



# Hills Road Sixth Form College Cambridge

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 July 2014



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

## **Operating and Financial Review**

**Year ended 31 July 2014**

### **NATURE, OBJECTIVES AND STRATEGIES**

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

#### **Legal status**

The Corporation, 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 21-22.

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 2014**

**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.

The plan was the subject of a two-stage consultation with staff; the opportunity was also taken to consult all students who applied to the College during the 2014 admissions round about future curriculum options. In addition to taking account of these consultations, the plan was also influenced by the College's 2013 Self-Assessment Report and the research on which this was based.

This plan renews 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 places 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 Plan and the corresponding Financial Forecast were submitted to the Education Funding Agency in April and July 2014 respectively.

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;
- maintain on average a current ratio of at least 2.0;
- maintain total borrowing as a percentage of reserves and debt at 15% or less;
- maintain cash days of 30 or more;
- 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.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2014**

**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 2013 was assessed as '*outstanding*' by the EFA. The College's self-assessment of the July 2014 plan is also '*outstanding*'.

**FINANCIAL POSITION**

**Financial results**

Despite the challenging economic climate and the continuing impact of government funding cuts the Group achieved a surplus on continuing operations after depreciation of assets at valuation and tax of £154,000 (2012-13 surplus of £75,000); this includes a profit for 2013-14 of £31,000 (2012-13 £62,000) from the College's trading subsidiary, Cantabrigian Limited which operates Hills Road Sports and Tennis Centre. The profit is gift aided to the College and for 2013-14 is after an exceptional item of expenditure of £43,000 which was payable following a VAT inspection in October 2013. This resulted in the reclassification of an element of the purchases to *exempt* and therefore unable to be claimed back on the VAT return. 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 Group has maintained a positive net current asset base during the year with a current ratio of 2.0 at July 2014. Tangible fixed assets are valued at £18.4 million. The Group has accumulated general reserves of £8.0 million and cash balances of just under £2.1 million.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2014**

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 planning Phase V of its Property Strategy which will replace 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. The outstanding balance at 31 July 2014 is £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 BCIF to support Phase V of its Property Strategy. This comprises a three storey building to accommodate Mathematics, Performing Arts and Physical Education for which planning permission was received in August 2014. The new building will be located on the site of the 'Stable Block' the last remaining building on the site which is not of an acceptable standard. It is anticipated that the total cost will be £4.6 million, with funding from a bank loan and College reserves in addition to the grant from the BCIF, and that practical completion will be in Spring 2016.

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. The College's bank accounts are interest bearing and access to on-line banking facilitates the regular transfer of funds to maximise interest receivable. With the Bank of England Base rate maintained throughout the year at 0.5% returns have remained lower than in many previous years; just under £14,000 (2012-13 £25,000) interest



**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2014**

was earned on funds during the year reflecting the cash position in the earlier part of the year and the poor rates of interest currently available to investors. Interest, which amounted to £4,000 (2012-13 £5,000), was paid on the College's outstanding loan.

**Cash flows**

Cash inflow from operating activities was £1.15 million, (2012-13 £0.66 million). After allowing for expenditure on capital there was an increase in cash of £0.65 million (2012-13 decrease of £0.74 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 2014 amounted to £1.68 million (2012-13 £0.94 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 17 days.

**CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

**Student Numbers**

The College is funded according to the level of activity it generates with funding for the current year based on activity achieved in the previous year i.e. 'lagged' funding. In 2013-14, the College was funded for 2009 16-18 students and had an out-turn of 2047 made up of 2010 full-time learners and 37 part-time 16-18 students, nearly all enrolled on Adult Education programmes (2012-13 out-turn was a total of 2009 16-18 students).

The College's part-time Adult Education programme began in 1994. Significant growth has taken place since then. In 2013-14 the part-time programme achieved 3,623 enrolments (2012-13 3,300). These included 832 students (2012-13 741) who were eligible for Adult Learner Responsiveness (ALR) funding from the Skills Funding Agency. In addition the College enrolled 250 learners who were eligible for Adult Safeguarded Learning (ASL) funding, against a target of 250.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2014**

**Examination Achievements**

• **16-19**

In summer 2014, 969 students successfully completed their two-year advanced level courses, representing a two-year retention rate of 96.2%. 38 of those students who enrolled in 2012 failed to complete their two year course, similar to the previous cohort. For the ninth 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 99.7%, similar to the level achieved in recent years. There has been a sharp rise in A\* grades from 484 (15.8%) in 2013 to 527 (17.4%) in 2014, more than double this year's national rate of 8.2%. The College was once again the highest placed sixth form college in tables published in the press based on a 79.4% A\*-B rate, the second placed sixth form college being at 66.3%. 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 949, with an average points score per subject entry of 246. 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 the Russell Group's list of 'facilitating subjects' was introduced in 2012<sup>1</sup>. 21% of the College's students achieved this measure in 2014 slightly below the 23% achieved in the two previous years. In 2012 and 2013, the College had the highest number of students achieving at least grades AAB in facilitating subjects at A level of any institution, state or independent, in the country.

Overall there were 145 A level subject entries for which students received 95% of the total marks. 22 students in 23 subject entries achieved 99% or 100% of the total marks available. 112 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 2014 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 strong with 88% of students receiving grades A\*- C. In particular, there was only one fail grade recorded amongst the AS subjects and none at all at A level.

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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 2014**

**Curriculum developments during 2013-14**

• **16-19**

2013-14 saw the first year of increased class sizes, going from the standard 22 to the new standard of 23 per class in response to funding constraints. Despite these additional pressures, staff have continued to work very hard to maintain excellent outcomes for students: matching and, in some cases, exceeding those of previous years, which is very heartening.

2013-14 was also the first year of the completely overhauled induction process for incoming Lower Sixth students. Based on our two year project with partner schools, we drew on the early transition needs of students to put together some targeted sessions for students new to the College. These focused on core skills and, in particular, included a session for all students on planning and time management, looking to inculcate independent learning skills from the outset. Anecdotally, staff were pleased with the positive start that last year's Lower Sixth made to their studies and their success this Summer is also pleasing.

Another first for the College in 2013-14 was a benchmarking and sharing of good practice exchange with a partner College in our Peer Review and Development group. Exchange visits between 12 departments at both Colleges allowed Heads of Department both here and at Hereford Sixth Form College to compare and contrast approaches and to reflect on their own and each other's successes and areas for development. Hereford SFC routinely achieves some of the highest value-added in the sector and we gleaned some useful insights from their visits to our departments and vice versa.

2013-14 also brought with it the successful completion by the second whole cohort of the new Extended Project Qualification. Success rates on the Extended Project continue to compare very favourably with its predecessor qualifications and overall grades were exceptionally strong. Since it is delivered on just one period per week, the Extended Project has proved a highly economical course as well as providing very effective support to students' progression plans.

2013-14 also saw the actions taken during 2012-13 to address the declining added value in STEM subjects beginning to bear fruit. Many of the practices embedded during 2012-13 have been successful and have had a healthy impact on the STEM outcomes for students.

Teaching and learning priorities over the past two years have looked at Assessment for Learning / Formative Evaluation and Flipped Learning and the departmental audit conducted in June 14 demonstrated that these areas are being delivered with increasing confidence by colleagues. There is considerable evidence, for example, that the principles of 'flipped learning' have really gained traction across the whole College curriculum during this academic year. College IT resources are increasingly being used to move basic learning out of the classroom. This means that teachers can concentrate on developing higher order skills in the classroom through discussion and evaluation. This in turn helps to embed the learning and to support stronger outcomes for students.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2014**

- **Adult Education**

The College continues to provide a wide range of courses and while the year brought some challenges the programme performed better than it had in the previous year. The on-line enrolment facility that was introduced during the latter part of last year has proved to be a success with over half of all enrolments now being taken on-line this has reduced the pressure on the office and allowed for some rationalisation of staffing.

Art and Design courses continue to retain strong numbers of enrolments with painting (oils and acrylics), ceramics and photography witnessing the greatest demand, while new courses such as dressmaking have proved to be very popular. In addition Language courses continue to dominate the Adult Education provision at the College with a broad range of courses.

Despite continuing competition for the health and wellbeing aspect of recreational courses, which has impacted on enrolments, a number of courses still proved popular.

Courses with a professional element continued to attract enrolments possibly reflecting students' desire to further their expertise in a particular area.

The counselling programme achieved higher enrolments this year than last year especially in the foundation levels where, if students are retained, will lead on to greater enrolment numbers in future years as students' progress through the different levels of the counselling provision. The results in August were once again impressive with virtually all students passing their units. For those students at level four this means that they are now able to gain the appropriate professional status to become counselling practitioners.

The Access to Bioscience course was launched in September 2013, following the successful validation with CAVA (Cambridge Access Validating Agency). Despite enrolments falling short of expectation, the course was very successful with all those who completed the course gaining their diploma and 50% of the students progressing to University as a result.

### **IT developments during 2013-14**

In 2013-14 The College made a series of network improvements following a period of consolidation in 2012-13.

Two new SANs (storage area networks) were purchased in the spring of 2014. These provided the headroom required to support the continued growth of the virtualised networks. To maintain resources at an acceptable operational level user limits on document storage and individual mailboxes were also introduced.

In January the Microsoft Threat Management Gateway (TMG) network filter was decommissioned as support had been withdrawn by Microsoft. A new network filter was installed to filter the College internet service. As the TMG had also been providing a network firewall function this was also replaced.

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**Year ended 31 July 2014**

Due to financial constraints it was only possible to replace fifty PCs during the year. This is a long way short of our preferred practical replacement cycle and, given the current resource base of over 800 PCs, would be unsustainable. During the 2014-15 year a full review of provision across the network will be undertaken in order to mitigate the impact of continued budgetary pressures.

Information Services have been provided with their own backup facility for the central College SQL data server. This was in response to uneven backup performance using Microsoft's own Data Protection Manager backup software; difficulties that Microsoft was unable to resolve

Information Services have also introduced new diagnostic server performance software that tracks the detail of poor server performance, making it much easier and quicker to action improvements.

During 2013-14 a new College external website was specified and developed. This was tackled using project management principles to identify the requirements of the brief. The focus was on the constituent audiences for the website and clear aims were developed that reflected the current marketing needs of the College.

The IT Services staff team of three has enjoyed a good level of stability through 2013-14 and from the start of the 2014-15 year has grown to four following the recruitment of an IT Professional Apprentice. This has been achieved in collaboration with Cambridge Regional College and is an 18 month programme resulting in a national qualification. The positive service culture created by the team has continued to grow and develop across this period.

During 2013-14 a new reprographics strategy was developed. This relies on the increased use of shared MFDs (multifunctional devices) and reduced use of smaller printers. In addition to reducing the high cost of IT consumables, it is hoped that staff will benefit from the ability to scan and copy up to A3 size and to print remotely and securely. During the Autumn and Spring terms the College reviewed its existing parent finance and communication software with a plan to combine the two areas under a single software package. After extensive research WisePay was installed in June 2014. This replaced ParentPay, the existing finance package and the College's in-house communications system, HillsMail. WisePay has a more friendly and intuitive user interface for parents and staff and is more robust than the outmoded HillsMail. It has also allowed the College the opportunity to increase the number of items for purchase online and therefore has the potential to reduce the number of payments received at the Bursary hatch.

The introduction of WisePay coincided with the plan to introduce new chip-operated student cards, distributed at the beginning of the Autumn 2014 term, which have the facility to hold money for students which they can then redeem at the catering outlets in the College. Funds may be credited to cards by parents via WisePay. For students entitled to free school meals (introduced for post 16 students by the Government with effect from the 2014-15 year) the funds will be uploaded automatically.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2014**

**Estates developments during 2013-14**

In September the new Pavilion was officially opened in a ceremony officiated by the Mayor of Cambridge and attended by many of those involved in its design and construction and representatives of the various user groups. During the first year of operation those that use the building have confirmed that the new pavilion is a vast improvement over the one it replaced.

During autumn 2013 it was noted during annual boiler maintenance that gas pressures on a number of boilers fell well under statutory specification and that a larger gas meter and supply were required. The new medium pressure gas supply became operational in August 2014 after a considerable delay due to a backlog of work by the supplier and the need to gain permission to carry out works on the public highway. The upgraded gas supply will enable the water to be heated up more quickly but should not result in higher gas bills (the boilers are used for heating in winter only).

At Easter the opportunity was taken to replace the vanity units in the male and female student toilets off the Hall corridor. The new ones are constructed in solid grade board and should last much longer than the ones they replaced (installed in 2005).

**Sustainability**

The College continued to invest in its sustainability agenda during 2013-14 by insulating the remaining area of the Library roof which covers a major expanse of the main building constructed in 1904. Repair and renewal works have also been carried out to roofs and windows in other older buildings around the site. This work was supported by a £100,000 grant from the BCIF allocated by the EFA.

2013-14 was also the first full twelve month period of operation of the solar panels which were installed in two phases in February and December 2012. Just over 100,000 units of electricity have been generated which is just over 12% of the College's annual requirement. In addition the benefit to the College from the Government's Feed-in-Tariff (FiT) payments is £35,500 per annum .

The sustainability measures taken during recent years have resulted in significant successful outcomes with the College's electricity consumption in 2013-14 at a level similar to that of twelve years ago and over 30% below that consumed in 2005-06 which was the year of highest consumption; this is despite the growth in accommodation, student numbers and IT equipment. Gas consumption is also at similar levels to those at the turn of the century and about 35% below that consumed in 2005-06; also the highest consumption year.

**Future Developments**

**Curriculum**

• **16-19**

In a series of measures resulting from current budgetary pressures, the College is reducing the additional time allocation previously available for Performance Studies and for *ab initio* Latin from the 2014-15 academic year. Both of these efficiencies are related to reduced student numbers and to the unsustainable costs of delivery for these smaller numbers.

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In September 2013 the then Secretary of State for Education, Michael Gove, confirmed plans to introduce new linear two year A levels for some of the largest subjects for first teaching in September 2015. Eleven subjects, are due to be ready to deliver as linear two year A levels from September 2015.

This has potential for hugely significant impacts upon the development of the curriculum in a number of ways. Typically, since the introduction of Curriculum 2000,

most students have followed a programme of four AS subjects in the first year followed by three A2 subjects with a broadening AS element in the second year.

Now that A level qualifications are going to become linear two year programmes from 2015, it will be imperative that the College is able to model viable options for those students for whom a four A level programme is the right progression choice at the same time as allowing an element of breadth and choice, where possible, for those students uncertain at the start of year 12 which of their four subjects they might ultimately discontinue.

The recent large programme funding announcement gave us small comfort that we will be able to maintain the current breadth of opportunity for anything other than a minority of our students from 2016 onwards.

- **Adult Education**

The Government has laid out the priority areas it intends to support in 2014-15 and as a result the College's successful Modern Languages programme is no longer eligible for funding from the Skills Funding Agency (SFA). As a result the College is trying to attract a different profile of student by introducing a new category, Skills for Employment and Development. This area includes new courses in Functional English and Maths, City and Guilds qualifications in Bookkeeping and Accounting in addition to the range of GCSEs, AS and A2 level subjects already offered.

Counselling continues to represent one of the significant areas for development within the Adult Education programme. Following the national withdrawal of accreditation by the existing awarding body a new awarding body has been identified and approved. This change was unexpected and unwelcome but new specifications are now in place complete with 24+ funding to enable students to obtain a loan to assist with their course costs. It is hoped this will be an incentive for students to stay with the College where in the past they may have required a break to build up the funds before continuing their studies.

The use of social media is being considered more fully as a marketing route for Adult Education as well as building on other opportunities to make participation in the programme easy, fun and interactive for existing and new students.

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

During 2013-14 a trial with tablets has progressed well. They have proved to be effective for accessing online resources during guidance sessions focusing on university applications as well as broader careers guidance and personal development. We anticipate further exploration of their potential in the 2014-15 academic year. There have been other successful experiments using mobile technology, including the use of the Socrative app for online quizzes and voting. At present this work is informing our assessment of the value of Wifi and BYOD (bring your own device) against the provision of College hardware resources to support this type of learning.

A College Moodle resource has been successfully provided with a number of departments having participated in training. This is being used increasingly to complement the main online resources that are based on the Sharepoint platform and it is anticipated that 2014-15 will see some further development of the use of the Moodle resource.

As part of improvements to backup resources the existing CORAID backup resource will be replaced with an HP 900GB storage device. This will be based at the Sports Centre and will store the VEEAM virtual server backups.

**Estates**

Following the completion of a feasibility report at the end of 2012-13 into the replacement of the 'Stable Block', the last remaining building on the College site which is in very poor condition, a successful application for funding support was made to the EFA which resulted in a grant from the Building Condition Improvement Fund (BCIF) of £1.5 million (to be expended by 31 March 2015). Subsequently a planning application was submitted in April 2014 and consent was granted in August. The overall scheme will replace the existing single storey sub-standard accommodation with a purpose built three-storey building housing the Mathematics, Performing Arts and Physical Education departments. The accommodation vacated by Mathematics in the Bradfield Centre will be used to provide much needed student study and social space. To facilitate the construction of the new building the bin store will be relocated into the rear car park and a new cycle store for 290 cycles will be constructed near The Rob Wilkinson Building. It is anticipated that the bin store re-location and the cycle parking will be provided in autumn 2014 in advance of the construction of the new teaching block which is anticipated to start early in the spring term 2015 with a twelve month build time.

**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.



**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
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**Year ended 31 July 2014**

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 £17.173 million of net assets including a pension liability of £2.007 million (2012-13 £1.463 million) and outstanding loans of £384,000 (2012-13 £476,000). Net current assets stood at £1.089 million at the year-end (2012-13 £0.887 million). None of the Group's assets are held with low credit risk banks.

During 2013-14 the Group employed just fewer than 360 staff, of whom five comprised the College's senior management team, 146 daytime teachers and instructors, 106 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 will be restructured again across four members with effect from 2014-15 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 65 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. In recognition of this and its overall performance, the College was named 'sixth form college of the year' by the Sunday Times in 2013.

**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.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2014**

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 serious 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. Considerable lobbying has been undertaken in relation to funding, curriculum reform and the effect on student choice and opportunity. During 2013-14 the College finalised its strategy to respond to the substantial impact of the reduction in funding to £4,000 per fte student and curriculum reform. The College has already absorbed a funding cut approaching £1 million (although the real cost is significantly more when inflation is taken into account) due to the significant reduction in entitlement funding implemented with effect from 2010-11. The introduction of the flat rate funding methodology, which took effect from 2013-14 (but with formula protection until the end of 2015-16), requires the College to absorb further funding cuts of a similar magnitude. This reduced funding, together with a change in the landscape for the delivery of A levels, will worsen the impact already experienced by the College as a result of the first round of cuts. 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.

These cuts together with the change in the landscape for the delivery of A levels present a very significant risk to the breadth, balance and quality of the College's curriculum. 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 unless there is a significant improvement to the national funding rate the College will not be able to maintain its current curriculum offer which produces such exceptional outcomes for students.

Factors affecting the College's financial health include:

- the cut in government funding already implemented which over the period from 2011-12 to 2013-14 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 £1.0 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 £150,000 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 will cost the College around £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;

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

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

#### **Year ended 31 July 2014**

- the change to the methodology for allocating Additional Learning Support which has cost about £140,000 per annum; and
- continuing increases in costs in relation to the Local Government Pension scheme;
- 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 differences in funding between sixth form colleges and maintained schools and academies have been well rehearsed. It has also become clear during the current year that the Government, while acknowledging the inequity of the VAT treatment between sixth form colleges and maintained schools and academies (these can reclaim VAT on non-business activities), is not prepared to rectify this situation. Sixth form colleges are absorbing on average in the region of £300,000 VAT each year. In addition academies receive significant contributions towards their insurance costs, which for Hills Road are around £80,000 per annum.

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 has been recently demonstrated by a report commissioned by The Sixth Form College Association (SFCA) from London Economics [\*Assessing value for money in sixth form education\*](#). 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.

## **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);

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2014**

- 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 underpin 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 received this during the staff development period in June 2014. Annual reviews include consultation with the College Equality Forum, the College Strategy Team and the Corporation. As part of the reviews the Equality Forum seeks and takes into account the views of stakeholders including students, staff, parents, regular visitors to the College and appropriate equality bodies.

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. 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 an awareness raising week of activities during LGBT History Month and HillsFest which was themed around the values and the diversity of the countries that make up the Commonwealth. 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, Black History Month 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 2013-14 and this has become part of the tutorial programme. In addition the lower sixth took part in a national anti-bullying survey which provided us with a bespoke report for further detailed analysis.

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 will be 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.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2014**

**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.

**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.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Operating and Financial Review (continued)**  
**Year ended 31 July 2014**

**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 2013-14 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.

**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

15 December 2014

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Statement of Corporate Governance and Internal Control (continued)**  
**Year ended 31 July 2014**

**PROFESSIONAL ADVISERS**  
**Year ended 31 July 2014**

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

**Internal Auditor** Baker Tilly  
Cedar House  
Breckland  
Linford Wood  
Milton Keynes  
MK14 6EX

**Bankers** 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 (continued)**  
**Year ended 31 July 2014**

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 2014**

**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>
Mr P Brindle	1 August 2014	4 years		Audit	n/a
Mrs H Borrett	1 September 2014	1 year		Audit	n/a
Mr E Brookes	1 August 2012	4 years		Remuneration, Search & Governance	88%
Mrs V Brownlee Staff Nominee	23 May 2011	4 years			100%
Mr J Culpin	1 August 2014	4 years			n/a
Mr T Edirisinghe Student Nominee	27 March 2013		1 April 2014		67%
Miss J Finn Student Nominee	27 March 2013		1 April 2014		100%
Miss A French Student Nominee	3 December 2014		24 March 2015		
Ms J Gibbs	1 January 2010	4 years	31 December 2013		100%
Mr I C Harvey Staff Nominee	1 August 2012	4 years			100%
Ms L Jeanroy	1 August 2010	4 years		Chair: Audit Remuneration	63%
Dr C Morse	1 August 2012	4 years	31 July 2014	Chair of Corporation Remuneration Search & Governance	88%
Mrs E Murphy	25 February 2013	4 years		Vice Chair of Corporation Audit Search & Governance	45%
Dr J Nicholls	1 April 2010	4 years	31 March 2014	Audit	67%

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Statement of Corporate Governance and Internal Control (continued)**  
**Year ended 31 July 2014**

<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 E Perrott	19 July 2011	4 years	20 March 2014	Chair: Remuneration Chair: Search & Governance	75%
Ms S Pettit Parent Nominee	1 September 2013	1 year	31 August 2014		80%
Mr J Sam	1 January 2011	4 years		Senior Vice Chair of Corporation Remuneration Search & Governance	100%
Mr D Secher	12 March 2012	4 years		Audit	38%
Mrs L Sinclair Principal	Ongoing			Search & Governance	100%
Dr P Southwick	1 January 2012	4 years		Chair of Corporation wef 1 August 2014 Vice Chair of Corporation to 31 July 2014 Audit Remuneration	100%
Ms J Taylor	19 December 2012	4 years		Audit	75%
Mr S Watkins Student Nominee	2 April 2014		17 November 2014		50%
Mrs F Williams	14 December 2011	4 years		Audit	75%

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

The average percentage attendance at Corporation meetings during the year was 85%. With committee attendance included it was 76%. Ofsted's target is 70%. An unscheduled additional meeting of the corporation called at short notice also took place during the year; if this were included the average percentage at Corporation meetings would be 83% and at all meetings 75%.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Statement of Corporate Governance and Internal Control (continued)**  
**Year ended 31 July 2014**

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

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

During 2013-14 the Corporation was restructured with the aim of reducing its number to 15 members and conducting its business through fewer committees while increasing the number of full meetings to two per term. The Resources and Standards committees have therefore been discontinued. The remaining committees comprising Audit, Remuneration and Search continue. 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.

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.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Statement of Corporate Governance and Internal Control (continued)**  
**Year ended 31 July 2014**

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.

**Remuneration Committee**

Throughout the year ending 31 July 2014, the College's Remuneration Committee comprised the Chair and five 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 2014 are set out in notes 5 and 6 of the financial statements.

**Audit Committee**

The Audit Committee comprises six members of the Corporation (excluding the Principal and the Chair). 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.

**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.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Statement of Corporate Governance and Internal Control (continued)**  
**Year ended 31 July 2014**

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which 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 2014 and up to the date of approval of the annual report and accounts.

- **Capacity to handle risk**

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2014 and up to the date of approval of the annual report and 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

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Statement of Corporate Governance and Internal Control (continued)**  
**Year ended 31 July 2014**

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 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 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, 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 2014 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2014 by considering documentation from the Audit Committee, the senior management team and internal audit and taking account of events since 31 July 2014.

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 2014**

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

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

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

**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 15 December 2014 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 2014**

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, Skills Funding Agency and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction for 2013-14 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 2014**

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

15 December 2014

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Independent Auditors' Report to the Corporation of Hills Road Sixth Form College**  
**Year ended 31 July 2014**

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of the 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 28 and 29, 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 GROUP ACCOUNTS**  
**Independent Auditors' Report to the Corporation of Hills Road Sixth**  
**Form College (continued)**  
**Year ended 31 July 2013**

**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 2014 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 (Part 1) issued jointly by the Skills Funding Agency and the Education Funding Agency and the Audit Code of Practice issued by the Learning and Skills Council**

In our opinion:

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

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

Date.....

**HILLS ROAD SIXTH FORM COLLEGE GROUP 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 2014**

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 2014 are regular as defined by and in accordance with the Funding Agreement with Secretary of State for Education acting through the Education Funding Agency, in accordance with the authorities that govern them.

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

Our review has been undertaken so that we might state to the Corporation of 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 2014 are regular.

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

**HILLS ROAD SIXTH FORM COLLEGE GROUP 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 2014**

**Auditor's responsibilities**

Our responsibility is to express a reasonable assurance opinion in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the

Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter dated [date].

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

**Basis of opinion**

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

**Opinion**

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

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

Date .....

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Consolidated Income and Expenditure Account**  
**Year ended 31 July 2014**

	<b>Note</b>	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
<b>INCOME</b>			
Funding body grants	1	9,383	9,492
Tuition fees and education contracts	2	597	473
Other operating income	3	1,370	1,497
Investment income	4	14	25
		<hr/>	<hr/>
<b>Total Income</b>		11,364	11,487
<b>EXPENDITURE</b>			
Staff costs	5	7,780	7,872
Other operating expenses	7	2,796	2,826
Depreciation	10	623	666
Interest payable	8	11	48
		<hr/>	<hr/>
<b>Total Expenditure</b>		11,210	11,412
		<hr/>	<hr/>
<b>Surplus on continuing operations after depreciation of tangible fixed assets at valuation and tax</b>		154	75
		<hr/> <hr/>	<hr/> <hr/>

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

The notes on pages 38 to 63 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 2014**

	<b>Note</b>	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Surplus on continuing operations after depreciation of assets at valuation and tax		154	75
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	17	97	98
<b>Historical cost surplus for the year</b>		<u>251</u>	<u>173</u>

**Consolidated Statement of Total Recognised Gains and Losses**  
**Year ended 31 July 2014**

	<b>Note</b>	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Surplus on continuing operations after depreciation of assets at valuation and tax	9	154	75
Actuarial (loss)/gain in respect of pension scheme	25	<u>(495)</u>	<u>457</u>
<b>Total recognised (losses)/gains relating to the year</b>		<u>(341)</u>	<u>532</u>

**Reconciliation of Movements in Group Reserves**  
**Year ended 31 July 2014**

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Opening reserves	12,881	12,349
Total recognised (losses)/gains for the year	<u>(341)</u>	<u>532</u>
<b>Closing reserves</b>	<u>12,540</u>	<u>12,881</u>

The notes on pages 38 to 63 form part of these financial statements.

# HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

## Balance Sheets at as 31 July 2014

	Note	Group 2014 £000	College 2014 £000	Group 2013 £000	College 2013 £000
<b>FIXED ASSETS</b>					
Tangible assets	10	18,398	18,398	18,603	18,603
<b>CURRENT ASSETS</b>					
Stock		15	13	15	13
Debtors	12	279	288	250	294
Investments	11	2	2	2	2
Cash in bank and in hand		<u>2,066</u>	<u>2,021</u>	<u>1,415</u>	<u>1,349</u>
<b>TOTAL CURRENT ASSETS</b>		<u>2,362</u>	<u>2,324</u>	<u>1,682</u>	<u>1,658</u>
Creditors: amounts falling due within one year	13	<u>(1,273)</u>	<u>(1,253)</u>	<u>(795)</u>	<u>(789)</u>
<b>NET CURRENT ASSETS</b>		<u>1,089</u>	<u>1,071</u>	<u>887</u>	<u>869</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		19,487	19,469	19,490	19,472
Creditors: amounts falling due after more than one year	14	(307)	(307)	(383)	(383)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>19,180</u>	<u>19,162</u>	<u>19,107</u>	<u>19,089</u>
Net pension liability	25	<u>(2,007)</u>	<u>(2,007)</u>	<u>(1,463)</u>	<u>(1,463)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>17,173</u>	<u>17,155</u>	<u>17,644</u>	<u>17,626</u>
<b>DEFERRED CAPITAL GRANTS</b>	16	<u>4,633</u>	<u>4,633</u>	<u>4,763</u>	<u>4,763</u>
<b>RESERVES</b>					
Income and expenditure account excluding pension reserve	19	9,988	9,970	9,688	9,670
Pension reserve		<u>(2,007)</u>	<u>(2,007)</u>	<u>(1,463)</u>	<u>(1,463)</u>
Income and expenditure account including pension reserve		7,981	7,963	8,225	8,207
Restricted reserve	18	40	40	40	40
Revaluation reserve	17	4,519	4,519	4,616	4,616
<b>TOTAL RESERVES</b>		<u>12,540</u>	<u>12,522</u>	<u>12,881</u>	<u>12,863</u>
<b>TOTAL FUNDS</b>		<u>17,173</u>	<u>17,155</u>	<u>17,644</u>	<u>17,626</u>

The financial statements on pages 34 to 63 were approved by the Corporation and authorised for issue on 15 December 2014 and were signed on its behalf by:

Dr Peter Southwick  
Chair

Mrs Linda Sinclair  
Principal

The notes on pages 38 to 63 form part of these financial statements.



**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Consolidated Cash Flow Statement**  
**Year ended 31 July 2014**

	<b>Note</b>	<b>2014 £000</b>	<b>2013 £000</b>
Cash Inflow From Operating Activities	20	1,151	667
Returns on investments and servicing of finance	21	10	20
Capital expenditure and financial investment	22	(418)	(1,335)
Financing	23	<u>(92)</u>	<u>(92)</u>
<b>Increase/ (Decrease) in cash in the year</b>		<u>651</u>	<u>(740)</u>

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

		<b>2014 £000</b>	<b>2013 £000</b>
Increase/(Decrease) in cash in the period		651	(740)
Change in net funds resulting from financing	23	<u>92</u>	<u>92</u>
Change in net funds		743	(648)
Net funds at 1 August 2013		<u>941</u>	<u>1,589</u>
<b>Net funds at 31 July 2014</b>		<u><u>1,684</u></u>	<u><u>941</u></u>

The notes on pages 38 to 63 form part of these financial statements.

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

## **Notes to the Accounts**

**Year ended 31 July 2014**

### **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 2013-14 financial statements* and in accordance with applicable Accounting Standards.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable 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 financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £366,000 of loans outstanding with bankers on terms negotiated in 2005.

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.

#### **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 2014.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2014**

**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 received 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 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.

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

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

**Year ended 31 July 2014**

#### **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 pension finance costs. 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 "stable" block and the Sports Centre over 40 years. Photo-voltaic cells are depreciated over 25 years.

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

Finance costs which are directly attributable to the construction of land and buildings are 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.

## HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

### Notes to the Accounts (continued)

Year ended 31 July 2014

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:

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

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

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

**Year ended 31 July 2014**

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 from 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.

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.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2014**

**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 2014**

**1. Funding Body Grants**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<u>Education Funding Agency:</u>		
Recurrent grant	8,957	9,144
Devolved Formula Capital Funding	53	50
Building Condition Improvement Funding	100	-
16-19 Bursary grant	60	57
<u>Skills Funding Agency</u>		
Recurrent grant	131	151
Other grant	-	2
Release of deferred capital grants (note 16)	82	88
	<u>9,383</u>	<u>9,492</u>

**2. Tuition Fees and Education Contracts**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Tuition fees	561	464
Education contracts	36	9
	<u>597</u>	<u>473</u>

**3. Other Operating Income**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Release of deferred capital grants (non funding body) (note 16)	48	47
Catering and residence operations	17	21
Other income generating activities	479	459
Exam fees income	168	224
Educational visits income	406	477
Other income	252	269
	<u>1,370</u>	<u>1,497</u>

**4. Investment Income**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Other interest receivable	14	25
	<u>14</u>	<u>25</u>



**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2014**

**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>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>
Teaching departments – teaching staff	91	94
Teaching departments – other staff	13	13
Teaching support services	13	14
Other support services	17	17
Administration and central services including Sports and Tennis Centre	37	39
Premises	<u>13</u>	<u>14</u>
	<u><u>184</u></u>	<u><u>191</u></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>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	6,369	6,475
Social security costs	440	466
Other pension costs (including FRS 17 adjustments of £42,000; 2013 £44,000) – see note 25	946	931
Restructuring costs (senior post-holder)	<u>25</u>	<u>-</u>
	<u><u>7,780</u></u>	<u><u>7,872</u></u>

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

	<b>2014</b>	<b>2013</b>
	<b>No.</b>	<b>No.</b>
Up to £10,000	1	-
£60,000 - £70,000	-	1
£70,001 - £80,000	2	2
£80,001 - £90,000	2	2
£120,001 - £130,000	<u>1</u>	<u>1</u>
	<u><u>6</u></u>	<u><u>6</u></u>

A pay award of 1% was made during 2013-14 to the generality of staff and to the senior postholders. During the year a senior post-holder took voluntary redundancy with a contract termination date of 31 July 2014.

With effect from 1 August 2014 the number of senior post-holders has been reduced to four.

# HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

## Notes to the Accounts (continued)

Year ended 31 July 2014

### 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>2014</b>	<b>2013</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	<u>5</u>	<u>6</u>

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Senior post-holders' emoluments are made up as follows:		
Salaries	399	451
Benefits in kind	-	-
Pension contributions	<u>61</u>	<u>68</u>
<b>Total emoluments</b>	<u><u>460</u></u>	<u><u>519</u></u>

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Salary	111	110
Pension contributions	<u>16</u>	<u>15</u>
<b>Total emoluments</b>	<u><u>127</u></u>	<u><u>125</u></u>

The pension contributions made for the Principal and four 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 2014**

**7. Other Operating Expenses**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Teaching departments	255	276
Teaching support services	150	200
Other support services	122	150
Administration and central services	262	340
General education	623	594
Premises costs:		
Running costs	351	323
Maintenance	160	163
Rents and Leases	1	1
Planned maintenance	225	97
Catering and residence operations	55	46
Educational visits	416	490
Other expenses	176	146
	<u>2,796</u>	<u>2,826</u>

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Other operating expenses include:		
Auditor's remuneration:		
financial statements audit	23	20
internal audit	9	9
other services provided by the financial statements auditors	-	-
Hire of plant and machinery – operating leases	<u>37</u>	<u>39</u>

**8. Interest Payable**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
On bank loans, overdrafts and other loans		
Repayable wholly or partly in more than five years	4	5
Pension finance cost (note 25)	<u>7</u>	<u>43</u>
	<u>11</u>	<u>48</u>

# HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

## Notes to the Accounts (continued)

Year ended 31 July 2014

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

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
College's Surplus for the year	123	13
Surplus generated by subsidiary undertaking and transferred to the College under gift aid	31	62
	<u>154</u>	<u>75</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 2013	22,276	864	4,468	27,608
Additions	153	186	79	418
Transfer between classes	864	(864)	-	-
	<u>23,293</u>	<u>186</u>	<u>4,547</u>	<u>28,026</u>
<b>At 31 July 2014</b>				
<b>Depreciation</b>				
At 1 August 2013	5,483	-	3,522	9,005
Charge for the year	393	-	230	623
	<u>5,876</u>	<u>-</u>	<u>3,752</u>	<u>9,628</u>
<b>At 31 July 2014</b>				
<b>Net book value</b>				
<b>At 31 July 2014</b>	<u>17,417</u>	<u>186</u>	<u>795</u>	<u>18,398</u>
<b>At 31 July 2013</b>	<u>16,793</u>	<u>864</u>	<u>946</u>	<u>18,603</u>
Financed by				
Capital grant	4,583	-	50	4,633
Inherited	4,511	-	8	4,519
Other	8,323	186	737	9,246
	<u>17,417</u>	<u>186</u>	<u>795</u>	<u>18,398</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 2014

Inherited land and buildings are valued for the purpose of the 2013-14 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 £4,519,000 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 £3,741,000, 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 £4,404,000 and £404,000 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 £969,000 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 2013	2	2
Deposits	-	-
Withdrawals	-	-
	<hr/>	<hr/>
<b>At 31 July 2014</b>	<b><u>2</u></b>	<b><u>2</u></b>

Investments represent £2,000 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 £2.00. 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 2014**

**12. Debtors**

<b>Amounts falling due within one year</b>	<b>Group 2014 £000</b>	<b>College 2014 £000</b>	<b>Group 2013 £000</b>	<b>College 2013 £000</b>
Trade debtors	43	20	20	13
Amounts owed by group undertakings	-	94	-	104
Prepayments and accrued income	236	174	230	177
	<u>279</u>	<u>288</u>	<u>250</u>	<u>294</u>

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

	<b>Group 2014 £000</b>	<b>College 2014 £000</b>	<b>Group 2013 £000</b>	<b>College 2013 £000</b>
Bank loan	59	59	58	58
Salix loan	18	18	35	35
Payments received in advance	627	627	200	200
Trade creditors	233	221	90	85
Funding Body Creditor	7	7	6	6
Other taxation and social security	146	148	152	159
Pension creditor	37	37	121	121
Accruals	146	136	133	125
	<u>1,273</u>	<u>1,253</u>	<u>795</u>	<u>789</u>

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

	<b>Group 2014 £000</b>	<b>College 2014 £000</b>	<b>Group 2013 £000</b>	<b>College 2013 £000</b>
Bank loans	307	307	365	365
Salix loans	-	-	18	18
	<u>307</u>	<u>307</u>	<u>383</u>	<u>383</u>

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2014**

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

Bank loans	<b>Group 2014 £000</b>	<b>College 2014 £000</b>	<b>Group 2013 £000</b>	<b>College 2013 £000</b>
Bank loan is repayable as follows:				
In one year or less	59	59	58	58
Between one and two years	60	60	59	59
Between two and five years	183	183	181	181
Over five years	64	64	125	125
	<u>366</u>	<u>366</u>	<u>423</u>	<u>423</u>

A bank loan chargeable at the Bank of England base rate plus 0.65% and totalling £365,884 is repayable by instalments falling between 1 August 2014 and 31 July 2020. The bank loan is secured on a portion of the freehold land and buildings of the College.

Salix loans	<b>Group 2014 £000</b>	<b>College 2014 £000</b>	<b>Group 2013 £000</b>	<b>College 2013 £000</b>
Salix loan is repayable as follows:				
In one year or less	18	18	35	35
Between one and two years	-	-	18	18
	<u>18</u>	<u>18</u>	<u>53</u>	<u>53</u>

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

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**

**Notes to the Accounts (continued)**

**Year ended 31 July 2014**

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

**At 1 August 2013**

	<b>Funding body £000</b>	<b>Other grants £000</b>	<b>Total £000</b>
Land and buildings	3,615	1,090	4,705
Equipment	49	9	58
	<u>3,664</u>	<u>1,099</u>	<u>4,763</u>
Cash received:			
Land and buildings	-	-	-
Equipment	-	-	-
Released to income and expenditure account:			
Land and buildings	75	47	122
Equipment	7	1	8

**At 31 July 2014**

	<u>82</u>	<u>48</u>	<u>130</u>
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>

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

	<b>2014 £000</b>	<b>2013 £000</b>
<b>At 1 August 2013</b>	4,616	4,714
Transfer (from) revaluation reserve to income and expenditure account in respect of depreciation on revalued assets	(97)	(98)
	<u>4,519</u>	<u>4,616</u>
<b>At 31 July 2014</b>	<u>4,519</u>	<u>4,616</u>

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

	<b>Endowed Funds £000</b>	<b>Total £000</b>
<b>At 1 August 2013</b>	<u>40</u>	<u>40</u>
<b>At 31 July 2014</b>	<u>40</u>	<u>40</u>

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 2014**

**19. Income and Expenditure Account**

	<b>Group 2014 £000</b>	<b>College 2014 £000</b>	<b>Group 2013 £000</b>	<b>College 2013 £000</b>
<b>At 1 August 2013</b>	8,225	8,207	7,586	7,568
Surplus retained for the year	154	123	75	13
Transfer from revaluation reserve	97	97	98	98
Transfer (to) restricted reserves	-	-	9	9
Cantabrigian Limited profits for year ended 31 July 2014, gift aided to the College	-	31	-	62
Actuarial (loss)/gain in respect of pension scheme	(495)	(495)	457	457
	<u>7,981</u>	<u>7,963</u>	<u>8,225</u>	<u>8,207</u>
<b>At 31 July 2014</b>				
Balance represented by pension reserve	(2,007)	(2,007)	(1,463)	(1,463)
Income and expenditure account reserve	9,988	9,970	9,688	9,670
	<u>7,981</u>	<u>7,963</u>	<u>8,225</u>	<u>8,207</u>
<b>At 31 July 2014</b>				

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS****Notes to the Accounts (continued)****Year ended 31 July 2014****20. Reconciliation of consolidated operating surplus to net cash inflow from operating activities**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Surplus on continuing operations after depreciation of assets at valuation and tax	154	75
Depreciation (note 10)	623	666
Deferred capital grants released to income (notes 1 and 3)	(130)	(135)
Interest payable (note 8)	11	48
Interest receivable (note 4)	(14)	(25)
Pension cost less contributions payable (notes 5 and 25)	42	44
(Increase) in stock	0	(1)
(Increase)/Decrease in debtors (note 12)	(29)	117
Increase/(Decrease) in creditors (note 13)	494	(122)
	<u>1,151</u>	<u>667</u>
Net cash inflow from operating activities	<u>1,151</u>	<u>667</u>

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Other interest received (note 4)	14	25
Interest paid (note 8)	(4)	(6)
	<u>10</u>	<u>20</u>
<b>Net cash inflow from returns on investment and servicing of finance</b>	<u>10</u>	<u>20</u>

**22. Capital expenditure and financial investment**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Purchase of tangible fixed assets (note 10)	(418)	(1,453)
Deferred capital grants received (note 16)	-	118
	<u>(418)</u>	<u>(1,335)</u>
<b>Net cash outflow from capital expenditure and financial investment</b>	<u>(418)</u>	<u>(1,335)</u>

**23. Financing**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Repayments of amounts borrowed (note 15)	(92)	(92)
	<u>(92)</u>	<u>(92)</u>
<b>Net cash (outflow from financing)</b>	<u>(92)</u>	<u>(92)</u>

## HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

### Notes to the Accounts (continued)

Year ended 31 July 2014

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

	<b>At 1 August 2013 £000</b>	<b>Cash £000</b>	<b>Other £000</b>	<b>At 31 July 2014 £000</b>
Cash in hand, at bank	1,415	651	-	2,066
Debt due within 1 year	(93)	16	-	(77)
Debt due after 1 year	(383)	76	-	(307)
Liquid resources	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
	<u>941</u>	<u>743</u>	<u>-</u>	<u>1,684</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>2013 £000</b>
Teachers' Pension Scheme contributions paid	601	627
Local Government Pension Scheme:		
Contributions paid	303	260
FRS 17 adjustment	<u>42</u>	<u>44</u>
Charge to the Income and Expenditure Account (staff costs)	<u>345</u>	<u>304</u>
Total Pension Cost for Year	<u>946</u>	<u>931</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 2004 and the LGPS 31 March 2013. Contributions amounting to £37,500 (2013 £121,000) 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 2014**

**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 2014**

#### **Scheme Changes**

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

The pension costs paid to TPS in the year amounted to £601,000 (2013: £627,000).

#### **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 deficit in 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 2014 was £392,406 of which employers contributions totalled £299,165 and employees' contributions totalled £93,241. 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 were 21.6% to 31 March 2014 and 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.

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

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2014**

**FRS 17**

Principal Actuarial Assumptions

	<b>July 2014</b>	<b>July 2013</b>
Rate of increase in pensions	2.7%	2.8%
Rate of increase in salaries	4.5%	5.1%
Expected return on assets at 31 July	5.9%	5.8%
Discount rate for scheme liabilities at 31 July	4.0%	4.6%

The actual return on assets for the period 1<sup>st</sup> July 2013 to 31<sup>st</sup> March 2014 was 9.6%. The estimated return for the period from 1<sup>st</sup> August 2013 to 31<sup>st</sup> July 2014 was 5.9%.

Mortality

Mortality assumptions have changed since the previous accounting period. Life expectancy to 31 July 2014 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

Historic Mortality

Life expectancies for the prior period end are based on the SAPS tables. Mortality loadings were applied to the SAPS tables based on the membership class. At 31<sup>st</sup> July 2013 life expectancies were based on year of birth, medium cohort and 1% per annum minimum improvements from 2007 for current and future pensioners.

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2014**

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

	Long-term rate of return expected at <b>July 2014</b>	Value at <b>July 2014 £000</b>	Long-term rate of return expected at <b>July 2013</b>	Value at <b>July 2013 £000</b>
Equities	6.6%	4,295	6.4%	3,885
Bonds	3.3%	916	3.4%	706
Property	4.7%	401	4.6%	353
Cash	3.6%	115	3.4%	101
<b>Total market value of assets</b>		<u>5,727</u>		<u>5,045</u>
Present value of scheme liabilities (funded)		<u>(7,734)</u>		<u>(5,842)</u>
<b>Deficit in the scheme</b>		<u><u>(2,007)</u></u>		<u><u>(1,833)</u></u>

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

	<b>2014 £000</b>	<b>2013 £000</b>
Employer service cost (net of employee contributions)	345	304
<b>Total operating charge</b>	<u>345</u>	<u>304</u>

**Analysis of pension finance (costs)**

	<b>2014 £000</b>	<b>2013 £000</b>
Expected return on pension scheme assets	298	202
Interest on pension liabilities	<u>(305)</u>	<u>(245)</u>
<b>Pension finance (costs)</b>	<u><u>(7)</u></u>	<u><u>(43)</u></u>

# HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

## Notes to the Accounts (continued)

Year ended 31 July 2014

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Actuarial gains on pension scheme assets	177	609
Actuarial (losses) on pension scheme liabilities	(672)	(145)
(Loss) on curtailment	-	(7)
<b>Actuarial (loss)/gain recognised in STRGL</b>	<u>(495)</u>	<u>457</u>

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is a loss of £495,000 (2012-13 a loss of £457,000).

### Movement in (deficit) during year

	<b>2013</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Deficit in scheme at 1 August 2013</b>	(1,463)	(1,833)
Movement in year:		
Current service cost	(345)	(304)
Employer Contributions	303	260
Net return on assets	(7)	(43)
(Loss) on curtailment	-	(7)
Actuarial (loss)/gain	(495)	464
<b>Deficit in scheme at 31 July 2014</b>	<u>(2,007)</u>	<u>(1,463)</u>

### Asset and Liability Reconciliation

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of period</b>	6,508	5,842
Current service cost (net of employee contributions)	345	304
Interest cost	305	245
Employee contributions	93	83
Actuarial loss	672	145
Loss on curtailment	-	7
Estimated benefits paid	(189)	(118)
<b>Liabilities at end of period</b>	<u>7,734</u>	<u>6,508</u>



**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2014**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Reconciliation of Assets</b>		
<b>Assets at start of period</b>	5,045	4,009
Expected return on assets	298	202
Employer contributions	303	260
Employee contributions	93	83
Actuarial gain	177	609
Estimated benefits paid	<u>(189)</u>	<u>(118)</u>
<b>Assets at end of period</b>	<u><u>5,727</u></u>	<u><u>5,045</u></u>

The estimated value of employer contributions for the year ended 31 July 2014 is £303,000 (2012-13 £260,000).

**History of experience gains and losses**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</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	177	609	263	147	207
Experience gains and losses on scheme liabilities:					
Amount	(175)	-	(37)	164	-
Total amount recognised in STRGL					
Amount	(495)	457	(761)	454	(49)

**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>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Authorised and contracted for	<u>318</u>	<u>165</u>

## HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

### Notes to the Accounts (continued)

Year ended 31 July 2014

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

At 31 July 2013 the Group had annual commitments under non-cancellable operating leases as follows:

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Other</b>		
Expiring within one year	7	6
Expiring between two and five years inclusive	<u>18</u>	<u>24</u>
	<u>25</u>	<u>30</u>

#### 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 (2013: none).

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS**  
**Notes to the Accounts (continued)**  
**Year ended 31 July 2014**

**30. Amounts disbursed as agent**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Balance unspent at 31 August 2013	-	3
Funding body grants	66	57
	<u>66</u>	<u>60</u>
Disbursed to students	(57)	(57)
Administration costs	(3)	(3)
	<u>(3)</u>	<u>(3)</u>
Balance unspent at 31 July 2014	<u>6</u>	<u>-</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. Income and expenditure are included in notes 1 and 7 and the unspent balance in note 12.