
Other support services	126	122
Administration and central services	256	262
General education	616	623
Premises costs:		
Running costs	344	351
Maintenance	145	160
Rents and Leases	-	1
Planned maintenance	66	225
Catering and residence operations	57	55
Educational visits	382	416
Other expenses	129	176
	<u>2,571</u>	<u>2,796</u>

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Other operating expenses include:		
Auditor's remuneration:		
financial statements audit	20	23
internal audit	9	9
other services provided by the financial statements auditors	-	-
Hire of plant and machinery – operating leases	<u>39</u>	<u>37</u>

**8. Interest Payable**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
On bank loans, overdrafts and other loans		
Repayable wholly or partly in more than five years	4	4
Pension finance cost (note 25)	-	7
	<u>4</u>	<u>11</u>

# HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

## Notes to the Accounts (continued)

Year ended 31 July 2015

### 9. Surplus on Continuing Operations for the Year

The surplus on continuing operations for the year is made up as follows:

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
College's (Deficit)/Surplus for the year	(87)	123
Surplus generated by subsidiary undertaking and transferred to the College under gift aid	77	31
	<u>(10)</u>	<u>154</u>

### 10. Tangible Fixed Assets (Group and College)

	<b>Freehold land and buildings £000</b>	<b>Assets under construction £000</b>	<b>Equipment £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>				
At 1 August 2014	23,293	186	4,547	28,026
Additions	148	938	62	1,148
Transfer between classes				
	<u>23,441</u>	<u>1,124</u>	<u>4,609</u>	<u>29,174</u>
<b>At 31 July 2015</b>	<u><u>23,441</u></u>	<u><u>1,124</u></u>	<u><u>4,609</u></u>	<u><u>29,174</u></u>
<b>Depreciation</b>				
At 1 August 2013	5,876	-	3,752	9,628
Charge for the year	477	-	183	660
	<u>6,353</u>	<u>-</u>	<u>3,935</u>	<u>10,288</u>
<b>At 31 July 2015</b>	<u><u>6,353</u></u>	<u><u>-</u></u>	<u><u>3,935</u></u>	<u><u>10,288</u></u>
<b>Net book value</b>				
<b>At 31 July 2015</b>	<u><u>17,088</u></u>	<u><u>1,124</u></u>	<u><u>674</u></u>	<u><u>18,886</u></u>
<b>At 31 July 2014</b>	<u><u>17,417</u></u>	<u><u>186</u></u>	<u><u>795</u></u>	<u><u>18,398</u></u>
Financed by				
Capital grant	4,496	1,124	43	5,663
Inherited	4,331	-	7	4,338
Other	8,261	-	624	8,885
	<u>17,088</u>	<u>1,124</u>	<u>674</u>	<u>18,886</u>

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

The carrying values of the Fixed Assets are recorded in accordance with the historical cost convention.

## HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

### Notes to the Accounts (continued)

Year ended 31 July 2015

Inherited land and buildings are valued for the purpose of the 2014-15 financial statements at depreciated replacement cost.

If inherited land and buildings and equipment had not been valued they would have been included on the historical cost basis at the following amounts:

	<b>£000</b>
Cost	-
Aggregate depreciation based on cost	-
	<hr/>
Net book value based on cost	-
	<hr/> <hr/>

Land, buildings and equipment with a net book value of £4,338,000 have been funded from Local Education Authority sources. Should these assets be sold, the College would either have to surrender the sale proceeds to the Education Funding Agency or use them in accordance with the financial memorandum with the Education Funding Agency.

Fixed assets include land and buildings with a net book value of £3,630,000, which have been partially funded by a grant of £1,789,000 from the Further Education Funding Council; land and buildings with a net book value of £4,316,000 and £501,000 which have been partially funded by grants from the Learning and Skills Council of £1,737,000 and £321,000 respectively; land and buildings with a net book value of £952,000 which have been partially funded by a Building Condition Improvement fund grant from the Young Peoples Learning Agency of £108,000. Should these assets be sold, the College would either have to surrender the sale proceeds to the Education Funding Agency or use them in accordance with the financial memorandum with the Education Funding Agency.

#### 11. Investments (Group and College)

	<b>Investments</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
At 1 August 2014	2	2
Deposits		
Withdrawals	1	1
	<hr/>	<hr/>
<b>At 31 July 2015</b>	<b><u>1</u></b>	<b><u>1</u></b>

Investments represent £1,000 capital invested in Government bonds. In addition the Corporation of the College owns 100% of the issued Ordinary Shares of Cantabrigian Limited, a company incorporated in England and Wales, at a cost of £2. The principal business activity of Cantabrigian Limited is to help its parent further education corporation in the delivery of its principal objectives and to carry on business as a Sports Centre, with such facilities and accommodation for indoor and outdoor sports or games, changing rooms, refreshments and other amenities as may be thought fit. Cantabrigian annually remits its profits after tax to Hills Road Sixth Form College via gift aid and retains net assets of £15,000 on its Balance Sheet.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2015**

**12. Debtors**

<b>Amounts falling due within one year</b>	<b>Group 2015 £000</b>	<b>College 2015 £000</b>	<b>Group 2014 £000</b>	<b>College 2014 £000</b>
Trade debtors	18	12	43	20
Amounts owed by group undertakings	-	112	-	94
Prepayments and accrued income	256	190	236	174
	<u>274</u>	<u>314</u>	<u>279</u>	<u>288</u>

**13. Creditors: Amounts Due Within One Year**

	<b>Group 2015 £000</b>	<b>College 2015 £000</b>	<b>Group 2014 £000</b>	<b>College 2014 £000</b>
Bank loan	-	-	59	59
Salix loan	-	-	18	18
Payments received in advance	508	508	627	627
Trade creditors	111	104	233	221
Funding Body Creditor	105	105	7	7
Other taxation and social security	144	146	146	148
Pension creditor	40	40	37	37
Accruals	147	139	146	136
	<u>1,055</u>	<u>1,042</u>	<u>1,273</u>	<u>1,253</u>

**14. Creditors: Amounts Falling Due After More Than One Year**

	<b>Group 2015 £000</b>	<b>College 2014 £000</b>	<b>Group 2015 £000</b>	<b>College 2014 £000</b>
Bank loans	-	-	307	307
Salix loans	-	-	-	-
	<u>-</u>	<u>-</u>	<u>307</u>	<u>307</u>

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2015**

**15. Analysis of Borrowings of the College**

Bank loans	<b>Group 2015 £000</b>	<b>College 2015 £000</b>	<b>Group 2014 £000</b>	<b>College 2014 £000</b>
Bank loan is repayable as follows:				
In one year or less	-	-	59	59
Between one and two years	-	-	60	60
Between two and five years	-	-	183	183
Over five years	-	-	64	64
	<u>-</u>	<u>-</u>	<u>366</u>	<u>366</u>

The outstanding bank loan was redeemed in July 2015.

Salix loans	<b>Group 2015 £000</b>	<b>College 2015 £000</b>	<b>Group 2014 £000</b>	<b>College 2014 £000</b>
Salix loan is repayable as follows:				
In one year or less	-	-	18	18
Between one and two years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>18</u>	<u>18</u>

A loan from Salix which provides loans for energy efficiency programmes in the public sector totalling £17,744 was repaid on 1 September 2014. The loan was unsecured and interest free.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2015**

**16. Deferred Capital Grants (Group and College)**

<b>At 1 August 2014</b>	<b>Funding body £000</b>	<b>Other grants £000</b>	<b>Total £000</b>
Land and buildings	3,540	1,043	4,583
Equipment	42	8	50
	<u>3,582</u>	<u>1,051</u>	<u>4,633</u>
Cash received:			
Land and buildings	1,124	35	1,159
Equipment			
Released to income and expenditure account:			
Land and buildings	(75)	(47)	(122)
Equipment	(6)	(1)	(7)
	<u>4,625</u>	<u>1,038</u>	<u>5,663</u>
<b>At 31 July 2015</b>			
Land and buildings	4,589	1,031	5,620
Equipment	36	7	43
	<u>4,625</u>	<u>1,038</u>	<u>5,663</u>

**17. Revaluation Reserve (Group and College)**

	<b>2015 £000</b>	<b>2014 £000</b>
<b>At 1 August 2014</b>	4,519	4,616
Transfer from revaluation reserve to income and expenditure account in respect of depreciation on revalued assets	(181)	(97)
	<u>4,338</u>	<u>4,519</u>
<b>At 31 July 2015</b>		

**18. Restricted Reserve (Group and College)**

	<b>Endowed Funds £000</b>	<b>Total £000</b>
<b>At 1 August 2014</b>	40	40
Transfer from income and expenditure account	1	1
	<u>41</u>	<u>41</u>
<b>At 31 July 2015</b>		

The restricted reserves comprise funds endowed for prizes for students.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2015**

**19. Income and Expenditure Account**

	<b>Group 2015 £000</b>	<b>College 2015 £000</b>	<b>Group 2014 £000</b>	<b>College 2014 £000</b>
<b>At 1 August 2014</b>	7,981	7,963	8,225	8,207
Surplus retained for the year	(10)	(87)	154	123
Transfer from revaluation reserve	181	181	97	97
Transfer (to) restricted reserves	(1)	(1)	-	-
Cantabrigian Limited profits for the year gift aided to the College		77	-	31
Actuarial loss in respect of pension scheme	(411)	(411)	(495)	(495)
	<u>7,740</u>	<u>7,722</u>	<u>7,981</u>	<u>7,963</u>
<b>At 31 July 2015</b>				
Balance represented by pension reserve	(2,474)	(2,474)	(2,007)	(2,007)
Income and expenditure account reserve	10,214	10,196	9,988	9,970
	<u>7,740</u>	<u>7,722</u>	<u>7,981</u>	<u>7,963</u>
<b>At 31 July 2015</b>				

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2015**

**20. Reconciliation of consolidated operating surplus to net cash inflow from operating activities**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Surplus on continuing operations after depreciation of assets at valuation and tax	(10)	154
Depreciation (note 10)	660	623
Deferred capital grants released to income (notes 1 and 3)	(129)	(130)
Interest payable (note 8)	4	11
Interest receivable (note 4)	(46)	(14)
Pension cost less contributions payable (notes 5 and 25)	85	42
Increase in stock	(10)	0
(Increase)/Decrease in debtors (note 12)	5	(29)
Increase/(Decrease) in creditors (note 13)	(141)	494
	<u>418</u>	<u>1,151</u>
Net cash inflow from operating activities	<u>418</u>	<u>1,151</u>

**21. Returns on investments and servicing of finance**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Other interest received (note 4)	16	14
Redemption of government bonds (note 4)	1	
Interest paid (note 8)	(4)	(4)
	<u>13</u>	<u>10</u>
<b>Net cash inflow from returns on investment and servicing of finance</b>	<u>13</u>	<u>10</u>

**22. Capital expenditure and financial investment**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Purchase of tangible fixed assets (note 10)	(1,148)	(418)
Deferred capital grants received (note 16)	1,159	-
	<u>11</u>	<u>(418)</u>
<b>Net cash outflow from capital expenditure and financial investment</b>	<u>11</u>	<u>(418)</u>

**23. Financing**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Repayments of amounts borrowed (note 15)	(384)	(92)
	<u>(384)</u>	<u>(92)</u>
<b>Net cash (outflow from financing)</b>	<u>(384)</u>	<u>(92)</u>

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2015**

**24. Analysis of Changes in Net Funds**

	<b>At 1 August 2014 £000</b>	<b>Cash £000</b>	<b>Other £000</b>	<b>At 31 July 2015 £000</b>
Cash in hand, at bank	2,066	59	-	2,125
Debt due within 1 year	(77)	77	-	-
Debt due after 1 year	(307)	307	-	-
Liquid resources	<u>2</u>	<u>(1)</u>	<u>-</u>	<u>1</u>
	<u>1,684</u>	<u>442</u>	<u>-</u>	<u>2,126</u>

**25. Pension and Similar Obligations**

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme, England and Wales (TPS) for academic and related staff and the Local Government Pension Scheme (LGPS) for support staff for which the administering authority is Cambridge County Council. Both are defined benefit schemes with costs charged to the income and expenditure account.

<b>Total pension cost for the year</b>	<b>2014 £000</b>	<b>201 £000</b>
Teachers' Pension Scheme contributions paid	608	601
Local Government Pension Scheme:		
Contributions paid	343	303
FRS 17 adjustment	<u>85</u>	<u>42</u>
Charge to the Income and Expenditure Account (staff costs)	<u>428</u>	<u>345</u>
Total Pension Cost for Year	<u>1,036</u>	<u>946</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuations of the TPS was 31 March 2012 and the LGPS 31 March 2013. Contributions amounting to £39,500 (2014 £37,500) were payable to the schemes at 31<sup>st</sup> July and are included in creditors.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2015**

**Teachers' Pension Scheme (TPS)**

**Introduction**

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

**The Teachers' Pension Budgeting And Valuation Account**

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

**Valuation Of The Teachers' Pension Scheme**

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

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

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

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

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

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2015**

**Scheme Changes**

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS which was implemented from 1 April 2015. The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected. In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection. Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £608,000 (2014: £601,000).

**FRS 17**

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

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

**Local Government Pension Scheme (LGPS)**

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2015 was £427,016 of which employers contributions totalled £343,000 and employees' contributions totalled £101,068. With effect from 1<sup>st</sup> April 2014 when a new LGPS scheme was introduced employees' contributions have been dependent on the actual level of salary ranging from 5.5% to 12.5%. Employers' contributions are 21.5% to 31 March 2017. In addition £83,000 is being paid over a three year period with effect from 1<sup>st</sup> April 2014 to reduce the past service deficit.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2015**

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary.

**FRS 17**

Principal Actuarial Assumptions

	<b>July 2014</b>	<b>July 2014</b>
Rate of increase in pensions	2.6%	2.7%
Rate of increase in salaries	4.5%	4.5%
Expected return on assets at 31 July	3.6%	5.9%
Discount rate for scheme liabilities at 31 July	3.6%	4.0%

Investment Returns

The actual return on assets for the period 1<sup>st</sup> July 2014 to 30<sup>th</sup> June 2015 was 9.6%. The total return for the period from 1<sup>st</sup> August 2014 to 31<sup>st</sup> July 2015 was 5.9%.

Mortality

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	<b>Males</b>	<b>Females</b>
Current Pensioners	22.5 years	24.5 years
Future Pensioners	24.4 years	26.9 years

Please note that the mortality assumptions are identical to those used in the previous accounting period.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2015**

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

	Long-term rate of return expected at <b>July 2015</b>	Value at <b>July 2015 £000</b>	Long-term rate of return expected at <b>July 2014</b>	Value at <b>July 2014 £000</b>
Equities	3.6%	4,886	6.6%	4,295
Bonds	3.6%	912	3.3%	916
Property	3.6%	521	4.7%	401
Cash	3.6%	195	3.6%	115
<b>Total market value of assets</b>		<u>6,514</u>		<u>5,727</u>
Present value of scheme liabilities (funded)		<u>(8,988)</u>		<u>(7,734)</u>
<b>Deficit in the scheme</b>		<u><u>(2,474)</u></u>		<u><u>(2,007)</u></u>

**Analysis of the amount charged to income and expenditure account**

	<b>2015 £000</b>	<b>2014 £000</b>
Employer service cost (net of employee contributions)	428	345
<b>Total operating charge</b>	<u>428</u>	<u>345</u>

**Analysis of pension finance (costs)**

	<b>2015 £000</b>	<b>2014 £000</b>
Expected return on pension scheme assets	345	298
Interest on pension liabilities	<u>(316)</u>	<u>(305)</u>
<b>Pension finance (costs)</b>	<u>29</u>	<u>(7)</u>

**Amount recognised in the statement of total recognised gains and losses (STRGL)**

	<b>2015 £000</b>	<b>2014 £000</b>
Actuarial gains on pension scheme assets	159	177
Actuarial losses on pension scheme liabilities	<u>(570)</u>	<u>(672)</u>
<b>Actuarial loss recognised in STRGL</b>	<u><u>(411)</u></u>	<u><u>(495)</u></u>

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2015**

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is a loss of £411,000 (2013-14 a loss of £495,000).

**Movement in (deficit) during year**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
<b>Deficit in scheme at 1 August 2014</b>	(2,007)	(1,463)
Movement in year:		
Current service cost	(428)	(345)
Employer Contributions	343	303
Net return on assets	29	(7)
Actuarial (loss)/gain	<u>(411)</u>	<u>(495)</u>
<b>Deficit in scheme at 31 July 2015</b>	<u><u>(2,474)</u></u>	<u><u>(2,007)</u></u>

**Asset and Liability Reconciliation**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of period</b>	7,734	6,508
Current service cost (net of employee contributions)	428	345
Interest cost	316	305
Employee contributions	102	93
Actuarial loss	570	672
Estimated benefits paid	<u>(162)</u>	<u>(189)</u>
<b>Liabilities at end of period</b>	<u><u>8,988</u></u>	<u><u>7,734</u></u>

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
<b>Reconciliation of Assets</b>		
<b>Assets at start of period</b>	5,727	5,045
Expected return on assets	345	298
Employer contributions	343	303
Employee contributions	102	93
Actuarial gain	159	177
Estimated benefits paid	<u>(162)</u>	<u>(189)</u>
<b>Assets at end of period</b>	<u><u>6,514</u></u>	<u><u>5,727</u></u>

The estimated value of employer contributions for the year ended 31 July 2015 is £343,000 (2013-14 £303,000).

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2015**

**History of experience gains and losses**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Difference between the expected and actual return on assets: Amount	159	177	609	263	147
Experience gains and losses on scheme liabilities: Amount	37	(175)	-	(37)	164
Total amount recognised in STRGL Amount	(411)	(495)	457	(761)	454

**26. Post Balance Sheet Events**

There were no post balance sheet events to be disclosed in the financial statements.

**27. Capital Commitments (Group and College)**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Authorised and contracted for	<u>3,189</u>	<u>318</u>

**28. Financial Commitments (Group and College)**

At 31 July 2015 the Group had annual commitments under non-cancellable operating leases as follows:

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
<b>Other</b>		
Expiring within one year	13	7
Expiring between two and five years inclusive	<u>28</u>	<u>18</u>
	<u>41</u>	<u>25</u>

## HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

### Notes to the Accounts (continued)

Year ended 31 July 2015

#### 29. Related Party Transactions

Due to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a Member of the Board of Governors may have an interest. All transactions involving organisations in which a Member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures.

Transactions with the Education Funding Agency and Skills Funding Agency are detailed in note 1.

No travel and subsistence expenses and other out of pocket expenses were incurred by any governor in attending governor meetings and charity events in their official capacity.

No governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2014: none).

#### 30. Amounts disbursed as agent

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Balance unspent at 31 August 2014	6	-
Funding body grants	69	66
	<u>75</u>	<u>66</u>
Disbursed to students	(65)	(57)
Administration costs	(3)	(3)
Balance unspent at 31 July 2015	<u>7</u>	<u>6</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent.