

HIGHBURY COLLEGE

**Report and Financial Statements
For the year ended 31 July 2015**

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Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

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

The Corporation was incorporated as Highbury College.

Mission

The College's mission, as approved by the Corporation is:

"To enable all our students to succeed."

Vision

Highbury College has developed an ambitious and challenging vision for a 21st Century College. The vision is for the College to be 'a world-class learning enterprise, leading the way, transcending borders

- Transforming and enriching lives.
- Pioneering innovative approaches to education and training.
- Inspiring ambition and co-creating sustainable futures with individuals, entrepreneurs, businesses and communities.
- Serving our diverse stakeholder communities with pride and passion.
- An influential organisation, recognised for excellence locally, nationally and internationally'.

At the heart of this vision is the College mission which is 'to enable all our students to succeed'.

Strategic priorities for realising the vision and mission include:

- Student Success
- Innovation and Enterprise
- Growth
- Reputation
- Leadership
- Financial Health

Operating and Financial Review (continued)

Financial objectives

The College's performance measured against the targets set for financial performance in 2014/15 were:

Financial Objective	Target	Actual
Liquidity - Cash Days in Hand	minimum 15 days	76
Liquidity – Current Ratio	>= 1.5	2.08
Expenditure -Pay Costs as a % Income (exc restructure costs)	Less than 65%	65%
Margin-Operating Result on continuing operations	break even (exclusive of the effects of FRS17)	(£0.74m)
Margin -Operating result as a % of income	Greater than 5%	0.4%
Income- % of Income that is not SFA/EFA	Greater than 30%	29.7%
Gearing – Long Term Debt as a % of Net Assets	Less than 20%	12.8%
Cash – Net Cash Inflow from Operating Activities	Should be > £1m	(£0.8m)

FINANCIAL POSITION

Financial Results

The College achieved the targets in 4 of the 8 performance measures. The operating result has been adjusted for the effects of FRS17, unadjusted the operating deficit is (£763k) (2013/14 operating surplus £292k). The general reserves have also been adjusted for FRS 17, unadjusted the general reserves are £17.3m and a cash surplus of £4.4m. The three year financial forecast submitted by the College as at 31 July 2015 indicates that the college should be classified by the SFA as a "Good" College in terms of financial health.

The book value of Tangible fixed asset additions during the year amounted to £1.1m. This was split between land and buildings acquired of £0.5m and equipment purchased of £0.6m

The College has significant reliance on the funding bodies for its principal funding source, largely from recurrent grants. In 2014/15 the funding bodies provided 72% of the College's total income.

The College has three subsidiary companies, Highbury College Commercial Services Ltd., NH Training Services Ltd and Highbury College Nigeria Ltd. Highbury College Nigeria Ltd did not trade during the year. Highbury College Commercial Services Ltd was used for the trade generated by the student accommodation block.

NH Training Services Ltd was established in 2014/15 and provides commercial IT training from centres based in the South Coast and the West Midlands. The company returned a deficit in the year of £0.35m as a result of the start up costs and costs of growing the business over the first year. The deficit was in accordance with that planned albeit that the income earned was less than that projected due to the later start of the West Midlands operation.

The College achieved over 95% of the SFA Adult Single Budget and achieved 96% of the Apprenticeship grant.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Principal.

All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum of the SFA.

Operating and Financial Review (continued)

Cash flows

At £0.8 (2013/14 £2.1m in-flow), operating cash out-flow was adequate.

Liquidity

The College has a working capital ratio of 2:1 and cash reserves of £4.4m.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2014/15 the College has delivered activity that has produced £14,741,000 in funding body main allocation funding (2013/14 – £17,131,000). In 2014/15 the College achieved the following student numbers:

	Target	Actual
16-18 Learners:	1,950	1,984

Student Achievements

In 2014/15 students achieved 88.4 % of their qualification aims (91.6% in 2013/14).

Curriculum Developments

The College's Curriculum Strategy supports and underpins the key priorities identified in the 2014 – 2016 Strategic Plan. The priorities over the next three years are:

- Priority 1: Student Success, Resilience and Employability
- Priority 2: Innovation and Enterprise
- Priority 3: Growth
- Priority 4: Reputation
- Priority 5: Leadership
- Priority 6: Financial Health

The Strategy has proved successful in providing a responsive curriculum which meets the needs of individuals and the College's diverse communities. In the College's 2011 inspection, Ofsted judged that the quality of provision was outstanding; inspectors noted: 'The extensive range of provision meets the needs of users extremely well. The majority of subject areas provide courses from entry level to higher education, providing coordinated progression routes. In many subjects, students have a broad range of options to best suit their needs and career aspirations, with specialist skills often available.'

Operating and Financial Review (continued)

The College continues to develop its curriculum offer and has entered partnership arrangements with Staunton Country Park and the Portsmouth Historic Dockyard to expand the offer of Animal Care Studies and Marine Engineering respectively. A new training subsidiary, NH Training Ltd, was established to develop and run professional IT training courses using the New Horizons global brand.

Growth of income of 10% was achieved from the apprenticeship programmes and the College also achieved growth of income from Higher Education programmes. As a consequence of Government policy, manifested by the cut to the Adult Skills Grant in 2014/15, the volume of provision delivered to adults declined in the year by 25%.

The College restructured the Academic Department structure at the end of 2014/15 to create more commercially focused Learning Companies. It is expected the new structure will enable a more commercial approach to curriculum development that allows the College to react and take advantage of the opportunities that will present themselves during 2015/16 and beyond.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2013 to 31 July 2015, the College paid 99 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period

RESOURCES:

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

Tangible resources include the Highbury Campus, Highbury City of Portsmouth Centre and the Highbury North Harbour Centre.

Financial

The College has £34.5 million of net assets (including £14.1 million pension liability) and long term debt of £6.6 million.

People

The College employs 478 people (expressed as full time equivalents), of whom 153 are teaching staff.

Operating and Financial Review (continued)

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES:

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. The group identifies systems and procedures, including specific preventable actions which should mitigate any potential negative impact on the College. The internal controls for managing risks deemed as medium and high are incorporated into an annual risk management action plan. The effectiveness of the College's internal controls in managing the risks identified is monitored by the Audit Committee for risks deemed as high, and through the College Leadership Team's monthly Business Results meetings for those deemed as medium and high. A thorough appraisal is undertaken in the subsequent year of the existing risks and any emerging risks, for example, those arising from changes to national funding policy and/or local circumstances. In addition to the annual review, the Risk Management Group will also consider any risks which arise during the year, for example, as a result of a new area of work being undertaken by the College. These new risks will be added to the plan and submitted to Corporation for approval of the risk rating and the mitigating actions to manage the risk.

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

The College's approach to risk management is supported by a risk management training programme which raises awareness of risk throughout the College. In addition, Heads of Department and Heads of Business Support Groups incorporate risk management in their self-assessment reports and quality improvement plans.

The principal risk factor that may affect the financial viability of the College is that of the uncertainty surrounding future levels of Government funding.

The College is reliant on government funded programmes from the Skills Funding Agency (SFA), the Education Funding Agency (EFA) and HEFCE for 72% of the College's income (2014/15). There is every likelihood that there will be further reductions in funding for further education and the College continues to seek ways of reducing reliance on public funding and increasing priority funding streams; notably International, students aged 16 -18 and apprenticeships.

Operating and Financial Review (continued)

The forthcoming Comprehensive Spending Review is likely to result in further reductions to funding for further education colleges. The impact on the College may be significant. Whilst the strategies to diversify and grow non-government funded provision will continue the potential cut to the government grant may be such that the loss in funding may not be easily replaced by growth in alternative income streams and/or further efficiency savings on costs.

In such a scenario it is likely that the solution will lay only at institutional level. The Regional Area Review initiative currently being implemented by the Government will consider options at institutional level that will safeguard further education provision in the Solent region.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- Funding councils and FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/ LEP;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

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

Equal opportunities and employment of disabled persons

Highbury College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

Operating and Financial Review (continued)

The College's Equal Opportunities Policy and Single Equality Scheme, including its Race Relations and Transgender policies are published on the College's Internet site.

The College values equality and celebrates diversity and welcomes applications from people with disabilities. Through its Human Resources Policies and Procedures the College seeks to ensure that:

- (a) Full and fair consideration is given to applications for employment from applicants with disabilities, having regard for any reasonable adjustments that are required.
- (b) That the College continues to support and assist staff who have a disability during their employment through making reasonable adjustments such as changing working hours or work patterns, additional equipment, appropriate training or retraining.
- (c) That staff with disabilities have equitable opportunities for training, career development and promotion.

The College, through the Equality and Diversity Committee, monitors these requirements.

Disability Statement

Disability Statement – Policy

Highbury College is committed to equality of opportunity for all students, including those with learning difficulties and/or disabilities. The College aims to provide appropriate support to enable students to benefit from their studies, and intends to continue developing such provision within the guidelines of the Equality Act 2010 and previously the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005.

The aim of Highbury College is that students with learning difficulties or disabilities should be fully included wherever possible. For those who are not ready for inclusion, the College also offers a range of entry and foundation courses and other personalised provision. Students with learning difficulties or disabilities are interviewed in the same way as any other student with an additional confidential interview on the same day with a specialist member of staff, to discuss individual support needs.

Disability Statement - Educational Support

The Learning Support Service employs staff with experience in working with students who have difficulties with English, mathematics, language, study skills or specific learning difficulties such as dyslexia. Support is delivered at Entry and Foundation levels through discrete contextualised English and workshops or individually for students with language or learning difficulties or disabilities on both discrete and main programmes. These support needs are identified through initial and diagnostic assessments. All support is delivered in rooms that are accessible to students with mobility difficulties.

Equal opportunities and employment of disabled persons (continued)

The College employs a team of specialists who are responsible for students with learning difficulties and/or disabilities. A team of learning assistants support groups and individual students in classrooms, workshops and other practical vocational areas. British Sign Language communicators are available for students with hearing impairment.

The Leadership Team of Highbury College is committed to provide a safe and healthy work place and to protect the health and safety of all staff, students and any other persons that may be affected by the College's activities. Using the process of risk assessment, the College will make reasonable adjustments to working practices or premises so that best practice can be employed to provide appropriate support for students with learning difficulties or disabilities.

Disability Statement – Complaints Procedure

Highbury College has a formal complaints procedure, which is explained to students during induction. Where a student with disabilities or learning difficulties wishes to make a complaint and needs assistance with this, support will be given. Feedback forms for informal student feedback are also available for informal comments.

Disability Statement - Examinations and Assessments

Where students require special arrangements for examinations or assessments e.g. extra time, reader or writer, this can be discussed in confidence. The first stage of an internal assessment is to meet with a specialist member of the College staff. The College will liaise with the Exam Board or Lead Assessment Body, and where an external assessment is required, e.g. an Educational Psychologist assessment, the College is able to make arrangements for this with current students. Special arrangements are at the sole discretion of the Exam Board or Lead Assessment Body. If a separate room, additional invigilator or reader/writer are approved by the Examining Body, the College is able to provide these for current students.

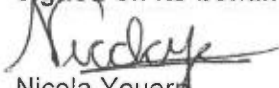
Disability Statement – Physical Access

Much of Highbury is accessible to people with disabilities and it is College policy to use, wherever possible, accessible rooms for groups, which include a student or students with disabilities.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 18 December 2015 and signed on its behalf by:


Nicola Youern
Chair of Governors

Operating and Financial Review (continued)

Professional advisers

Financial statement and regularity auditors:

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)
Highfield Court
Tollgate
Chandlers Ford
Eastleigh
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SO53 3TY

Internal auditors:

Hampshire County Council
The Castle
Winchester
Hampshire
SO23 8UB

Bankers:

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46-48 Arundel Street
Portsmouth
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PO1 1TD

Barclays Bank
Southampton City 2 Branch
50-52 London Road
Southampton
Hampshire
SO15 2SF

Svenska Handelsbanken AB
Portsmouth Branch
Ground Floor
1000 Lakeside
Western Road
Portsmouth
PO6 3EN

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

- i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. In full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
- iii. Having due regard to the UK Corporate Governance Code ("the Code") in so far as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Foundation Code.

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2015. 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. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in July 2012.

Public Benefit

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

Highbury College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 16.