



Hills Road Sixth Form College Cambridge

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 July 2013

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HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

Operating and Financial Review

Year ended 31 July 2013

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2013.

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 directly 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.

Implementation of 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 originally covered the period from August 2009 to December 2012 was extended to December 2013 due to the uncertainty surrounding financial and curriculum change at the end of 2012.

The plan which was developed after consultation with staff during 2008-09 covers the following strategic aims:

- Aim 1 Teaching and Learning
- Aim 2 The College's Communities
- Aim 3 Responsiveness

Each of the three aims has a series of corresponding key objectives which are included in the Strategic Plan. The College's Strategic Plan and progress towards these objectives is reviewed annually by the Corporation. The Plan and the corresponding three year financial forecast were submitted to the Learning and Skills Council in July 2009.

During the autumn term 2013 the College will consult staff and other stakeholders as appropriate to inform the development of the new Strategic Plan which will be presented for approval to the Corporation in December 2013. The new Strategic Plan will take effect from January 2014 for a three year period.

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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:

- maintain a positive cashflow from operating activities each year;
- maintain an operating surplus before FRS17 adjustments of at least 1.0% of Funding Body income;
- achieve a current ratio of at least 2.0;
- maintain total borrowing as a percentage of reserves and debt at 10% or less;
- maintain cash days of 40 or more; and
- ensure members of the Corporation and the College Strategy Team monitor financial performance on a monthly basis and take any necessary corrective action.

Performance Indicators

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

The College has a national reputation for the quality of its provision; it was inspected by Ofsted in November 2006 and awarded '*designated 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 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 of providers unless its performance declines.

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

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

Sixth Form Colleges did not have to undertake the satisfaction surveys (formerly learner views and employer views) with effect from 2010-11.

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Financial indicators continue to be scored and are reported to providers directly by the relevant funding body. The College is regularly monitoring the framework dimensions and reporting the financial dimension to the EFA through the completion of its annual Financial Forecast and Finance Record. Although no longer obligatory the College also undertakes an annual Internal Audit of systems and provides the annual report to the EFA. The current rating for the finance dimension is 'outstanding', and it is expected that this rating will be sustained into future years.

FINANCIAL POSITION

Financial results

The Group achieved a surplus on continuing operations after depreciation of assets at valuation and tax of £75,000 (2011-12 surplus of £453,000); this includes a profit for 2012-13 of £62,000 (2011-12 £58,000) from the College's subsidiary, Cantabrigian Limited, which has been gift aided to the College. It has maintained a positive net current asset base during the year with a current ratio of 2.1 at July 2013. Tangible fixed assets are valued at £18.6 million. The Group has accumulated general reserves of £8.2 million and cash balances of just over £1.4 million.

Despite the challenging economic climate and the continuing impact of government funding cuts the Group has achieved its projected surplus. This reflects the College's strategy of restructuring its curriculum, freezing pay and minimising increases in non-pay expenditure while improving its income from the EFA through expansion of 16-18 student numbers.

The College's trading subsidiary, Cantabrigian Limited which has as its principal business activity the operation of Hills Road Sports and Tennis Centre, has continued to achieve good results in a difficult trading environment returning a profit of £62,000 (2011-12 profit of £58,000). Its 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. Profits generated by the subsidiary are gift-aided to the College.

The College's finances are evaluated against criteria set by the EFA and are considered to be robust. Its financial plan submitted in July 2012 was assessed as *outstanding* by the EFA. The College's self- assessment of the July 2013 plan is also *outstanding*.

The College remains committed to continuing investment in staff development, infrastructure, buildings and equipment wherever possible despite the funding cuts, in order to create the best possible teaching and learning environment for its students and staff.

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

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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 2013 is £423,000. 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 to support the rebuilding of its Sports Pavilion, the balance being funded from the College's reserves. Construction was delayed while some local difficulties were resolved and finally began in November 2012. The new Pavilion, which is expected to finally cost just over £1 million and close to budget, was handed over to the College in August 2013, shortly after the end of the 2012-13 financial year. An opening event took place in late September.

Although just under 85% 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 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% and cash reserves spent on the construction of the Pavilion, returns have remained lower than in many previous years; £25,000 interest was earned on funds during the year, slightly below 2011-12 and significantly below the £76,000 received in 2008-09 and £140,000 in the previous year.

Interest, which amounted to £5,000 (2011-12 £6,000), was paid on the College's outstanding loan.

The Members of the Corporation reviewed the Treasury Management Policy during the year and examined the strength of the College's bankers. It was satisfied with the bank's financial rating and confirmed that the College had no deposits or other dealings with banks that have not performed well during the current economic crisis.

Cash flows

Cash inflow from operating activities was £667,000 (2011-12 £833,000). After allowing for expenditure on capital there was a decrease in cash of £740,000. (2011-12 decrease of £3,000).

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 2013 amounted to £941,000 (2011-12 £1.589 million).

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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 2012-13, against a target of 1,982 16-18 students, the College educated 2009; made up of 1976 full-time learners and 33 part-time 16-18 students, nearly all enrolled on Adult Education programmes (2011-12 out-turn was a total of 1,975 16-18 students).

The College's part-time Adult Education programme began in 1994. Significant growth has taken place since then. In 2012-13 the part-time programme achieved 3,300 enrolments (2011-12 just under 4,000). These included 741 students (2011-12 813) who were eligible for Adult Learner Responsiveness (ALR) funding from the Skills Funding Agency. In addition the College enrolled 251 learners who were eligible for Adult Safeguarded Learning (ASL) funding, against a target of 250.

Examination Achievements

• **16-19**

In summer 2013, 961 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 2011 failed to complete their two year course, three fewer than for the previous cohort. For the eighth 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 99.2%, similar to the level achieved in recent years. Although A* grades have declined both at the College and nationally for the second successive year, the 2013 A* rate of 15.5% remains at double the national average. The College was the highest placed sixth form college in tables published in the press based on our 80% A*-B rate, the second placed sixth form college being at 70%. 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 2013 is 969, with an average points score per subject entry of 236. The latter score, as in previous years, will almost certainly be the highest of any sixth form college and the points per student is likely to be in the top ten sixth form college scores. 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 2012¹. 23% of the College's students achieved this measure in 2013, similar to 2012. In 2012, the College had the highest number of students achieving at least grades AAB at A level of any institution, state or independent, in the country (whether based on 3 or 2 facilitating subjects). Overall there were 154 A level subject entries for which students received 95% of the total marks. 22 students in 25 subject entries achieved 99% or 100% of the total marks available. 14 of the College's students achieved full

¹ Mathematics; Further Mathematics; Physics; Chemistry; Biology; Geography; History; Languages (Modern and Classical); English Literature.

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marks in the Extended Project. 139 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 2013 leavers will eventually enter higher education, with approximately one third taking a gap year before starting their course.

- **Adult Education**

Few Adult Education learners sought AS and A level certification in 2013, but results for those that did were strong with 96% 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.

Curriculum developments during 2012-13

- **16-19**

2012-13 saw the conclusion of the first whole cohort through the new Extended Project Qualification. Success rates on the Extended Project compare very favourably with its predecessor (a programme offering a choice from four standalone year 13 qualifications) and overall grades were exceptionally strong for a compulsory element to students' programmes. 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' chosen progression routes.

2012-13 also saw the introduction of a specific plan to support the work of the Science, Technology, Engineering and Mathematics (STEM) subjects following some disappointing examination outcomes for weaker students in summer 2012. This involved the funding of some additional time for each STEM area (up to two periods in each of the four departments) to provide some targeted support for those students considered at risk of under-performing. Additionally, some teaching sets were created in each of the four STEM subjects specifically for students either with a B grade in the subject or with an average overall GCSE profile that was at the weaker end of the STEM cohort.

These additional resources were used in different ways by departments: Physics and Chemistry put them towards additional lunchtime support surgeries that were targeted specifically at under-performing students who were required to attend on a rolling programme. Maths used some of the resource to create some differentiated materials for students whose needs in maths required further consolidation and revision of GCSE alongside some additional workshops and Biology trialled a 1:1 mentoring system for out of lesson support for students in danger of under-performing. These support strategies proved particularly successful in Physics and in Chemistry.

Several of the approaches funded and trialled during 2012-13 have been embedded into the curriculum model for 2013-14 in terms of working practices for STEM departments, and it is hoped that they have supported some innovation in student support that will continue to have benefits in subsequent years.

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- **Adult Education**

The College continues to provide a wide range of courses and while the year brought some challenges many areas of the programme have continued to thrive. During the latter part of the year an on-line enrolment facility was successfully launched which will widen enrolment opportunities for our students.

Art and Design courses maintain their popularity with painting (oils and acrylics), ceramics and photography having the greatest demand. In addition Language courses continue to dominate the Adult Education provision at the College with a broad range of courses.

Despite increased 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 a desire to further expertise in a particular area.

The counselling programme achieved lower enrolments than in the past but those students that did progress through the programme were rewarded with impressive results in August 2013, with virtually all students passing their units. For those students at level 4 this means that they are now able to gain the appropriate professional status to become counselling practitioners.

IT developments during 2012-13

The year has been a period of consolidation following a major upgrade of network infrastructure in 2011-12. A stable network service has enabled the College to achieve a great deal; virtualisation has brought benefits of speed and reliability and the built in 'redundancy' that the VMware servers provide enables repairs and maintenance to take place without interruption to the service.

During the year the IT Team reduced from four to three members of staff. This has partly been possible as a result of the increased stability and powerful management tools that are now available. In addition staff development has been undertaken to learn about the higher level functions of the network services. Despite this reduction in staff the 'service culture' of IT Services has never been stronger. This is an excellent position to be in and is a reflection on the high quality of the team and their professional attitude and expertise. In addition the line management of IT Services has moved to the newly created role of Director of Digital Strategy.

System Centre Configuration Manager (SCCM) has been installed which is a Microsoft product to improve the management of the network. A significant advantage of this installation has been the ability to deploy new software to machines remotely. This means that access to teaching rooms is no longer required, which had often been a cause of delays. In addition SCCM has provided new anti-virus software, swapping from expensive MacAfee anti-virus to the free and more effective Microsoft product.

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During the year Symmetry Finance was upgraded to a web based system. This has reduced the IT management overhead as the software is no longer hosted on College servers. Similarly the Human Resources system is in the process of moving to an externally hosted system. It is anticipated that once the new system is fully operational it will streamline many of the College's HR systems and processes.

The take up of Wi-Fi services during the year was extremely rapid with many students (and staff) registering phones, laptops and tablets. This is a clear indication of the expected 'normalisation' of access to College resources on student and staff personal devices.

The student guide to IT systems and resources was moved online and IT learning resources are now available to revisit as and when required by students.

In support of the College's development of digital and flipped learning a Camtasia based recording studio room has been established which allows staff to create narrated PowerPoint presentations as short films that can be accessed by students outside the class room. The aim is to help move basic content delivery out of the lesson so higher order learning can be promoted in the whole class situation.

During 2012-13, 222 new PCs were purchased; there are no plans to purchase any in 2013-14 which is a break from the usual replacement cycle. This decision has been made in response to our increasingly difficult funding position. The impact is being reduced by re-cycling the position of machines so that newer faster PC's are in areas where the demand on performance is highest.

Estates developments during 2012-13

During 2012-13 the College constructed a new Sports Pavilion to replace the old facility which was in poor condition and not fit for purpose. The budget for this project was £975,000 of which £108,000 was funded from the Building Condition Improvement Fund with the balance from College reserves. The project had been delayed due to the threat of a Judicial Review by a small group of local residents. The hearing on the 1st August 2012 for the permission stage of the Judicial Review went in the College's favour and building works eventually commenced in November 2012. The building was finally handed over in early August (having been delayed further by a period of wet weather over Christmas which necessitated the procurement of ground water pumping equipment).

Sustainability

Following on from the previous year's successful installation of solar panels on the roof of The Rob Wilkinson Building a second phase was completed in December 2012 bringing the total generating capacity up to 98.85kWh. This provides roughly 10% of the College's electricity requirement and an annual income from the FiT tariff, together with the saving on electricity not purchased, of around £30,000.

The second phase of roof insulation in the library was completed in the summer of 2013. In addition, insulation to roofs was also carried out on a further 450m² above the Hall and Tutor Rooms.

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All of these projects build on the successful work already undertaken by the College in previous years to save on energy and reduce the College's carbon footprint. Electricity consumption in 2012-13 was at around the same level as in 2000-01 despite an increase in students, equipment and buildings.

Future Developments

Curriculum

16-19

2013-14 sees the first year with an increased class size to 23 from 22 in many AS subjects which has realised some corresponding efficiencies in finances but with an inevitable further squeeze on the physical and human resource of the College.

From 2013-14 the College will discontinue the delivery of Italian due to the small numbers recruited and then retained into A2. The delivery model for subjects where the number of students transferring to A2 in the subject has been small has also been adjusted – which in 2013-14 will include Archaeology.

In September 2013 the Secretary of State for Education, Michael Gove, confirmed plans to introduce new linear two year A levels for a core of the largest subjects for first teaching in September 2015. Twelve subjects, including the so-called 'facilitating subjects' (excluding maths and languages) together with other high volume 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. Crucially, there is a decision to make as a College about the financial sustainability of a four subject programme for some or all of our incoming cohort in 2015. 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.

With considerable uncertainty hanging over the availability and co-teachability of the new standalone AS, curriculum modelling for 2015 and beyond currently sits within the discipline of futurology as we await further detail about the likely shape of AS and A level qualifications. Even before there is certainty, financial and curriculum modelling will have to take place during 2013-14 in order to secure a viable future for the College in uncertain times.

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Adult Education

Counselling represents one of the significant areas for development within the AE programme. Following a review of the programme to enable clearer progression routes than during the past few years it is pleasing to note that a number of students have responded positively to the changes.

The College is registering for City & Guilds Qualification approval for two bookkeeping courses which are part of the Professional element of the programme and it is intended to provide a wider range of such courses during 2013-14 including 'Bookkeeping and Accounting' and 'Computerised Accounts'.

The launch of the Access to Bioscience course is due in mid-September, following the successful validation with CAVA (Cambridge Access Validating Agency). It is hoped that this will eventually lead onto the Foundation Degree in Bioscience at the College, with effect from September 2014.

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.

IT

In pursuance of the strategy to encourage the use of digitised resources for learning 24 tablets and a charging trolley have been purchased. These will be used in the 2013 autumn term for supporting UCAS research in U6 tutor groups and for online activities in support of the Tutorial programme for all 16-18 students. In the spring these will be trialled in the English department to explore new approaches to digital learning.

As a result of feedback from a number of teaching departments investigations are taking place into how to provide a College-wide Moodle Virtual Learning Environment (VLE) which would be complementary to the well-established SharePoint resources. A test site was established in July with the intention to move this forward in the 2013 autumn term.

Estates

The replacement of the only remaining building which is not of satisfactory condition, the 'Stable Block', would be a major development. A feasibility study was carried out in 2012-13 and action is in hand to explore the possibility of obtaining support funding from the EFA to assist with the cost of replacing the building.

Most of the buildings at the College have now had insulation levels upgraded to current specifications leaving very small areas to be addressed with the exception of the Stable Block. As more boilers reach the end of their useful life they will be replaced with energy efficient plant; in the last five years more than half such plant has been replaced. The College is now exploring the replacement of lighting with LED lamps and controls to give maximum efficiency. This equipment is expensive and it is hoped to fund this from Salix with interest free loans.

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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 11 days.

Post-Balance Sheet Events

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

RESOURCES

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

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

The Group has £17.644 million of net assets including a pension liability of £1.463 million (2011-12 £1.833 million) and outstanding loans of £476,000 (2011-12 £568,000). Net current assets stood at £887,000 at the year end (2011-12 £1.621 million). None of the Group's assets are held with low credit risk banks.

During 2012-13 the Group employed just under 330 staff, of whom six comprised the College's senior management team, 149 daytime teaching staff, 106 support staff and 66 adult education tutors. This represents around 191 full-time equivalents. In addition there are about 100 staff who are employed casually mainly as Invigilators in the examination periods. The senior management team's responsibilities will be restructured across five members with effect from 2013-14 following the retirement of the Assistant Principal (Support and Guidance) on 31st August 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.

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The College's risk management objectives are to:

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

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

The College Strategy Team (CST) implements the policy and identifies and evaluates significant risks. It compiles a register of risks which indicates the principal risks that may affect the College. Emerging risks are added as required and improvement actions and risk indicators monitored on a termly basis by the CST, the Clerk to the Corporation and the Audit Committee. Relevant risk registers are reviewed annually by the appropriate committee of the Corporation and full register by the Corporation. Risks are prioritised using a consistent scoring system. An annual Risk Report is 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. It has undertaken considerable lobbying in relation to funding, curriculum reform and the effect on student choice and opportunity. The significant reduction in entitlement funding implemented with effect from 2010-11 will have resulted in the College absorbing a funding cut approaching £1 million by the end of 2013-14. The funding situation is being exacerbated further by the new funding methodology which is being implemented from 2013-14 (but with full formula protection until 2016-17) which means that the College will have to absorb a second round of cuts of similar magnitude to those already being absorbed ie nearly another £1 million. The real cost of both these cuts is significantly more when inflation is taken into account. The new funding methodology is based on 'flat-rate' funding per full-time student regardless of programme size. This is having the greatest impact on high performing sixth form colleges such as Hills Road that offer larger than a three A level programme. In addition the College has few students who will be eligible for Additional Learning Support (ALS) under the new criteria despite supporting many students with a range of learning needs.

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 its governors and staff, is currently considering models for delivering the curriculum within the context of reduced funding and curriculum reform.

Factors that will have a significant impact on the College's financial health include:

- the cut in government funding already implemented which over a period from 2011-12 to 2013-14 will have cost the College around £1.00 million;

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- the new funding methodology which will take 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 change to the methodology for allocating Additional Learning Support which will practically reduce this funding to nil from about £140,000 per annum; and
- continuing increases in costs in relation to the Local Government Pension scheme.

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);
- 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 Deputy Principal 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 staff have to complete an online equality and diversity training programme. 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.

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Operating and Financial Review (continued)

Year ended 31 July 2013

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 all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures; equality impact assessments 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 European Union. During April the College took part in the 'Light it up Blue' campaign to raise awareness of Autism by placing blue filters on all the external lights around the College site. In addition the TV screens 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.

Work is continuing to ensure that the nine protected characteristics enshrined in legislation remain a natural part of our working practices and we now collect personal data on all nine protected characteristics from staff. Work is continuing over the coming months to enable the collection of this data from students. In addition to the nine protected characteristics we have an additional category for students regarding access to the internet and computers at home, to ensure that socio-economic factors do not become a barrier to every student achieving their potential.

Employment of Disabled Persons

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

Disability Statement

The College is committed to promoting equality for disabled staff and students, seeking to create an environment that is open and accessible, where diversity and individual choice are represented, 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.

Staff and Student Involvement

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 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.

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

Operating and Financial Review (continued)

Year ended 31 July 2013

The College encourages participation from students, two of whom, normally the Chair of the Student Council and the Secretary, are student members of the Corporation. In addition there is an elected Student Council with representatives from each Tutor Group, and student forums. The College also consults on particular issues by using focus groups of interested 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.

Health and Safety

It is the policy of the College to take all reasonable and practicable steps to safeguard the health, safety and welfare of staff, students and visitors whilst working and studying at or visiting the College and to protect all other persons from hazards to health and safety arising out of the College's activities.

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 Governors' Resources Committee and an annual health and safety review is carried out by the Estates Bursar and presented to the Corporation.

The College is committed to ensuring compliance with legislation, best practice and guidance from its regulatory bodies. During 2012-13 there were no accidents and incidents that resulted in insurance claims.

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.

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
Operating and Financial Review (continued)
Year ended 31 July 2013

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

Dr Christopher Morse
Chair

16 December 2013

**HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
PROFESSIONAL ADVISERS
Year ended 31 July 2013**

Financial Statement and Regularity Auditor	MHA MacIntyre Hudson Boundary House 4 County Place Chelmsford Essex CM2 0RE
Internal Auditor	RSM Tenon Audit 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
Year ended 31 July 2013

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code ("the Code") issued by the FRC in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2013. The Governing Body 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 Corporation

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

Name	Date of Appointment	Term of Office	Date of Resignation/ termination	Committees served
Mr E Brookes	1 August 2012	4 years		Resources Search & Governance
Mrs V Brownlee Staff Nominee	23 May 2011	4 years		Resources
Mr T Edirisinghe Student Nominee	27 March 2013		1 April 2014	Standards
Miss J Finn Student Nominee	27 March 2013		1 April 2014	Standards
Ms J Gibbs	1 January 2010	4 years		Audit Standards
Mr I C Harvey Staff Nominee	1 August 2012	4 years		Resources Standards
Ms L Jeanroy	1 August 2010	4 years		Chair: Audit Remuneration
Dr C Morse	1 August 2012	4 years		Chair of Corporation Remuneration Resources Search & Governance Standards
Mrs E Murphy	25 February 2009	4 years		Audit Remuneration Chair: Standards

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
Statement of Corporate Governance and Internal Control (continued)
Year ended 31 July 2013

Name	Date of Appointment	Term of Office	Date of Resignation/ termination	Committees served
Dr J Nicholls	1 April 2010	4 years		Audit Standards
Mr E Perrott	19 July 2011	4 years		Chair: Remuneration Chair: Search & Governance
Ms S Pettit Parent Nominee	1 September 2012	1 year	31 August 2013	Audit Standards
Mr J Sam	1 January 2011	4 years		Vice Chair of Corporation Remuneration Resources Search & Governance
Mr R Sansom	1 August 2010	4 years		Audit Standards
Dr D Secher	12 March 2012	4 years		Audit Standards
Mr S Sillery	14 July 2009	4 years		Resources Search & Governance
Mrs L Sinclair Principal	Ongoing			Resources Search & Governance Standards
Mr P Southwick	1 January 2012	4 years		Chair: Resources Remuneration
Ms J Taylor	19 December 2012	4 years		Audit Standards
Mr I Turner Student Nominee	28 March 2012		26 March 2013	Standards
Mrs F Williams	14 December 2011	4 years		Audit Standards

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

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
Statement of Corporate Governance and Internal Control (continued)
Year ended 31 July 2013

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.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit, Remuneration, Resources, Search & Governance and Standards. 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.

Members of the Corporation are appointed for a term of office not exceeding four years; a second four year term is possible with total service not normally exceeding two terms.

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
Statement of Corporate Governance and Internal Control (continued)
Year ended 31 July 2013

Remuneration Committee

Throughout the year ending 31 July 2013, 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.

Details of the remuneration for the year ended 31 July 2013 are set out in notes 5 and 6 of the financial statements.

Audit Committee

The Audit Committee comprises nine 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 2013

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 Education Funding Agency. 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 2013 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 2013 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.

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
Statement of Corporate Governance and Internal Control (continued)
Year ended 31 July 2013

The College has an internal audit service which operates in accordance with the requirements of the revised 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. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum annually, the Head of Internal Audit provides the governing body 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 2013 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2013 by considering documentation from the Audit Committee, the senior management team and internal audit and taking account of events since 31 July 2013.

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
Statement of Corporate Governance and Internal Control (continued)
Year ended 31 July 2013

Going Concern

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

Approved by order of the members of the Corporation on 16 December 2013 and signed on its behalf by:

Dr Christopher Morse
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 2013

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 2012-13 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 2013

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 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 Christopher Morse
Chair

16 December 2013

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
Independent Auditors' Report to the Corporation of Hills Road Sixth Form College
Year ended 31 July 2013

We have audited the Group and College financial statements ('the financial statements') of Hills Road Sixth Form which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Historical Cost Surpluses and Deficits, the Consolidated Statement of Total Recognised Gains and Losses, the Balance Sheets, the Consolidated 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 25 and 26, 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 2013 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 Auditors' report on Regularity to the Corporation of Hills Road Sixth Form College ('the Corporation') and the Chief Executive of the Education Funding Agency
Year ended 31 July 2013

In accordance with the terms of our engagement letter and further to the requirements of the Chief Executive of the Education Funding Agency, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of Hills Road Sixth Form College ('the College') for the year ended 31 July 2013 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

The College's Corporation is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations, for ensuring that expenditure and income are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by the Learning and Skills Council. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
Independent Auditors' report on Regularity to the Corporation of Hills
Road Sixth Form College ('the Corporation') and the Chief Executive
of the Education Funding Agency (continued)
Year ended 31 July 2013

Opinion

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2013 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

.....
MHA MACINTYRE HUDSON
Chartered Accountants &
Statutory 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 2013

	Note	2013 £000	2012 £000
INCOME			
Funding body grants	1	9,492	9,774
Tuition fees and education contracts	2	473	577
Other operating income	3	1,497	1,354
Investment income	4	25	31
		<hr/>	<hr/>
Total Income		11,487	11,736
EXPENDITURE			
Staff costs	5	7,872	7,981
Other operating expenses	7	2,826	2,697
Depreciation	10	666	587
Interest payable	8	48	18
		<hr/>	<hr/>
Total Expenditure		11,412	11,283
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and tax		75	453
		<hr/> <hr/>	<hr/> <hr/>

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

The notes on pages 35 to 59 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 2013

	Note	2013 £000	2012 £000
Surplus on continuing operations after depreciation of assets at valuation and tax		75	453
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	17	98	98
Historical cost surplus for the year		<u>173</u>	<u>551</u>

Consolidated Statement of Total Recognised Gains and Losses
Year ended 31 July 2013

	Note	2013 £000	2012 £000
Surplus on continuing operations after depreciation of assets at valuation and tax	9	75	453
Actuarial (loss)/gain in respect of pension scheme	25	457	(761)
Total recognised (losses)/gains relating to the year		<u>532</u>	<u>(308)</u>

Reconciliation of Movements in Group Reserves
Year ended 31 July 2013

	2013 £000	2012 £000
Opening reserves	12,349	12,657
Total recognised (losses)/gains for the year	<u>532</u>	<u>(308)</u>
Closing reserves	<u>12,881</u>	<u>12,349</u>

The notes on pages 35 to 59 form part of these financial statements.

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
Balance Sheets at as 31 July 2013

	Note	Group 2013 £000	College 2013 £000	Group 2012 £000	College 2012 £000
FIXED ASSETS					
Tangible assets	10	18,603	18,603	17,816	17,816
CURRENT ASSETS					
Stock		15	13	14	12
Debtors	12	250	294	367	399
Investments	11	2	2	2	2
Cash in bank and in hand		<u>1,415</u>	<u>1,349</u>	<u>2,155</u>	<u>2,092</u>
TOTAL CURRENT ASSETS		<u>1,682</u>	<u>1,658</u>	<u>2,538</u>	<u>2,505</u>
Creditors: amounts falling due within one year	13	<u>(795)</u>	<u>(789)</u>	<u>(917)</u>	<u>(902)</u>
NET CURRENT ASSETS		<u>887</u>	<u>869</u>	<u>1,621</u>	<u>1,603</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		19,490	19,472	19,437	19,419
Creditors: amounts falling due after more than one year	14	<u>(383)</u>	<u>(383)</u>	<u>(475)</u>	<u>(475)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>19,107</u>	<u>19,089</u>	<u>18,962</u>	<u>18,944</u>
Net pension liability	25	<u>(1,463)</u>	<u>(1,463)</u>	<u>(1,833)</u>	<u>(1,833)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>17,644</u>	<u>17,626</u>	<u>17,129</u>	<u>17,111</u>
DEFERRED CAPITAL GRANTS	16	<u>4,763</u>	<u>4,763</u>	<u>4,780</u>	<u>4,780</u>
RESERVES					
Income and expenditure account excluding pension reserve	19	9,688	9,670	9,419	9,401
Pension reserve		<u>(1,463)</u>	<u>(1,463)</u>	<u>(1,833)</u>	<u>(1,833)</u>
Income and expenditure account including pension reserve		8,225	8,207	7,586	7,568
Restricted reserve	18	40	40	49	49
Revaluation reserve	17	4,616	4,616	4,714	4,714
TOTAL RESERVES		<u>12,881</u>	<u>12,863</u>	<u>12,349</u>	<u>12,331</u>
TOTAL FUNDS		<u>17,644</u>	<u>17,626</u>	<u>17,129</u>	<u>17,111</u>

The financial statements on pages 31 to 59 were approved by the Corporation and authorised for issue on 16 December 2013 and were signed on its behalf by:

Dr Christopher Morse
Chair

Mrs Linda Sinclair
Principal

The notes on pages 35 to 59 form part of these financial statements.

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
Consolidated Cash Flow Statement
Year ended 31 July 2013

	Note	2013 £000	2012 £000
Cash Inflow From Operating Activities	20	667	833
Returns on investments and servicing of finance	21	20	25
Capital expenditure and financial investment	22	(1,335)	(782)
Financing	23	<u>(92)</u>	<u>(92)</u>
(Decrease) in cash in the year		<u>(740)</u>	<u>(16)</u>

Reconciliation of Net Cash Flow to Movement in Net Funds

		2013 £000	2012 £000
(Decrease) in cash in the period		(740)	(16)
Change in net funds resulting from financing	23	<u>92</u>	<u>92</u>
Change in net funds		(648)	76
Net funds at 1 August 2012		<u>1,589</u>	<u>1,513</u>
Net funds at 31 July 2013		<u><u>941</u></u>	<u><u>1,589</u></u>

The notes on pages 35 to 59 form part of these financial statements.

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

Notes to the Accounts

Year ended 31 July 2013

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 2012-13 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 £423,000 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 2013.

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
Notes to the Accounts (continued)
Year ended 31 July 2013

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 2013

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 2013

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 2013

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

Leased assets

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

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

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

Investments

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

Stocks

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

Taxation

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

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 2013

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 2013

1. Funding Body Grants

	2013	2012
	£000	£000
Education Funding Agency:		
recurrent grant	9,144	9,431
devolved formula capital funding	50	50
16-19 Bursary grant	57	41
Skills Funding Agency recurrent grant	151	165
Skills Funding other grant	2	-
Release of deferred capital grants (note 16)	88	87
	<u>9,492</u>	<u>9,774</u>

2. Tuition Fees and Education Contracts

	2013	2012
	£000	£000
Tuition fees	464	573
Education contracts	9	4
	<u>473</u>	<u>577</u>

3. Other Operating Income

	2013	2012
	£000	£000
Release of deferred capital grants (non funding body) (note 16)	47	47
Catering and residence operations	21	25
Other income generating activities	459	414
Exam fees income	224	193
Educational visits income	477	447
Other income	269	228
	<u>1,497</u>	<u>1,354</u>

4. Investment Income

	2013	2012
	£000	£000
Other interest receivable	25	31
	<u>25</u>	<u>31</u>

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
Notes to the Accounts (continued)
Year ended 31 July 2013

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:

	2013	2012
	No.	No.
Teaching departments – teaching staff	94	95
Teaching departments – other staff	13	12
Teaching support services	14	15
Other support services	17	19
Administration and central services including Sports and Tennis Centre	39	38
Premises	<u>14</u>	<u>14</u>
	<u>191</u>	<u>193</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.

	2013	2012
	£000	£000
Wages and salaries	6,475	6,603
Social security costs	466	468
Other pension costs (including FRS 17 adjustments of £44,000; 2010-11 £43,000) – see note 25	931	910
	<u>7,872</u>	<u>7,981</u>

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

	2013	2012
	No.	No.
£60,000 - £70,000	1	-
£70,001 - £80,000	2	3
£80,001 - £90,000	2	2
£120,001 - £130,000	<u>1</u>	<u>1</u>
	<u>6</u>	<u>6</u>

No consolidated pay award was made during 2012-13.

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

Notes to the Accounts (continued)

Year ended 31 July 2013

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.

	2013	2012
	No.	No.
The number of senior post-holders including the Principal was:		
1 August 2012 – 31 July 2013	<u>6</u>	<u>6</u>

	2013	2012
	£000	£000
Senior post-holders' emoluments are made up as follows:		
Salaries	451	460
Benefits in kind	-	-
Pension contributions	<u>68</u>	<u>68</u>
Total emoluments	<u>519</u>	<u>528</u>

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

	2013	2012
	£000	£000
Salary	110	110
Pension contributions	<u>15</u>	<u>16</u>
Total emoluments	<u>125</u>	<u>126</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 2013

7. Other Operating Expenses

	2013	2012
	£000	£000
Teaching departments	276	280
Teaching support services	200	135
Other support services	150	120
Administration and central services	340	279
General education	594	551
Premises costs:		
Running costs	323	257
Maintenance	163	151
Rents and Leases	1	2
Planned maintenance	97	269
Catering and residence operations	46	85
Educational visits	490	443
Other expenses	146	125
	<u>2,826</u>	<u>2,697</u>

	2013	2012
	£000	£000
Other operating expenses include:		
Auditor's remuneration:		
financial statements audit	20	19
internal audit	9	17
other services provided by the financial statements auditors	-	-
Hire of plant and machinery – operating leases	<u>39</u>	<u>33</u>

8. Interest Payable

	2013	2012
	£000	£000
On bank loans, overdrafts and other loans		
Repayable wholly or partly in more than five years	5	6
Pension finance cost (note 25)	<u>43</u>	<u>12</u>
	<u>48</u>	<u>18</u>

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
Notes to the Accounts (continued)
Year ended 31 July 2013

9. Surplus on Continuing Operations for the Year

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

	2013	2012
	£000	£000
College's Surplus for the year	13	395
Surplus generated by subsidiary undertaking and transferred to the College under gift aid	62	58
	<u>75</u>	<u>453</u>

10. Tangible Fixed Assets (Group and College)

	Freehold land and buildings £000	Assets under construction £000	Equipment £000	Total £000
Cost or valuation				
At 1 August 2012	21,831	115	4,209	26,155
Additions	330	864	259	1,453
Transfer between classes	115	(115)	-	-
	<u>22,276</u>	<u>864</u>	<u>4,468</u>	<u>27,608</u>
At 31 July 2013				
Depreciation				
At 1 August 2012	5,111	-	3,228	8,339
Charge for the year	372	-	294	666
	<u>5,483</u>	<u>-</u>	<u>3,522</u>	<u>9,005</u>
At 31 July 2013				
Net book value				
At 31 July 2013	<u>16,793</u>	<u>864</u>	<u>946</u>	<u>18,603</u>
At 31 July 2012	<u>16,720</u>	<u>115</u>	<u>981</u>	<u>17,816</u>
Financed by				
Capital grant	4,597	108	58	4,763
Inherited	4,607	-	9	4,616
Other	7,589	756	879	9,224
	<u>16,793</u>	<u>864</u>	<u>946</u>	<u>18,603</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 2013

Inherited land and buildings are valued for the purpose of the 2012-13 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:

	£000
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 £4,616,000 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 £3,852,000, 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 £4,491,000 and £412,000 which have been partially funded by grants from the Learning and Skills Council of £1,737,000 and £321,000 respectively. 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)

	Investments	Total
	£000	£000
At 1 August 2012	2	2
Deposits	-	-
Withdrawals	-	-
	<hr/>	<hr/>
At 31 July 2013	2	2
	<hr/> <hr/>	<hr/> <hr/>

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 2013

12. Debtors

Amounts falling due within one year	Group 2013 £000	College 2013 £000	Group 2012 £000	College 2012 £000
Trade debtors	20	13	45	29
Amounts owed by group undertakings	-	104	-	54
Prepayments and accrued income	230	177	322	316
	<u>250</u>	<u>294</u>	<u>367</u>	<u>399</u>

13. Creditors: Amounts Due Within One Year

	Group 2013 £000	College 2013 £000	Group 2012 £000	College 2012 £000
Bank loan	58	58	58	58
Salix loan	35	35	35	35
Payments received in advance	200	200	258	258
Trade creditors	90	85	228	220
Funding Body Creditor	6	6	-	-
Other taxation and social security	152	159	164	164
Pension creditor	121	121	114	114
Accruals	133	125	60	53
	<u>795</u>	<u>789</u>	<u>917</u>	<u>902</u>

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

	Group 2013 £000	College 2013 £000	Group 2012 £000	College 2012 £000
Bank loans	365	365	422	422
Salix loans	18	18	53	53
	<u>383</u>	<u>383</u>	<u>475</u>	<u>475</u>

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
Notes to the Accounts (continued)
Year ended 31 July 2013

15. Analysis of Borrowings of the College

Bank loans	Group 2013 £000	College 2013 £000	Group 2012 £000	College 2012 £000
Bank loan is repayable as follows:				
In one year or less	58	58	58	58
Between one and two years	59	59	57	57
Between two and five years	181	181	178	178
Over five years	125	125	187	187
	<u>423</u>	<u>423</u>	<u>480</u>	<u>480</u>

A bank loan chargeable at the Bank of England base rate plus 0.65% and totalling £423,364 is repayable by instalments falling between 1 August 2013 and 31 July 2020. The bank loan is secured on a portion of the freehold land and buildings of the College.

Salix loans	Group 2013 £000	College 2013 £000	Group 2012 £000	College 2012 £000
Salix loan is repayable as follows:				
In one year or less	35	35	35	35
Between one and two years	18	18	35	35
Between two and five years	-	-	18	18
	<u>53</u>	<u>53</u>	<u>88</u>	<u>88</u>

A loan from Salix which provides loans for energy efficiency programmes in the public sector totalling £53,232 is repayable by instalments falling between 1 August 2013 and 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 2013

16. Deferred Capital Grants (Group and College)

At 1 August 2012	Funding body £000	Other grants £000	Total £000
Land and buildings	3,580	1,136	4,716
Equipment	64	-	64
	<u>3,644</u>	<u>1,136</u>	<u>4,780</u>
Cash received:			
Land and buildings	108	-	108
Equipment	-	10	10
Released to income and expenditure account:			
Land and buildings	73	46	119
Equipment	15	1	16
	<u>3,664</u>	<u>1,099</u>	<u>4,763</u>
At 31 July 2013			
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>

17. Revaluation Reserve (Group and College)

	2013 £000	2012 £000
At 1 August 2012	4,714	4,812
Transfer (from) revaluation reserve to income and expenditure account in respect of depreciation on revalued assets	<u>(98)</u>	<u>(98)</u>
At 31 July 2013	<u>4,616</u>	<u>4,714</u>

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
Notes to the Accounts (continued)
Year ended 31 July 2013

18. Restricted Reserve (Group and College)

	Centenary Appeal £000	Endowed Funds £000	Total £000
At 1 August 2012	9	40	49
Transfer from income and expenditure account	<u>(9)</u>	<u>-</u>	<u>(9)</u>
At 31 July 2013	<u>-</u>	<u>40</u>	<u>40</u>

The restricted reserves comprise funds endowed for prizes for students distributed at the College's annual prizegiving.

19. Income and Expenditure Account

	Group 2013 £000	College 2013 £000	Group 2012 £000	College 2012 £000
At 1 August 2012	7,586	7,568	7,797	7,779
Surplus retained for the year	75	13	453	395
Transfer from revaluation reserve	98	98	98	98
Transfer (to) restricted reserves	9	9	(1)	(1)
Cantabrigian Limited profits for year ended 31 July 2013, gift aided to the College	-	62	-	58
Actuarial (loss)/gain in respect of pension scheme	457	457	(761)	(761)
At 31 July 2013	<u>8,225</u>	<u>8,207</u>	<u>7,586</u>	<u>7,568</u>
Balance represented by pension reserve	(1,463)	(1,463)	(1,833)	(1,833)
Income and expenditure account reserve	<u>9,688</u>	<u>9,670</u>	<u>9,419</u>	<u>9,401</u>
At 31 July 2013	<u>8,225</u>	<u>8,207</u>	<u>7,586</u>	<u>7,568</u>

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

Notes to the Accounts (continued)

Year ended 31 July 2013

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

	2013 £000	2012 £000
Surplus on continuing operations after depreciation of assets at valuation and tax	75	453
Depreciation (note 10)	666	587
Deferred capital grants released to income (notes 1 and 3)	(135)	(134)
Interest payable (note 8)	48	18
Interest receivable (note 4)	(25)	(31)
Pension cost less contributions payable (notes 5 and 25)	44	43
(Increase)/Decrease in stock	(1)	11
Decrease/(Increase) in debtors	117	(116)
(Decrease)/Increase in creditors	(122)	2
	<u>667</u>	<u>833</u>
Net cash inflow from operating activities	<u>667</u>	<u>833</u>

21. Returns on investments and servicing of finance

	2013 £000	2012 £000
Other interest received (note 4)	25	31
Interest paid (note 8)	(5)	(6)
	<u>20</u>	<u>25</u>
Net cash inflow from returns on investment and servicing of finance	<u>20</u>	<u>25</u>

22. Capital expenditure and financial investment

	2013 £000	2012 £000
Purchase of tangible fixed assets (note 10)	(1,453)	(782)
Deferred capital grants received (note 16)	118	-
	<u>(1,335)</u>	<u>(782)</u>
Net cash outflow from capital expenditure and financial investment	<u>(1,335)</u>	<u>(782)</u>

23. Financing

	2013 £000	2012 £000
Repayments of amounts borrowed (note 15)	(92)	(92)
	<u>(92)</u>	<u>(92)</u>
Net cash (outflow) from financing	<u>(92)</u>	<u>(92)</u>

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

Notes to the Accounts (continued)

Year ended 31 July 2013

24. Analysis of Changes in Net Funds

	At 1 August 2012 £000	Cash £000	Other £000	At 31 July 2013 £000
Cash in hand, at bank	2,155	(740)	-	1,415
Debt due within 1 year	(93)	-	-	(93)
Debt due after 1 year	(475)	92	-	(383)
Liquid resources	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
	<u>1,589</u>	<u>(648)</u>	<u>-</u>	<u>941</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.

Total pension cost for the year	2013 £000	2012 £000
Teachers Pension Scheme contributions paid	627	632
Local Government Pension Scheme:		
Contributions paid	260	235
FRS 17 adjustment	<u>44</u>	<u>43</u>
Charge to the Income and Expenditure Account (staff costs)	<u>304</u>	<u>278</u>
Total Pension Cost for Year	<u>931</u>	<u>910</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 2010. Contributions amounting to £121,000 (2012 £114,000) were payable to the schemes at 31st July and are included in creditors.

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

Notes to the Accounts (continued)

Year ended 31 July 2013

Teachers' Pension Scheme (TPS)

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions.

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

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

Notes to the Accounts (continued)

Year ended 31 July 2013

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

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

Scheme Changes

From 1 April 2012 to 31 March 2013, the employee contribution rate ranged between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate have been applied in 2013-14 and will be applied for 2014-15.

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

The Proposed Final Agreement can be found at:

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

The pension costs paid to TPS in the year amounted to £627,000 (2012: £632,000).

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.

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

Notes to the Accounts (continued)

Year ended 31 July 2013

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 2013 was £344,916 of which employers contributions totalled £261,323 and employees' contributions totalled £83,593. Employees' contributions are dependent on the level of their full-time equivalent salary ranging from 5.5% to 7.5%. Employers' contributions were 19.8% to 31 March 2013 and are 21.6% to 31 March 2014.

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

FRS 17

Principal Actuarial Assumptions

	July 2013	July 2012
Rate of increase in pensions	2.8%	2.2%
Rate of increase in salaries	5.1%	4.5%
Expected return on assets at 31 July	5.8%	4.9%
Discount rate for scheme liabilities at 31 July	4.6%	4.1%

The actual return on assets for the period 1st July 2012 to 31st March 2013 was 17.9%. The estimated return for the period from 1st August 2012 to 31st July 2013 was 19.7%.

Mortality

Life expectancy is based on the year of birth tables, with improvements from 2007 in line with the medium cohort and 1% per annum underpin. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.0 years	23.8 years
Future Pensioners	22.9 years	25.7 years

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
Notes to the Accounts (continued)
Year ended 31 July 2013

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

	Long-term rate of return expected at July 2013	Value at July 2013 £000	Long-term rate of return expected at July 2012	Value at July 2012 £000
Equities	6.4%	3,885	5.6%	2,846
Bonds	3.4%	706	3.2%	641
Property	4.6%	353	3.7%	281
Cash	3.4%	101	2.8%	241
Total market value of assets		<u>5,045</u>		<u>4,009</u>
Present value of scheme liabilities (funded)		<u>(6,508)</u>		<u>(5,842)</u>
Deficit in the scheme		<u><u>(1,463)</u></u>		<u><u>(1,833)</u></u>

Analysis of the amount charged to income and expenditure account

	2013 £000	2012 £000
Employer service cost (net of employee contributions)	304	278
Total operating charge	<u>304</u>	<u>278</u>

Analysis of pension finance (costs)

	2013 £000	2012 £000
Expected return on pension scheme assets	202	250
Interest on pension liabilities	<u>(245)</u>	<u>(262)</u>
Pension finance (costs)	<u>(43)</u>	<u>(12)</u>

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

Notes to the Accounts (continued)

Year ended 31 July 2013

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

	2013	2012
	£000	£000
Actuarial (losses)/gains on pension scheme assets	609	(263)
Actuarial (losses)/gains on pension scheme liabilities	(145)	(498)
(Loss) on curtailment	(7)	-
Actuarial (loss)/gain recognised in STRGL	<u>457</u>	<u>(761)</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 £457,000 (2011-12 a loss of £761,000).

Movement in (deficit) during year

	2013	2012
	£000	£000
Deficit in scheme at 1 August 2012	(1,833)	(1,017)
Movement in year:		
Current service cost	(304)	(278)
Employer Contributions	260	235
Net return on assets	(43)	(12)
(Loss)/gain on curtailment	(7)	-
Actuarial (loss)/gain	464	(761)
Deficit in scheme at 31 July 2013	<u>(1,463)</u>	<u>(1,833)</u>

Asset and Liability Reconciliation

	2013	2012
	£000	£000
Reconciliation of Liabilities		
Liabilities at start of period	5,842	4,813
Current service cost (net of employee contributions)	304	278
Interest cost	245	262
Employee contributions	83	83
Actuarial loss/(gain)	145	498
Loss/(gain) on curtailment	7	-
Estimated benefits paid	(118)	(92)
Liabilities at end of period	<u>6,508</u>	<u>5,842</u>

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS
Notes to the Accounts (continued)
Year ended 31 July 2013

	2013	2012
	£000	£000
Reconciliation of Assets		
Assets at start of period	4,009	3,796
Expected return on assets	202	250
Employer contributions	260	235
Employee contributions	83	83
Actuarial (loss)/gain	609	(263)
Estimated benefits paid	<u>(118)</u>	<u>(92)</u>
Assets at end of period	<u><u>5,045</u></u>	<u><u>4,009</u></u>

The estimated value of employer contributions for the year ended 31 July 2014 is £259,000 (2012-13 £252,000).

History of experience gains and losses

	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000
Difference between the expected and actual return on assets:					
Amount	609	263	147	207	(331)
Experience gains and losses on scheme liabilities:					
Amount	-	(37)	164	-	-
Total amount recognised in STRGL					
Amount	457	(761)	454	(49)	(815)

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)

	2013	2012
	£000	£000
Authorised and contracted for	<u>165</u>	<u>118</u>

HILLS ROAD SIXTH FORM COLLEGE GROUP ACCOUNTS

Notes to the Accounts (continued)

Year ended 31 July 2013

28. Financial Commitments (Group and College)

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

	2013	2012
	£000	£000
Other		
Expiring within one year	6	4
Expiring between two and five years inclusive	<u>24</u>	<u>29</u>
	<u>30</u>	<u>33</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 notes 1 and 13.

30. Amounts disbursed as agent

	2013	2012
	£000	£000
Balance unspent at 31 August 2012	3	1
Funding body grants	<u>57</u>	<u>41</u>
	60	42
Disbursed to students	(57)	(37)
Administration costs	<u>(3)</u>	<u>(2)</u>
Balance unspent at 31 July 2013	<u>-</u>	<u>3</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.