

# **REPORT & FINANCIAL STATEMENTS 2022/23**

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**HERTFORD  
REGIONAL  
COLLEGE**



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## Management Personnel, Board of Governors and Professional advisers

### Key management personnel

Key management personnel are defined as members of the Senior Leadership Team and were represented by the following in 2022/23:

**T. Medhurst - Principal and CEO; Accounting Officer**  
**A. Clare – Deputy Principal Finance & Resources**  
**O. Oliver – Associate Director**  
**K. Dougherty – Vice Principal Enterprise & Innovation**  
**K. Fleet – Director of HR & Corporate Development (August 2022 to March 2023)**  
**S. McGrath – Interim Director of HR & Corporate Development (June 2023 and ongoing)**  
**A. Oppenshaw – Interim Director of HR & Corporate Development (April 2023 to May 2023)**  
**A. Mclean – Vice Principal Curriculum & Quality**

### Board of Governors

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

Ms J Chaplin acted as Clerk to the Corporation July 2022/23

### Professional advisers

#### Financial statements and Regularity auditors:

MHA  
2 London Wall Place  
London  
EC2Y 5AU

\*Following a rebranding exercise on 15 May 2023 the trading name of the company's independent auditor changed from MHA MacIntyre Hudson to MHA

#### Internal auditors

Scrutton Bland LLP  
Fitzroy House,  
Crown Street  
Ipswich,  
Suffolk, IP1 3LG

#### Bankers:

Lloyds TSB plc  
1 Bircherley Street  
Hertford  
Herts  
SG14 1BU

#### Solicitors:

Mills & Reeve  
Francis House  
112 Hills Road  
Cambridge  
CB2 1PH



## Strategic Report

### NATURE, OBJECTIVES AND STRATEGIES:

The governing body present their annual report together with the financial statements and auditor's report for Hertford Regional College for the year ended 31 July 2023.

#### Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Hertford Regional College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation was incorporated as Hertford Regional College.

#### Mission

The College's mission, as reviewed and approved by the Corporation in 2023, is:

*Achieving sustainable economic and social impact through high quality responsive education and training, we are:*

- *Partnered by employers;*
- *Defined by our communities;*
- *Enriched by our staff;*
- *Inspired by individual success.*

#### Public Benefit

Hertford Regional College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government change in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 21.

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry & commerce and the local community
- Link with Local Enterprise Partnerships (LEPs)

#### Implementation of strategic plan

In 2022, the College adopted a five-year strategic plan 2022 to 2027. The years up to July 2026 of the strategic plan are supported by a three-year financial plan. The Corporation monitors the performance of the College against these and other plans.

The College's overall strategic objectives for the five-year period are grouped under six key themes, thus building on the four themes adopted by the College in the previous strategic plan. Progress will be reported on regularly at Governing Body and Committee Meetings against an agreed



accountability matrix. These objectives will be operationalised and supported by delivery plans and specific targets in line with team objectives and individuals' performance reviews as well as established local accountability measures.

The College's six key themes plus individual associated overarching objectives for the lifespan of this plan are:

<b>Students</b>	<b>"Preparing today's students to take advantage of tomorrow's opportunities."</b>
<b>Society</b>	<b>"Creating positive community impact by adding social value."</b>
<b>Product</b>	<b>"Meeting the skills needs of employers and ambitions of our students."</b>
<b>People</b>	<b>"Collaborating to deliver excellence."</b>
<b>Finance</b>	<b>"Achieving sustainability through investment."</b>
<b>Quality</b>	<b>"Moving towards demonstrable and sustainable excellence."</b>

More specifically as regards Finance the theme is set out as follows:

### **Finance:**

#### ***Achieving sustainability through investment and profit***

- To deliver the financial objectives outlined in the financial plan and, in so doing, maintain "good" or better financial health for the duration of this plan
- To ensure that the College operates within its bank covenants
- To invest in the College's future in a manner that promotes sustainability and associated values
- To implement a refreshed property and estates strategy, including both asset disposal, partnership activities and sustainability, in line with agreed strategic drivers and the underlying principles of being an anchor institution
- To seek investment to further develop the estates and resources of the College Group in line with agreed strategic drivers and underlying principles, adopting a place-based approach
- To further develop access to industry standard facilities through capital investment, sponsorship, and employer endorsement
- To look for and invest in mutually beneficial projects that lead to business growth and enhanced funding opportunities
- To adopt social value principles via sustainable procurement and purchasing, when appropriate, in line with the ambitions of an anchor institution
- To progress commercial opportunities, maximising the benefits for the collective or individual parts of the College Group, in line with agreed strategic drivers and underlying principles
- To further develop CK Assessment and Training and Herts Resourcing Group to the benefit of the College Group as a whole
- To maximise project opportunities, such as via the British Council, both through partnership/consortia/joint venture and sole institution bidding
- To increase community based and College based adult education delivery throughout the duration of the plan
- To achieve learner number targets generally being mindful of demographics, the expectations and requirements of stakeholders and the local delivery map
- To continue to prioritise and maximise progression opportunities between levels, to apprenticeships and HE subject to these being the most appropriate destination for the learner



- To further streamline financial systems to support the implementation of a fit for purpose business model for the College Group that meets the needs of stakeholders and internal customers

### **Ambition and Vision for 2022 to 2027:**

The College's ambition over the next five years is to become widely recognised as an **Anchor Institution** and, as a consequence, play a key and distinct role in building successful local economies and communities. The College believes it can directly support community wealth building, a people-centred approach to local economic development, which redirects wealth back into the local economy, and places control and benefits into the hands of local people.

Furthermore, anchor institutions must have a social role, namely a social purpose which enables the institution to develop mutually beneficial and sustainable relationships within the communities it serves and, in so doing, raising the aspirations of and improving the employment and life prospects of local people. The College must be recognised as adding **Social Value** which can be expressed generally as the quantification of the relative importance that people place on the changes they experience in their lives, in this case through interactions with the College specifically. The College believes that, by embedding a mindset where measuring community impact and adding social value are part of our culture, we can maximise both the value of our work and the benefit to those who access our services.

In addition, the College's strategic decision making must take account of a broader definition of value than just financial impacts and imperatives. The impact of the College's decisions on people and the environment are valued and included in how we make decisions, we value the part College activities can play in creating the changes we need for a more equitable society and sustainable planet.

Finally, this requires a change in relationships, both internally and externally. We are continuing the journey to move from **Transactional to Transformational** in our approach to relationship management whilst continuing to meet the needs of individuals and the wider communities we serve, including students, staff, employer partners, collaborative partners and stakeholders in general.

### **Strategic Drivers and Underlying Principles:**

The following are considered as the key strategic drivers and underlying principles for the lifetime of this plan and the College is committed to responding to these as part of its overall strategy.

#### ***1 – Local Skills Improvement Plan (LSIP)***

The College has an excellent working relationship with local employers and stakeholders and looks forward to the forthcoming meaningful engagement and dialogue with employer representative bodies in respect of the future skills needs of the communities it serves that will, in turn, result in a set of deliverables aligned to the LSIP itself. It will also continue to meet the wider skills needs of the county as identified by the Hertfordshire Local Enterprise Partnership (LEP).

#### ***2 – Local Plans: Broxbourne and East Herts***

The College works closely with the two local authority areas, associated employer partners and stakeholders in which its campuses are located. The new and ambitious local plans will provide further opportunities for the College to shape our curriculum offer, including apprenticeships, to meet local needs in key employment sectors and the needs of the predominantly small and medium enterprise (SME) based local economy. In addition, the College will aim to instil a commitment to



lifelong education amongst adults in the communities we serve linked to new local employment opportunities as a result of inward investment.

### **3 - T Levels**

The College will commence delivery of the government's flagship "T Level" qualifications in September 2023 and many of our students are already benefiting from the industry placement model that forms an important part of the T Level offer. Transition to these and any other new qualifications will inform much of our curriculum planning over the lifetime of this plan.

### **4 –Adult Education**

The College looks forward to continuing to be a significant provider of adult education and skills to the population of North and East London via the GLA devolved budget. The College will work to deliver the Skills for Londoners Strategy as it continues to develop during the period of this plan. The key focus of the delivery of the ESFA national adult education budget will be to support the upskilling of communities in Hertfordshire and Essex to access new and better jobs. In addition, the College will work towards supporting any future and further devolution plans for adult learning, sub regionally and regionally, throughout this planning period and beyond.

### **5 – Higher Level Skills**

The College is committed to delivering high quality and affordable local HE provision as part of the University of Hertfordshire Consortium and independently, up to and including Level 6 qualifications, for example BA Hons. The College welcomes the status and priority being placed on technical and professional education at Levels 4 and 5 and would welcome being included as a full partner in any future Institute of Technology bid to meet the higher level skills needs of the communities it serves.

### **6 – Learners with Additional Needs**

The College is committed to excellence in this area by providing outstanding education and support appropriate to the needs of individual learners in both specialist and mainstream areas. This focuses on maximising the potential of each individual learner, celebrating their successes, and providing a safe and secure environment for them to develop both educationally and personally.

### **7 – Sustainability**

The College is committed to working towards ever more sustainable working practices aligned to an investment programme that will facilitate this. Decision making, including purchasing, will be informed by this imperative. The College aspires to having a curriculum offer with sustainability at its heart.

### **8 – Equity, Diversity, and Inclusion**

The College prides itself on having an inclusive and welcoming environment in which all persons, students, and staff, can thrive and achieve. We look to embrace difference and diversity of identity, experience, and thought, and actively strive for inclusive behaviours across our workforce and student body whilst demanding the same from our partners and stakeholders.

### **9 – Collaboration**

The College seeks to work with like-minded partners, inside and outside of the skills sector, who can demonstrate a shared vision and operating ethos and value the "win/win" approach that partnership working can bring. Collaborative working to meet the needs of key employment sectors in the communities we serve will continue to be prioritised as will supporting collaborative partnerships in the skills sector locally, regionally, and nationally.



### **10 – Strategic Investment**

The College will continue to prioritise investment in capital and other projects that support the enhancement of facilities for learners and/or provide commercial opportunities for the College above other considerations whilst being mindful of its stated commitments to sustainability and equity, diversity and inclusion and the principles of being an anchor institution.

### **11 – Society**

The College seeks to constantly remind ourselves of our societal responsibilities, particularly with our younger learners to ensure that, when they progress from the College, they are equipped with the skills to play an active role in both their local economy and community. This will extend to staff in the form of a programme to support community volunteering.

### **12 – Enterprise and Entrepreneurship**

The College will apply the principles of enterprise and entrepreneurship across our curriculum and programme offer, reflecting the need to create a mindset in our learners of all ages that is both solutions focussed and reflective of 21<sup>st</sup> Century business needs. We will support those students who want to become job creators in their local communities and, by so doing, will generate community wealth and job opportunities for others, including future students of HRC, and attract inward investment for the betterment of all.

### **13 – Strong Governance**

The College is committed to having a diverse group of active, committed, and knowledgeable governors who will shape the future strategic direction of the College, can both support and challenge accountable officers, act as advocates for the College externally and embody the College's values and behaviours. The work of the governing body will be reviewed regularly and independently during the lifetime of this plan.

### **14 – Staff Retention and Recognition**

The College will continue to recruit and employ people across the College, irrespective of role, that will make an immediate difference and a positive contribution to the College's ambition, vision and mission and, as a consequence, the delivery of this plan. This will be supported by ongoing investment in CPD opportunities to develop both within the College and externally, thus supporting career progression. Traditional reward and recognition will be complimented by innovative and new models.

### **15 – Mental Health and Wellbeing**

The College is committed to supporting students and staff with their mental health and wellbeing by providing appropriate tools and support as well as promoting an open culture that will lead to positive mental health and wellbeing outcomes. We aspire to equipping our staff and students with the knowledge, resources, tools and confidence, to understand and look after both our own mental health and wellbeing and the mental health and wellbeing of those we work with, teach and study alongside.

### **16 – College Group**

The College is committed to supporting the ongoing and future development of its two wholly owned subsidiary companies, namely CK Assessment and Training Ltd and Herts Resourcing Group Ltd, receiving reports and business/investment plans for consideration at Governing Body and Committee Meetings. In addition, the College is committed to expanding the College Group if an opportunity presents that is consistent with the Ambition and Vision 2022 to 2027 expressed in this plan and the Mission Statement. “





**Behaviours and Values:**

**Revised in 2022/23 by staff these are:**

<b>Trust–</b> <i>We gain the trust and confidence of our colleagues and customers</i>
<ol style="list-style-type: none"> <li>1. We do what we say we will do, on time and to a high standard</li> <li>2. We provide honest feedback to learners, managers, colleagues and other customers about achievements and improvements needed</li> <li>3. We ensure our communications are clear, professional, and relevant to the recipient</li> <li>4. We adhere to policies and procedures</li> <li>5. We ask for help when needed, feel empowered to admit mistakes and we put things right</li> </ol>
<b>Enterprise –</b> <i>We are enterprising in the way we think commercially and respond to our customers</i>
<ol style="list-style-type: none"> <li>1. We respond to customers in a timely manner with solutions, using their feedback to bring about improvements</li> <li>2. We contribute unique selling points to market our products and services</li> <li>3. We seek out opportunities, suggest new ideas and use resources to enhance learning opportunities, build skills and achieve sustainability</li> <li>4. We adapt to employer requests and develop community links, contributing to the creation of employability opportunities for our learners</li> <li>5. We develop new curriculum to be responsive, integrate new technology and to best prepare learners for their future</li> </ol>
<b>Ambition –</b> <i>We are ambitious, setting realistic yet challenging goals to bring out the best in ourselves and our learners</i>
<ol style="list-style-type: none"> <li>1. We agree performance targets that contribute to team and strategic goals</li> <li>2. We set personal goals and strive to achieve</li> <li>3. We stretch and encourage learners and colleagues to achieve their ambitions</li> <li>4. We identify opportunities to innovate, work smarter and achieve more</li> <li>5. We measure our performance against agreed targets and take action accordingly</li> </ol>
<b>Motivation –</b> <i>We show our motivation by acting with energy, enthusiasm, and a drive to succeed</i>
<ol style="list-style-type: none"> <li>1. We demonstrate positive, passionate, professional behaviour when engaging with others</li> <li>2. We show determination in solving problems, resolving queries, and seeking innovative solutions</li> <li>3. We work collaboratively, share resources and encourage others</li> <li>4. We celebrate success and recognise achievement at every level</li> <li>5. We develop ourselves and others, so that we can be confident in our abilities to embrace challenges and maximise opportunities</li> </ol>
<b>Heart –</b> <i>We recognise that learners, customers, and colleagues are the heartbeat of our organisation</i>
<ol style="list-style-type: none"> <li>1. We demonstrate that learners, colleagues and customers are our priority and their future success is our focus</li> <li>2. We embrace inclusion and equity, value diversity, and strive to meet individual needs</li> <li>3. We are approachable and we consult with others as part of our decision making</li> <li>4. We consider the impact of the actions we take on learners, customers, colleagues, and the wider community</li> <li>5. We use industry expertise and experience to enhance learning</li> </ol>



<b>Respect – <i>We show respect for ourselves and others by valuing diversity, treating others with courtesy, and working collaboratively</i></b>
<ol style="list-style-type: none"> <li>1. We are professional, act with integrity and are empowered to challenge others who do not show respect</li> <li>2. We communicate in an appropriate and timely manner</li> <li>3. We are role models for the BRAVO behaviours</li> <li>4. We encourage a diverse range of people to share their views; we listen and take action</li> <li>5. We are on time and prepared for classes, meetings, and appointments</li> </ol>
<b>Commitment – <i>we are committed to the college and furthering its position within the communities it serves</i></b>
<ol style="list-style-type: none"> <li>1. We invest our time in tasks that bring about success for all</li> <li>2. We work with others to achieve a common goal</li> <li>3. We understand and positively promote our services to customers</li> <li>4. We demonstrate tenacity and resilience in our job role</li> <li>5. We are positive ambassadors for the college and its reputation, even when not at work</li> </ol>

### Financial objectives

The College's financial objectives are:

- to maintain a sound financial base (liquidity and solvency)
- to achieve an annual operating surplus
- to continuously improve financial management focused on each business unit generating a financial contribution
- to pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution
- to maintain a high quality, modern and effective learning environment through capital investment

A series of performance indicators have been agreed to monitor the successful implementation of the policies.



	<b>Financial Objectives</b>	<b>College Long Term Target</b>	<b>ESFA Target for Good Financial Health</b>	<b>Actual July 2023</b>
1	Financial Health	<b>Good</b>	<b>Outstanding</b>	<b>Outstanding</b>
2	Cash flow from operations (excluding exceptional funding)	<b>POSITIVE &gt;0</b>	<b>N/A</b>	<b>£4.4m</b>
3	Cash in Hand	<b>&gt;60 days</b>	<b>N/A</b>	<b>279</b>
4	Adjusted Current Ratio	<b>&gt;1.0</b>	<b>&gt;1.2%</b>	<b>2.3</b>
5	EBITDA as a % of Income (Cash based operating surplus)	<b>&gt;6%</b>	<b>&gt;5%</b>	<b>10%</b>
6	Balance on General Reserve	<b>&gt;0</b>	<b>N/A</b>	<b>£37m</b>
7a	Pay (excluding restructuring) to total income based on ESFA model	<b>&lt;60%</b>	<b>N/A</b>	<b>60.8%</b>
7b	Pay (excluding restructuring) to ESFA adjusted income excl Subcontracted income	<b>&lt;65%</b>	<b>N/A</b>	<b>68.1%</b>
8	Borrowing as a % of Income	<b>&lt;30%</b>	<b>&lt;40%</b>	<b>22%</b>
9	Borrowing as a % of net assets (excl. pension liability)	<b>&lt;40%</b>	<b>N/A</b>	<b>11%</b>

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The College is assessed by the ESFA as have an “Outstanding” financial health grading.

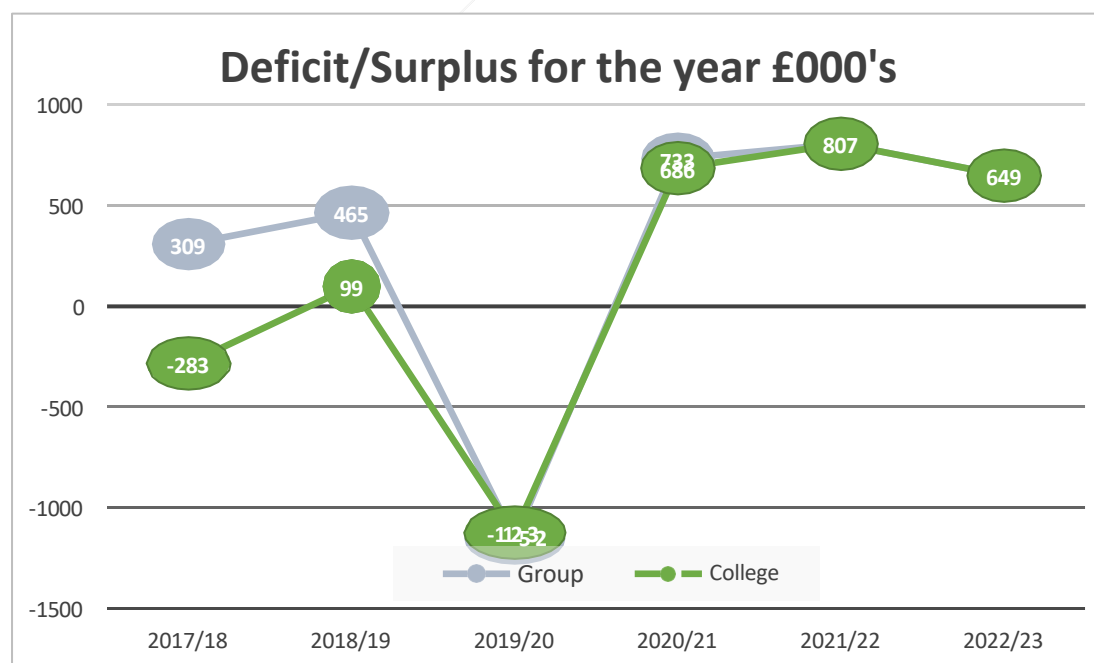


# FINANCIAL POSITION

## Financial results

	2022/23	2021/22
	£'000	£'000
<b>Underlying College Operating Surplus / (Deficit) (as per management accounts)</b>	536	630
Deduct CK loss / add back surplus for the year included in Group Accounts	163	177
Share of loss in associate	(50)	-
<b>Result for College including Subsidiary and Associate income</b>	<b>649</b>	<b>807</b>
Deduct Restructuring Costs	-	-
Add Gain on Disposal of Assets	-	-
<b>Group Result excluding Pension Adjustments</b>	<b>649</b>	<b>807</b>
Actuarial (Loss)/Gain on Pension Scheme	1,063	13,945
Pension Finance Costs/Pay Service Cost	(103)	(1,269)
<b>Group Comprehensive Income</b>	<b>1,609</b>	<b>13,483</b>

The Group generated a profit before other gains and losses in the year of £807k (2020/21 – £789k), with total comprehensive profit of £13,483k (2020/21 – £105k).





### Financial Results Continued

The College group has accumulated reserves of £36,889k and cash and short-term investment balances of £14,573k. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £738k. This investment related to investment in the College's stock of equipment including IT infrastructure and improvements to the College's estates.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2022/23, the funding bodies provided 80% of the College's total income.

The College has two subsidiary companies, CK Assessment and Training Limited, a plumbing and gas training company and purchased by the College in October 2013 and Hertford Resourcing Group, a staff resource company which commenced business in January 2017. Any surpluses generated by the subsidiaries are gifted aided to the College in the following year. In the current year, the gifted aided surplus from CK Assessment and Training Limited was £177k. The company made a profit of £163k in 2022/23 and will gift aid the full amount to HRC in 23/24. Herts Resourcing Group (HRG) did not generate any surplus.

### Treasury policies and objectives

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

The College has a treasury management policy in place within the finance regulations.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

### Cash flows & Liquidity

The Group saw a £4,394k inflow from operating activities (2021/22: £2,431k inflow). Outflow from investing activities was £671k (2021/22 £561k outflow) and from financing activities was an outflow of £714k (2021/22 £714k outflow) leaving a net increase in Cash and cash equivalents during the year of £3,009k (2021/22 – net increase £1,156k).

The College had borrowings at 31 July 2023 of £4,536k (2021/22 £4,986k)

### Reserves Policy

The College adopted a reserves policy to maintain general reserves, excluding pension liability of at least £20m as part of the three-year plan. The present level of reserves excluding revaluation reserve is £36.9m (2021/22 £35.2m).



## CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

### Financial health



The current financial plan, which includes a forecast of the statutory accounts, shows the financial health as Outstanding.

### Student numbers

In 2022/23 the College has delivered activity that has produced £17,345k in funding body grants (2021/22: £15,944k). Additional funding was received in year for Covid-19 response.

The College had 3,591 funded students and 474 unfunded students as set out in the table below. Both learners and enrolments refer to those who were enrolled for more than 42 days.

<b>Funded Students</b>	<b>Learners</b>	<b>Enrolments</b>
16-19	1,872	3,656
AEB	1,007	1,906
Apprentices	471	
HE	241	
<b>Total</b>	<b>3,591</b>	<b>5,562</b>
<b>Unfunded Learners</b>		
Full Cost	425	
Supported by FE Loans	49	
<b>Total</b>	<b>474</b>	

### Student achievements

The College has seen an overall increase in student achievement for 2022/23 after a decline in 2021/22 attributed to a wide range of factors associated with COVID. Overall achievement rates including English and Maths stood at 88%, and at 85% for vocational courses.

### Curriculum developments

The college has a proactive approach to supporting local people and communities in the context of the current economic climate. It continues to provide a broad range of learning opportunities in the vast majority of subject sector areas identifying clear pathways of progression for students from pre-entry to higher education, including full degree accreditation (BA Hons) in Visual Merchandising, Games Design & Performing Arts. In addition, the college continues to work strategically with key partners to deliver niche apprentice and adult provision within the local area. Responding to the curriculum reforms, September 2023 saw the successful introduction of the College's first T Level programmes in Digital and Construction.

A key focus for development currently and throughout 2023-24 is adult provision and our community offer to attract more adults into the college with the ultimate target to improve progression to more substantive adult and apprenticeship programmes, as well as growth of our Higher Level portfolio to meet local and national need.

### 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 2022 to 31 July 2023, 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.

### Post-balance sheet events

There were no post balance sheet events to report.

### Future developments

The ESFA 16-19 funding is based on a lagged funding methodology based on the previous year's numbers. The ESFA FE income for 16 to 19 (including 14-16 year olds and 19-24 year old learners with learning difficulties or disabilities) and adult learner responsive provision in 2023/24 has been confirmed as £14,243k.

The College financial plan seeks to increase 16-19 student numbers over the next three years from 1,869 in 2023/24 to 2,000 in 2025/26. Early indications from enrolment indicate that actual enrolments in 2023/24 will be in excess of 2,100. The increased funding for these additional students cannot be anticipated until 2024/25 due to the lagged nature of funding. This means that the College will be focusing on enabling higher than anticipated growth whilst continuing to improve efficiency and quality.

The College has prepared these accounts on a going concern basis. This is supported by:

- College budget for 2023/24 approved by Governors generates a surplus.
- College three year financial plans demonstrate its ability to generate positive cash flow in each year
- The College's ability to meet its bank covenants in the next 12 months and beyond

### RESOURCES:

#### Financial

The college group has £42,781k of net assets (with no pension liability) and £4,536k loans.



### People

By the end of the year, the College Group employed 317 people (expressed as full time equivalents), of whom 151 are teaching staff.

### Reputation

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

### PRINCIPAL RISKS AND UNCERTAINTIES:

The College has a documented Risk Management Policy and Procedures that detail the arrangements, roles and responsibilities for risk management within the College. The College's strategic and operational risks are captured and recorded on a central record, overseen by the Deputy Principal Finance and Resources who is the College's risk champion.

Risks are assessed against their impact of likelihood of materialising and all strategic risks are formally reviewed each term by the Senior Leadership Team with outcomes being advised to the Audit Committee via a risk management update report produced by the Deputy Principal Finance and Resources. Operational risks are overseen and maintained by various managers in the college and reviewed at the appropriate meetings.

Outlined below is a description of the keys factors that may impact on the college.

### Impact of COVID -19

The impact of COVID-19 has been reducing throughout 2022/23 as the college has had time to adapt its operations to the post Covid environment.

### Economic Environment

The economic environment is now overshadowed by inflation and rising interest rates. It is assumed that the volatile economic environment is fuelled by a combination of war in Ukraine and the Middle East, the aftermath of Covid and possibly the unidentifiable effects of Brexit. Whatever the cause, the impact on the College is very significant and likely to remain so for some time to come. The economic environment will be carefully monitored on an ongoing basis to ensure that the College is able to react to support learners in a time of uncertainty and change.

### Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and their higher education equivalent. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms. As already stated, the effect of inflation on the College's operating costs is significant and the way that the government reacts to the financial pressures that all Colleges are facing will have a major impact on how well the College is able to support students in the next year few years.

The College is aware of other issues which may impact on future funding, including the ongoing impact of apprenticeship reforms, the potential of further devolution of the adult education budget and any unforeseen consequences of the post COVID-19 environment. The reclassification of the college sector, regulatory and funding reforms already underway via DfE/ESFA such as Local Schools Improvement Plans (LSIPS) and Accountability Agreements, DfE qualification reform at all levels, along with the aforementioned economic and market conditions, are all continuing to shape the College's formal curriculum planning and delivery. The College is working with its key stakeholders to ensure a coherent and appropriate response is made to all of these areas.

These risks are mitigated in a number of ways:

- Working with staff and students to reduce energy usage
- Careful selection of energy contracts





- Ensuring the College is rigorous in delivering high quality education and training
- Seeking ways of more efficient delivery of teaching and learning and all support services including online and agile working
- Ensuring that the College is focused on those priority sectors, identified by the LSIP, LEP, local authorities and others, which will continue to benefit from public funding.
- Ensuring relevant staff have a comprehensive understanding of the funding arrangements and impacts
- Maintaining regular dialogue with the DfE/ESFA at all levels including, but not limited to, the Annual Strategic Conversation
- Maintaining regular dialogue with HCC and other authorities in respect of the ever growing number of high needs students

### **Tuition fee policy**

The College has a clear and transparent tuition fee policy with the majority of the courses having a fee assumption of 50%.

### **Maintain adequate funding of pension liabilities**

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

A significant change in inflation rate after years of stability caused a significant reduction in scheme liabilities in 2021/22. This has been reinforced with a further increase in reported scheme surplus during the year. Financial Reporting standards do not allow the recognition of surpluses unless there is an expectation of a refund or reduced contribution rates. The College does not feel it would be appropriate or prudent to recognise any surplus.

The College recognises that the resulting swing to a pension surplus or modest deficit may well swing back to a more significant deficit in future years.

The risk is mitigated by an agreed deficit recovery plan with the Hertfordshire County Council Pension Scheme.

### **Staff Recruitment**

The College, along with many other sectors and industries, is finding it difficult to recruit staff. In some cases this is due to the salaries that the College is able to offer such as when competing with the private sector, but in other cases it is due to a lack of available staff irrespective of salary level.

With the impact of rising levels of inflation this problem is expected to continue with staff looking for pay rises to help them cope with the inflationary pressures on their living costs. In the current job market with staff in demand the cost of recruiting staff is likely to rise still further.

The risk is mitigated by providing the best working environment possible, looking at ways to make staff feel valued, continuously reviewing the overall "package" offered to employees, providing staff with security at a time of economic upheaval and responding to inflationary pressures in pay awards as far as can be managed without compromising the financial viability of the College.

### **Failure to maintain the financial viability of the College**

The College's current financial health grade is classified as "Outstanding" as described above. This is a similar position to last year.

Notwithstanding this, the College faces another challenging year in 2023/24 with significant increases in student numbers that are not funded under the funding model until 2024/25. Costs associated with increasing numbers of students will need to be carefully managed to ensure sufficient resource is available to deliver a high quality experience for these students without over stretching the College's cost base in this interim year of significant growth.



Government funding (and inflation applied to this funding) for future years will be key to the long term effect on the College's financial position. It is particularly difficult this year to second guess the competing effects of constraints on public spending and the response of the government to inflation on government spending. As always further education funding levels will impact the student experience. These risks are mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

### Ofsted Requirements

The College was graded as Good in November 2021. Feedback included:

- Leaders and managers work effectively with employers to design curriculum and high quality education and training which equips learners and apprentices with the skills and knowledge required by the local and regional employment market. As a result, learners and apprentices progress to successful and rewarding careers in their chosen sectors.
- Learners and apprentices develop very good practical and academic skills because teachers and trainers continually challenge them to complete work to a very high standard. A significant proportion progress to higher levels of study or into well-paid work.
- Learners with high needs benefit from an ambitious and tailored curriculum which meets their individual needs very effectively. The internship programme enables learners to develop their communication skills and self-confidence to a good standard allowing them to lead independent or semi-independent lives.
- Tutors skilfully use assessment practice, including timely feedback, to help learners and apprentices improve their understanding and standard of work swiftly, and to develop their critical thinking skills very effectively.
- Teachers demonstrate high levels of technical knowledge and use industry standard resources to prepare learners appropriately for the world of work.
- Learners on FT programmes undertake additional activities to develop their character, resilience and independence very well, e.g. working with local charitable trusts helping learners to improve the lives of others and to become aware of those less fortunate in society.
- Learners studying FT programmes and apprentices benefit from a wide range of IAG services to help them decide on their next steps into education and/or employment.
- Governors provide effective support and challenge to leaders and managers. They have good oversight of the strengths and areas for development ensuring that leaders prioritise and focus appropriately.

The College continues to work towards Outstanding, since the results of an Ofsted inspection can impact on reputation and therefore on student recruitment.

The risk is mitigated in a number of ways through the continuous review, training and development of staff in all aspects of their role to ensure that the learner experience and learner outcomes are maximised.

### STAKEHOLDER RELATIONSHIPS

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

- Students
- Education sector funding bodies
- Staff
- Local employers (with specific links)
- Local Authorities
- Government Offices /LEP's
- Employer Representative Groups
- The Local Community



- Other FE/HE 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 stakeholder meetings.

### **Equality and Diversity**

Hertford Regional College is committed to achieving equality of opportunity, social inclusion and parity of esteem for all who study, work, visit and engage with the College. The College aims to ensure that in celebrating diversity it operates fairly irrespective of a person's sex, disability, age, pregnancy and maternity, race, marriage and civil partnership, religion or belief, sexual orientation, gender-reassignment, social background, trade union membership or activity and unrelated criminal convictions, or any other unlawful discrimination.

The College is committed to the elimination of discrimination, harassment and victimisation on any of the above grounds.

The College publishes an Annual Equality Report and 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 and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis

### **Disability statement**

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

- The college has staff whose roles include providing advice and arrangements for supporting where necessary for students and staff with disabilities.
- There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre
- The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy
- The College has made an investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities
- Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format
- Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction

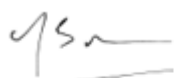


**Disclosure of information to auditors**

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 13<sup>th</sup> December 2023 and signed on its behalf by:

**N BUCKLAND OBE**  
Chair



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Nick Buckland (Dec 14, 2023, 5:03pm)  
**14 Dec 2023**





## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1<sup>st</sup> August 2022 to 31<sup>st</sup> July 2023 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty, and leadership).
- in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges' ("the Code").

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2023.

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



**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL  
(CONTINUED)**

**The Corporation**

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

**Committees**

- |                                           |                 |
|-------------------------------------------|-----------------|
| 1. Resources                              | 4. Remuneration |
| 2. Quality, Standards & Business Planning | 5. Audit        |
| 3. Search & Governance                    |                 |

Name of Member	Date of Appointment (A)/Reappointment (R)	Term of Office	Date of Resignation (R)/ Term Ended (E)	Status of Appointment	Committees Served	Attendance 2022/23
Ms M Al Toky	(A) Aug 23	1 year		Student	2	n/a
Ms V Bew	Oct 2023 (R)	4 years		Independent	2,3,4	80%
Mr N Buckland OBE	Aug 2021	4 years		Independent	1,2,3,4	79%
Ms L Burt	(A) Aug 2022	1 year	July 23 (E)	Student	2	40%
Mr T Chotai	Dec 2021	4 Years	June 23 (R)	Independent	5	0%
Ms P Davis	(A) July 2023	4 Years		Staff	2	0%
Ms J Dyne	Dec 2020 (R)	4 years		Independent	1,3,4	88%
Ms P Egbo	(A) Aug 2022	4 years		Independent	1	100%
Ms S Howells	(A) Aug 2022	4 years		Independent	1	100%
Mr R Irons	Mar 2019 (R)	4 Years	June 23 (E)	Staff	2	78%
Ms K Laffoley	(A) Aug 2022	1 year		Student	2	90%
Mr P McCallion	Feb 2020	4 Years	Oct 2022 (R)	Staff	2	0%
Ms C Mutuma	(A) Oct 2022	4 Years		Independent	1	100%
Mr T Medhurst	Principal	N/A		N/A	1,2,3	100%
Mr J Sills	Oct 2021 (R)	4 years		Independent	3,4,5	100%
Ms C Simmonds	Oct 2021 (R)	4 years		Independent	5	89%
Mr A Strembitskyy	Nov 2022	4 years		Staff	2	88%
Ms J Wickes	Oct 2023 (R)	4 year	Dec 23 (R)	Independent	5	100%
Mr N Buckland OBE was appointed as Chair of the Corporation from 01.08.22 to 31.07.23						
Ms J Chaplin acted as Clerk to the Corporation						
Overall Attendance 2022/23: Corporation 81%; Sector Ave = 82.49%						
Vacancies: (at 31 July 2023) 1 (Independent member)						



## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

### Corporation Business

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, quality and 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 monitoring and improvement, human resources and corporate development; and its statutory responsibilities including safeguarding and prevent, health, safety and welfare, and environmental and sustainability matters.

Meetings are held termly. The Corporation is supported in its work by a committee structure with each having terms of reference defining responsibilities to assist in the fulfilment of business:

Resources Committee	Quality, Standards & Business Planning Committee
Search & Governance Committee	Remuneration Committee
Audit Committee	

Additionally, responding to the Covid-19 pandemic and national lockdowns, a Governance & Leadership Group was established during 2019/20 to exercise oversight of and provide the Corporation with assurance and confidence regarding compliance with the arrangements for and the implementation of Covid-secure measures. Its existence remains to allow the immediate resumption of activity if required in such or similar circumstances.

Formal agendas, papers and reports are supplied to governors in a timely manner, seven days prior to Board meetings. Briefings are routinely provided.

The minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website [www.hrc.ac.uk](http://www.hrc.ac.uk) or from the clerk to the Corporation at: Hertford Regional College, London Road, Ware, Hertfordshire, SG12 9JF.

The Clerk to the Corporation maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

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

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 a clear division of responsibility in that the roles of the Chairman and Principal are separate.

### Corporation Membership & Appointments

Members of the Corporation are appointed for a term of office not exceeding 4 years. Membership is limited to two terms of four years.

All appointments to the Corporation are a matter for the consideration of the Corporation as a whole. Approval is considered following review by and recommendations from the Search & Governance Committee, the committee responsible for the recruitment of members.



## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

### Corporation Development and Support

To ensure and maintain strong governance performance, appropriate training is provided. Activities aim to inform, enhance, or refresh to maintain or further develop strong governance and promote the positive impact on governance performance with focus on:

- *Shared Values* – that underpin (i) effective governance and (ii) integrate College values and behaviours (TEAMHRC) into all aspects of business
- *The application of knowledge* - of the essential practical and theoretical information required for strong governance including developments and changes in (i) the environment and external stakeholders; (ii) finance, risk, regulation and compliance; (iii) culture, strategy and leadership; (iv) purpose and governance
- *Practice* – skills and expertise brought to and developed in role (i) planning, organising, and recording; (ii) influencing and coaching; (iii) problem-solving; (iv) advising and enabling

Activities are provided as an integral part of Corporation business with:

- Induction for new members
- Development sessions as part of Corporation and committee meetings, and the Corporation's Annual Conference, which includes link activities with curriculum areas.
- Training and refresher sessions to ensure continued compliance with statutory responsibilities
- Briefings between meetings on key and emerging topics and sector developments
- Members advised and given the opportunity to take advantage of other activities throughout the year.

Prioritised according to the identification of individual and collective need, policy and sector developments and activities to ensure a sufficient breadth of knowledge of the College, its learners, staff and community, further training and development is provided to the Corporation and its governance professional to facilitate:

- The Corporation in the effective support and challenge of performance and to inform strategic discussion and decision-making
- The governance professional in supporting, advising, and guiding the Corporation in the performance of its duties and the maintaining and development of strong governance.

### Corporation Performance

Performance is reviewed individually and as a Corporation.

Individual performance review informs succession planning, the identification of development needs and provides the opportunity for members to discuss their contribution to and the development of the work of the Corporation.

As part of the College annual self-assessment process, the Corporation reviews its performance and its influence and impact on College outcomes and quality improvement. Its conclusions inform and form part of the Leadership and Management Judgement in the College Self-Assessment Report.

Inspected by Ofsted in November 2021, governors were considered to provide effective support and challenge to leaders and managers, possessing good oversight of the strengths and areas of development, to ensure that leaders prioritise and focus appropriately to prioritise quality improvements “to enhance the learning experience and help learners achieve their educational and employment ambitions”.





## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

In the context of the Ofsted's findings and the reforms to strengthen governance set out in the then Skills for Jobs White Paper, the Corporation:

- Keeps under review its governance arrangements and remains satisfied that those in place remain efficient and effective
- Considered the requirement to have an external governance review every 3 years. It decided that such a review (which would not be a peer or auditor's review) would be undertaken during 2023/24. Arrangements are in place for this to take place within this timescale.

After reflecting on the business conducted, the conclusions of the Ofsted inspection and College performance, for the year-ended 31st July 2023, the Corporation review of its performance provides a self-assessed grade "good" on the Ofsted scale.

### The Search & Governance Committee

The Committee is responsible for and makes recommendations to the Corporation regarding re/appointments and succession planning, the support and development of members, and initiatives to ensure strong governance is maintained and enhanced.

Aligned with Corporation meetings, the Committee meets four times during the year, and reviews:

- The Corporation skills and diversity profile, to consider the overall breadth of professional expertise and experience, and how membership reflects the College community, to inform and provide the basis for member recruitment. The diversity profile shows an improved, greater reflection of the College communities across all characteristics, after addressing the previously identified absence in the 22-30 age group. However, recent membership changes, now highlight an absence in declared disability.
- Board applications and makes recommendations regarding re/appointment/s, after consideration of the Corporation skills and diversity profile. This includes co-opted positions in-line with the Board's Succession Plan
- The implementation of governance priorities for the year, with a focus during 2022/23 on (i) member development following membership changes, to ensure an individual and shared understanding of roles and responsibilities and the College strengths and areas for improvement; (ii) the review of governance arrangements and practice responding to the introduction of new requirements resulting from The Skills for Jobs White Paper and the ONS reclassification of colleges as part of central government
- Succession planning, and the governance arrangements and priorities for each academic year.

### The Remuneration Committee

The Committee's responsibilities are to review and to make recommendations to the Corporation regarding the arrangements and proposals for remuneration, benefits, and annual objectives for and performance of the Principal, holders other senior post and the Clerk to the Corporation.

Comprising four members of the Corporation, the Committee meets twice a year. The autumn term meeting reviews the performance of the respective post-holders at year-end and sets objectives for the new academic year. Additionally, in the context of the new compliance and reporting requirements, the committee reviewed and increased the time provided by the Clerk to the Corporation. The spring term meeting reviews performance at mid-year and considers remuneration.

Details of remuneration for the year ended 31 July 2023 are set out in note 8 to the financial statements.

### The Audit Committee

The Committee operates in accordance with Terms of Reference, which correspond with the requirements within the **Post-16 Audit Code of Practice**. It comprises five members of the Corporation



## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

and includes chartered accountants. Membership excludes the Principal, Chair of the Corporation, and members of the Resources Committee

Meeting on a termly basis, the Audit Committee provides an independent forum:

- For reporting by the College's internal, regularity and financial statement auditors, who have access to the Committee for independent discussion, without the presence of College management.
- Receiving and considering reports from the main funding bodies as they affect the College's business.
- Advising the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.
- For reviewing the management of risk to ensure the Corporation's key objectives are met and funds and assets are protected. Reflected the most pertinent risks, the Register is reviewed at each meeting. A more in-depth review undertaken annually of the Risk Register and the risks identified.

The College's internal auditors monitor 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.

### 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 misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Hertford Regional College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

#### *The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide a reasonable and not an absolute assurance of effectiveness.

The system of internal control is based on an ongoing 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 Hertford Regional College for the year ended 31 July 2023 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 ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2023 and



## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

up to date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

### *The risk and control framework*

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the 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;
- the adoption of formal project management disciplines, where appropriate.

Hertford Regional College has an internal audit service, which operates in accordance with the requirements of the Education and Skills Funding Agency Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

### *Review of effectiveness*

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

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework;
- comments made by the College's financial statements auditors, the regularity auditors, the appointed funding auditors (for colleges subject to funding audit) in their management letter and other reports.

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2023 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2023 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2023.




**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL  
(CONTINUED)**


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

**Going Concern**

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

Approved by order of the members of the Corporation on 13<sup>th</sup> December 2023 and signed on behalf by:

  
\_\_\_\_\_  
Nick Buckland (Dec 14, 2023, 5:07pm)  
**N BUCKLAND OBE**  
Chair  
14 Dec 2023

  
\_\_\_\_\_  
Tony Medhurst (Dec 14, 2023, 4:33pm)  
**T MEDHURST**  
Principal  
14 Dec 2023



## Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

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

We confirm, on behalf of the Corporation, that after due enquiry, and ***to the best of our knowledge***, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education and Skills Funding Agency terms and conditions of funding under the College's financial memorandum/funding agreement and contracts with the Education and Skills Funding Agency or any other public funder.

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



Nick Buckland (Dec 14, 2023, 5:03pm)

**N BUCKLAND OBE**

Chair

14 Dec 2023



Tony Medhurst (Dec 14, 2023, 4:33pm)

**T MEDHURST**

Principal

14 Dec 2023



## STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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 corporation's grant funding agreements and contracts with ESFA, the corporation – through its Accounting Officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the corporation and its surplus / deficit of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

The Corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the College and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and High Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them.





**STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION  
(CONTINUED)**

In addition, they are responsible for ensuring that funds from the Education and Skills Funding Agency and any other public funds are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that maybe prescribed from time to time by the Education and Skills Funding Agency, or any other public funder. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they 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 and Skills Funding Agency and any other public bodies are not put at risk.

**Approved by order of the members of the Corporation on 13<sup>th</sup> December 2023 and signed on its behalf by:**

  
\_\_\_\_\_  
**N BUCKLAND OBE**  
Chair

14 Dec 2023



## Independent Auditor's Report to the Corporation of Hertford Regional College

Year ended 31 July 2022

### Opinion

We have audited the financial statements of the Corporation of Hertford Regional College (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2023 which comprise the Consolidated and College statement of comprehensive income, the statement of changes in reserves, the Consolidated and College balance sheets, the Consolidated statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). In our opinion, the financial statements:

- give a true and fair view of the state of the Group and College's affairs as at 31 July 2023 and of the Group and College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education, UK GAAP and the current College Accounts Direction.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Governors with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The Governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance or conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements we are required to perform procedures to conclude whether there is a material misstatement of the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.



**INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HERTFORD REGIONAL COLLEGE – CONTINUED**

We have nothing to report in this regard.

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

We have nothing to report in respect of the following matters in relation to which the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

**Opinions on other matters prescribed in the Office for Students' Accounts Direction**

In our opinion, in all material respects

- funds from whatever source administered by the corporation for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by the Office for Students and the Education and Skills Funding Agency have been applied in accordance with the relevant terms and conditions.
- The requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

Under the Office for Students' Accounts Direction, we are required to report to you, if we have anything to report in respect of the following matters:

- The corporation's grant and fee income, as disclosed in note number 2 to the financial statements, has been materially misstated; or
- The corporation's expenditure on access and participation activities for the financial year, as disclosed in note number 9 to the financial statements, has been materially misstated

We have no matters to report arising from this responsibility.

**Responsibilities of the Corporation of Hertford Regional College**

As explained more fully in the Statement of Corporation Responsibilities on page 29 and 30, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Group and College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to liquidate the College or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect



**INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HERTFORD REGIONAL COLLEGE – CONTINUED**

of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

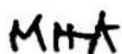
- Enquiry of management, those charged with governance and the Corporation's solicitors around actual and potential litigation and claims;
- Enquiry of Corporation staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.
- Reviewing minutes of meetings of those charged with governance;
- Reviewing internal audit reports;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

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



Rajeev Shaunak (Dec 20, 2023, 9:54am)

**MHA**

Chartered Accountants and Registered Auditor  
London, United Kingdom

Date 20 Dec 2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313).



## **Reporting Accountant's Assurance Report on Regularity to the Corporation of Hertford Regional College and the Secretary of State for Education acting through the Skills Funding Agency**

**To: The Corporation of Hertford Regional College and Secretary of State for Education acting through the Education and Skills Funding Agency ("the ESFA")**

In accordance with the terms of our engagement letter and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by the Corporation of Hertford Regional College during the period 1 August 2022 to 31 July 2023 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice ("the Code") issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) data returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the Corporation of Hertford Regional College and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Hertford Regional College and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Hertford Regional College and the ESFA for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of the Corporation of Hertford Regional College and the reporting accountant**

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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



**REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF HERTFORD REGIONAL COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE SKILLS FUNDING AGENCY (CONTINUED)**

The work undertaken to draw to our conclusion includes:

- An assessment of material irregularity and impropriety across all of the College's activities;
- Further testing and review of self-assessment questionnaire including inquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

**Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**MHA**

Rajeev Shaunak (Dec 20, 2023, 9:54am)

**MHA**

Chartered Accountants and Registered Auditor  
London, United Kingdom

Date 20 Dec 2023





# Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July		Year ended 31 July	
		2023	2023	2022	2022
		Group	College	Group	College
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Funding body grants	2	17,345	17,339	15,944	15,958
Tuition fees and education contracts	3	3,502	3,140	3,668	3,328
Other grants and contracts	4	151	151	126	126
Other income	5	737	741	808	613
Endowment and investment income	6	67	67	3	3
Donations and Endowments	7	-	163	-	176
<b>Total income</b>		<b>21,802</b>	<b>21,601</b>	<b>20,549</b>	<b>20,204</b>
<b>EXPENDITURE</b>					
Staff costs	8	12,780	12,090	12,140	11,325
Service and finance costs in respect of pension schemes	11	103	103	1,269	1,269
Fundamental restructuring costs	8	-	-	-	-
Other operating expenses	9	6,001	6,500	5,285	5,758
Depreciation	12	2,058	2,050	2,028	2,025
Interest and other finance costs	10	264	264	290	290
Amortisation		-	-	-	-
<b>Total expenditure</b>		<b>21,206</b>	<b>21,005</b>	<b>21,012</b>	<b>20,667</b>
<b>Surplus/(deficit) before other gains and losses</b>		<b>596</b>	<b>596</b>	<b>(463)</b>	<b>(463)</b>
Gain/Loss on disposal of assets	12	-	-	-	-
Share of Operating Surplus/(Deficit) in Associate	13	(50)	(90)	-	-
<b>Surplus/(deficit) before tax</b>		<b>546</b>	<b>506</b>	<b>(463)</b>	<b>(463)</b>
Taxation		-	-	-	-
<b>Surplus/(deficit) for the year</b>		<b>546</b>	<b>506</b>	<b>(463)</b>	<b>(463)</b>
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial gain/(loss) in respect of pensions schemes		1,063	1,063	13,945	13,945
<b>Total Comprehensive Income for the year</b>		<b>1,609</b>	<b>1,569</b>	<b>13,482</b>	<b>13,482</b>
<b>Represented by:</b>					
Unrestricted comprehensive income		1,609	1,569	13,482	13,482
Restricted comprehensive income		-	-	-	-
		<b>1,609</b>	<b>1,569</b>	<b>13,482</b>	<b>13,482</b>
<b>Surplus for the year attributable to:</b>					
Non controlling interest		-	-	-	-
Group		1,609	1,569	13,482	13,482
		<b>1,609</b>	<b>1,569</b>	<b>13,482</b>	<b>13,482</b>
<b>Total Comprehensive Income for the year attributable to:</b>					
Non controlling interest		-	-	-	-
Group		1,609	1,569	13,482	13,482
		<b>1,609</b>	<b>1,569</b>	<b>13,482</b>	<b>13,482</b>



## Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
<b>Group</b>			
<b>Balance at 31st July 2022</b>	35,280	5,892	41,172
Surplus/(deficit) from the income and expenditure account	546	-	546
Other comprehensive income	1,063	-	1,063
<b>Total comprehensive income for the year</b>	1,609	-	1,609
<b>Balance at 31st July 2023</b>	<b>36,889</b>	<b>5,892</b>	<b>42,781</b>
<b>College</b>			
<b>Balance at 31st July 2022</b>	35,786	5,892	41,678
Surplus/(deficit) from the income and expenditure account	506	-	506
Other comprehensive income	1,063	-	1,063
<b>Total comprehensive income for the year</b>			
<b>Balance at 31st July 2023</b>	<b>37,355</b>	<b>5,892</b>	<b>43,247</b>
	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
<b>Group</b>			
<b>Balance at 31st July 2021</b>	21,798	5,892	27,690
Surplus/(deficit) from the income and expenditure account	(463)	-	(463)
Other comprehensive income	13,945	-	13,945
<b>Total comprehensive income for the year</b>	13,482	-	13,482
<b>Balance at 31st July 2022</b>	<b>35,280</b>	<b>5,892</b>	<b>41,172</b>
<b>College</b>			
<b>Balance at 31st July 2021</b>	22,304	5,892	28,196
Surplus/(deficit) from the income and expenditure account	(463)	-	(463)
Other comprehensive income	13,945	-	13,945
<b>Total comprehensive income for the year</b>	13,482	-	13,482
<b>Balance at 31st July 2022</b>	<b>35,786</b>	<b>5,892</b>	<b>41,678</b>

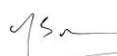


# Balance sheets as at 31 July

	Notes	Group	College	Group	College
		2023 £'000	2023 £'000	2022 £'000	2022 £'000
<b>Non Current Assets</b>					
Tangible fixed assets	12	60,804	60,804	62,123	62,116
Investments	13	-	503	-	503
Goodwill	14	-	-	-	-
		<b>60,804</b>	<b>61,307</b>	<b>62,123</b>	<b>62,619</b>
<b>Current assets</b>					
Trade and other receivables	15	1,092	1,074	1,045	916
Cash and cash equivalents	20	14,573	14,225	11,564	11,351
		<b>15,665</b>	<b>15,299</b>	<b>12,609</b>	<b>12,267</b>
<b>Less: Creditors – amounts falling due within one year</b>	16	<b>(7,628)</b>	<b>(7,299)</b>	<b>(4,859)</b>	<b>(4,547)</b>
<b>Net current assets</b>		<b>8,037</b>	<b>8,001</b>	<b>7,750</b>	<b>7,720</b>
<b>Total assets less current liabilities</b>		<b>68,841</b>	<b>69,307</b>	<b>69,873</b>	<b>69,339</b>
Less: Creditors – amounts falling due after more than one year	17	(25,970)	(25,970)	(27,701)	(27,701)
<b>Provisions</b>					
Defined benefit obligations	19	-	-	(960)	(960)
Other provisions	19	(90)	(90)	(40)	-
<b>Total net assets</b>		<b>42,781</b>	<b>43,247</b>	<b>41,172</b>	<b>41,678</b>
<b>Unrestricted reserves</b>					
Income and expenditure account		36,889	37,355	35,280	35,786
Revaluation reserve		5,892	5,892	5,892	5,892
<b>Total unrestricted reserves</b>		<b>42,781</b>	<b>43,247</b>	<b>41,172</b>	<b>41,678</b>

The financial statements on pages 33 to 60 were approved and authorised for issue by the Corporation on 13th December 2023 and were signed on its behalf on that date by:

**Nick Buckland OBE**  
Chair




Nick Buckland (Dec 14, 2023, 5:03pm)  
14 Dec 2023

20

Tony Medhurst (Dec 14, 2023, 4:33pm)

14 Dec 2023

**Tony Medhurst**  
Accounting Officer




Consolidated Statement of Cash Flows

	Notes	2023 £'000	2022 £'000
<b>Cash inflow from operating activities</b>			
Surplus/(deficit) for the year		546	(463)
<b>Adjustment for non cash items</b>			
Depreciation		2,058	2,028
Amortisation		-	-
Loss on disposal of fixed assets		-	-
(Increase)/decrease in debtors		(47)	(496)
Increase/(decrease) in creditors due within one year		692	655
Increase/(decrease) in creditors due after one year		795	(849)
Increase/(decrease) in provisions		50	-
Pensions costs less contributions payable		103	1,269
<b>Adjustment for investing or financing activities</b>			
Investment income		(67)	(3)
Interest payable		264	290
<b>Net cash flow from operating activities</b>		<b>4,394</b>	<b>2,431</b>
<b>Cash flows from investing activities</b>			
Investment income		67	3
Payments made to acquire fixed assets		(738)	(580)
		671	(561)
<b>Cash flows from financing activities</b>			
Interest paid		(264)	(290)
Repayments of amounts borrowed		(450)	(424)
		(714)	(714)
<b>Increase / (decrease) in cash and cash equivalents in the year</b>		<b>3,009</b>	<b>1,156</b>
Cash and cash equivalents at beginning of the year	21	11,564	10,408
Cash and cash equivalents at end of the year	21	14,573	11,564



## NOTES TO THE ACCOUNTS

### 1 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: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2020 to 2021* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

#### Basis of consolidation

At the year end Hertford Regional College had two subsidiaries, CK Assessment & Training Ltd and Herts Resourcing Group Ltd. The results of the subsidiaries have been included within the group accounts, with any inter entity trading and balances between the college and the subsidiary having been eliminated on consolidation. All financial statements are made up to 31 July 2023.

#### Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £4,536k of loans outstanding with bankers on terms negotiated in 2009. Additionally, there are no uncommitted facilities available for drawdown.

The financial statements have been prepared on a going concern basis. The College has considered relevant information, including the annual budget, forecast future cash flows and the impact of subsequent events in making their assessment.

Like most organisations worldwide, the COVID-19 pandemic impacted the College. In financial terms the impact of COVID-19 is now relatively small 2022/23. This is because the College is now more familiar with the COVID-19 environment, the impact of vaccines has made life more normal and the College has been able to adapt and plan for the changes required in its operations.

With the benefit of everything that has been learnt over the past years the College will continue to monitor the progress of the pandemic and adapt its plan accordingly.

In common with many organisations the College is facing and has faced significant increases in costs and, in particular, in energy costs due to the current global and national economic climate. The College has adapted its budget and has sufficient reserves to manage the impact of the higher costs over the coming 12 months and is carefully monitoring the position and its contracts to ensure that its secure financial position is retained in the medium to long term.



## NOTES TO THE ACCOUNTS

### 1 ACCOUNTING POLICIES (CONTINUED)

The effect of inflation is also making a difficult recruitment environment even more challenging and the College will continue to focus on how it can attract staff with the necessary qualities to deliver its operations at a cost that the College can afford.

The College's forecasts and financial projections indicate that in spite of the external macroeconomic uncertainty it will be able to operate within this existing facility and covenants for the foreseeable future. Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

#### Recognition of income

##### *Revenue grant funding*

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are recognised in line with the 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.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

Non-recurrent grants from the funding bodies 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.

##### *Capital grant funding*

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

##### *Fee income*

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors. Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

##### *Investment income*

Income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

#### Accounting for post-employment benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the 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).





## NOTES TO THE ACCOUNTS

### 1 ACCOUNTING POLICIES (CONTINUED)

#### *Teachers' Pension Scheme (TPS)*

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### *Hertfordshire Local Government Pension Scheme (LGPS)*

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of service and finance costs in respect of pension scheme as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised as part of service and finance costs in respect of pension scheme as incurred.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

In accordance with FRS102 criteria gains that would produce a scheme surplus / asset are only recognised when a refund or reduction in contributions can realistically be foreseen.

#### **Short Term Employment Benefits**

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

#### **Enhanced Pensions**

The actual cost of any enhanced ongoing 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 ongoing 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.

#### **Non-current Assets - Tangible fixed assets**

##### *Land and buildings*

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost, as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 40-50 years. Leasehold land and buildings are amortised over 10 years or, if shorter, the period of the lease.



## NOTES TO THE ACCOUNTS

### 1 ACCOUNTING POLICIES (CONTINUED)

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 any fixed asset(s) may not be recoverable.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but 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 102.

#### *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.

#### *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 quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

#### *Equipment*

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the period of acquisition unless it forms part of a project costing £5,000 or more, in total. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation.

Inherited equipment has been fully depreciated on a straight-line basis. All other equipment is depreciated over its useful economic life as follows:

Motor vehicles	-	4 years	General equipment	-	5 years
Computer equipment	-	4 years	Furniture and fittings	-	10 years

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.



## NOTES TO THE ACCOUNTS

### 1 ACCOUNTING POLICIES (CONTINUED)

#### Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

#### Leases

Operating lease rentals are charged to the income and expenditure account on a straight-line basis over the period of the lease.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

#### Investments and endowment assets

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.

#### Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore 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 companies are subject to corporation tax and VAT in the same way as any commercial organisation.

#### Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies.

#### 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.

#### Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks



## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES (CONTINUED)

and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

#### *Other key sources of estimation uncertainty*

- *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate and CPI. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2022 has been used by the actuary in valuing the pensions liability at 31 July 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.



## Notes to the Accounts (continued)

### 2 Funding council grants

	Year ended 31 July		Year ended 31 July	
	2023	2023	2022	2022
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency - adult	1,383	1,382	1,913	1,919
Education and Skills Funding Agency - 16-18	13,361	13,364	11,829	11,832
Education and Skills Funding Agency - apprenticeships	1,879	1,872	1,454	1,459
Higher Education Funding Council	58	58	45	45
<b>Specific Grants</b>				
Releases of government capital grants	661	661	703	703
HE grant	2	2	-	-
<b>Total</b>	<b>17,345</b>	<b>17,339</b>	<b>15,944</b>	<b>15,958</b>

### 3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2023	2023	2022	2022
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	664	302	706	367
Apprenticeship fees and contracts	55	55	44	43
Fees for FE loan supported courses	116	116	85	85
Fees for HE loan supported courses	698	698	663	663
<b>Total tuition fees</b>	<b>1,533</b>	<b>1,171</b>	<b>1,499</b>	<b>1,158</b>
Education contracts	1,969	1,969	2,170	2,170
<b>Total</b>	<b>3,502</b>	<b>3,140</b>	<b>3,668</b>	<b>3,328</b>

### 4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2023	2023	2022	2022
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Releases of other capital grants	136	136	107	107
Other grants and contracts	15	15	19	19
<b>Total</b>	<b>151</b>	<b>151</b>	<b>126</b>	<b>126</b>



Notes to the Accounts (continued)

5 Other income

	Year ended 31 July 2023		Year ended 31 July 2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other income generating activities	242	240	427	223
Miscellaneous income	489	501	375	390
CK Trading Income	6	-	6	-
	<b>737</b>	<b>741</b>	<b>808</b>	<b>613</b>

6 Investment income

	Year ended 31 July 2023		Year ended 31 July 2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank interest receivable	67	67	3	3
	<b>67</b>	<b>67</b>	<b>3</b>	<b>3</b>

7 Donations - College only

	Year ended 31 July	
	2023	2022
	£'000	£'000
Unrestricted donations	163	176
<b>Total</b>	<b>163</b>	<b>176</b>





Notes to the Accounts (continued)

8 Staff costs

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

	2023 Group No.	2023 College No.	2022 Group No.	2022 College No.
Teaching staff	151	139	152	136
Non teaching staff	166	157	151	142
	<b>317</b>	<b>296</b>	<b>303</b>	<b>278</b>
<b>Staff costs for the above persons</b>				
	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Wages and salaries	10,291	8,684	9,781	7,998
Social security costs	881	761	821	710
Other pension costs	1,603	1,555	1,501	1,469
<b>Payroll sub total</b>	<b>12,775</b>	<b>11,000</b>	<b>12,102</b>	<b>10,177</b>
Contracted out staffing services	5	1,090	38	1,148
	<b>12,780</b>	<b>12,090</b>	<b>12,140</b>	<b>11,325</b>
Fundamental restructuring costs - contractual	-	-	-	-
	<b>12,780</b>	<b>12,090</b>	<b>12,140</b>	<b>11,325</b>

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which comprises the Principal, Deputy Principal, Vice Principals, Director of HR and an Associate Director. Staff costs include compensation paid to key management personnel for loss of office.

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

	2023 No.	2022 No.
The number of key management personnel including the Accounting Officer was:	6	6

**Notes to the Accounts  
(continued)**

**8 Staff costs - Group and College**

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions and employer's national insurance but including benefits in kind, in the following ranges was:

	Key management personnel		Other staff	
	2023 No.	2022 No.	2023 No.	2022 No.
£60,001 to £65,000	1	-	3	-
£65,001 to £70,000	-	-	2	-
£70,001 to £75,000	-	2	1	-
£80,001 to £85,000	1	-	-	-
£85,001 to £90,000	-	1	-	-
£90,001 to £95,000	1	-	-	-
£130,001 to £135,000	-	1	-	-
£135,001 to £140,000	1	-	-	-
£140,001 to £145,000	-	1	-	-
£150,001 to £155,000	1	-	-	-
	<b>5</b>	<b>5</b>	<b>6</b>	<b>-</b>

Three members of staff were paid less than £60,000 but were on full time equivalent salaries of more than £60,000.

Key management personnel emoluments are made up as follows:

	2023 £'000	2022 £'000
Salaries - gross salary sacrifice and waived emolument	564	543
Bonus and other payments	10	-
Employers National Insurance	74	70
Benefits in kind	4	3
	<b>652</b>	<b>616</b>
Pension contributions	95	93
<b>Total emoluments</b>	<b>747</b>	<b>709</b>

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

	2023 £'000	2022 £'000
Salaries	146	140
Non consolidated payment	7	8
Benefits in kind	1	1
	<b>154</b>	<b>149</b>
Pension contributions	33	32



The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

The Accounting Officer's basic salary is 4.86 (4.64 2021/22) times the median basic pay of all corporation employees. The Accounting Officer's total emoluments (including pension contributions) are 5.16 (4.92 2021/22) times the median of all corporation employees basic pay including pension contributions. Both ratios are calculated on a full time equivalent basis and based on the July 2023 payroll (2021/23 July 2022 payroll).



Notes to the Accounts (continued)

9 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2023 Group	2023 College	2022 Group	2022 College
	£'000	£'000	£'000	£'000
Teaching costs	2,149	3,055	2,102	2,947
Non teaching costs	1,425	1,151	1,222	983
Premises costs	2,427	2,294	1,961	1,828
<b>Total</b>	<b>6,001</b>	<b>6,500</b>	<b>5,285</b>	<b>5,758</b>

Other operating expenses include:

	2023 £'000	2022 £'000
Auditor's remuneration:		
Financial statements audit	26	29
Internal audit	31	28
Other services provided by the financial statements auditors	8	-
Hire of assets under operating leases	106	106



## Notes to the Accounts (continued)

### 10 Interest payable - Group and College

	2023 £'000	2022 £'000
On bank loans, overdrafts and other loans:	264	290
On finance leases	-	-
<b>Total</b>	<b>264</b>	<b>290</b>

### 11 Service and finance costs in respect of pension schemes

	2023 £'000	2022 £'000
Pension finance costs (note 23)	(147)	226
Pension Staff Costs (note 23)	250	1,043
<b>Total</b>	<b>103</b>	<b>1,269</b>



## Notes to the Accounts (continued)

## 12 Tangible fixed assets (Group)

	Land and buildings	Equipment	Assets in course of construction	Total
	Freehold £'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2022	84,166	6,040	121	90,327
Additions	93	296	349	738
<b>At 31 July 2023</b>	<b>84,259</b>	<b>6,336</b>	<b>470</b>	<b>91,065</b>
<b>Depreciation</b>				
At 1 August 2022	23,797	4,407	-	28,204
Charge for the year	1,536	521	-	2,058
<b>At 31 July 2023</b>	<b>25,333</b>	<b>4,929</b>	<b>-</b>	<b>30,261</b>
<b>Net book value at 31 July 2023</b>	<b>58,926</b>	<b>1,408</b>	<b>470</b>	<b>60,804</b>
Net book value at 31 July 2022	60,369	1,633	121	62,123



## Notes to the Accounts (continued)

## 12 Tangible fixed assets (College only)

	Land and buildings	Equipment	Assets in course of construction	Total
	Freehold £'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2022	84,166	6,027	117	90,310
Additions	93	296	349	738
<b>At 31 July 2023</b>	<b>84,259</b>	<b>6,323</b>	<b>466</b>	<b>91,048</b>
<b>Depreciation</b>				
At 1 August 2022	23,796	4,398	-	28,194
Charge for the year	1,536	514	-	2,050
<b>At 31 July 2023</b>	<b>25,332</b>	<b>4,912</b>	<b>-</b>	<b>30,244</b>
<b>Net book value at 31 July 2023</b>	<b>58,927</b>	<b>1,411</b>	<b>466</b>	<b>60,804</b>
Net book value at 31 July 2022	60,370	1,629	117	62,116

Land and Buildings were valued in 1996 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.





Notes to the Accounts (continued)

13 Non current Investments

	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
Investments in subsidiary companies	-	503	-	503
Investments in associate companies	-	-	-	-
Share of Associates Loss	(50)	(90)	(40)	-
	(50)	413	(40)	503
Transfer to provision of losses in associate	50	90	40	-
<b>Total</b>	<b>-</b>	<b>503</b>	<b>-</b>	<b>503</b>

The College owns 100 per cent of the issued ordinary £1 shares of CK Assessment & Training Ltd, a company incorporated in England and Wales. The principal business activity of CKAT Limited is training of plumbing and gas students.

The College also owns 48 per cent of the issued ordinary capital shares of Hertvec Llc, the initial investment of £39k and has been written off. Hertvec Llc is in the process of being wound up.

14 Goodwill

	Group 2023 £'000	Group 2022 £'000
<b>Cost</b>		
Cost as at 1st August	503	503
<b>Balance at 31st July</b>	<b>503</b>	<b>503</b>
<b>Amortisation</b>		
Cost at 1st August	503	503
Charge for the year	-	-
<b>Balance at 31st July</b>	<b>503</b>	<b>503</b>
<b>Net Book Value as at 31st July</b>	<b>-</b>	<b>-</b>



Notes to the Accounts (continued)

15 Trade and Other Receivables

	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
Amounts falling due within one year:				
Trade receivables	371	278	416	197
Prepayments and accrued income	478	553	496	586
Amounts owed by the ESFA	243	243	133	133
<b>Total</b>	<b>1,092</b>	<b>1,074</b>	<b>1,045</b>	<b>916</b>

16 Creditors: amounts falling due within one year

	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
Bank loans and overdrafts	2,514	2,514	438	438
Trade payables	553	554	976	855
Other taxation and social security	256	150	229	200
Accruals and deferred income	1,760	1,552	1,313	1,151
Other Creditors	198	182	124	124
Deferred income - government capital grants	781	781	801	801
Amounts owed to the ESFA	1,566	1,566	978	978
<b>Total</b>	<b>7,628</b>	<b>7,299</b>	<b>4,859</b>	<b>4,547</b>

17 Creditors: amounts falling due after one year

	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
Bank loans	2,022	2,022	4,548	4,548
Deferred income - government capital grants	23,948	23,948	23,153	23,153
<b>Total</b>	<b>25,970</b>	<b>25,970</b>	<b>27,701</b>	<b>27,701</b>



Notes to the Accounts (continued)

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
In one year or less	2,514	2,514	438	438
Between one and two years	245	245	2,524	2,524
Between two and five years	821	821	505	505
In five years or more	956	956	1,519	1,519
<b>Total</b>	<b>4,536</b>	<b>4,536</b>	<b>4,986</b>	<b>4,986</b>

The College has two fixed rate bank loans and is repaying by instalments as follows: £4.5m loan with an end date of July 2031 at 5.45% £3.5m loan with an end date of July 2024 at 5.52%.



**Notes to the Accounts  
(continued)**

**19 Provisions**

	<b>Group and College</b>		
	<b>Defined benefit Obligations</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2022	960	40	1000
Additions		50	50
Expenditure in the period	103	-	103
Actuarial Gain	(1,063)	-	(1063)
<b>At 31 July 2023</b>	<b>-</b>	<b>90</b>	<b>90</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 23.

**20 Cash and cash equivalents**  
**Group**

	<b>At 1 August 2022</b>	<b>Cash flows</b>	<b>Other changes</b>	<b>At 31 July 2023</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	11,564	3,009	-	14,573
Overdrafts	-	-	-	-
<b>Total</b>	<b>11,564</b>	<b>3,009</b>	<b>-</b>	<b>14,573</b>

**College**

	<b>At 1 August 2022</b>	<b>Cash flows</b>	<b>Other changes</b>	<b>At 31 July 2023</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	11,351	2,874	-	14,225
Overdrafts	-	-	-	-
<b>Total</b>	<b>11,351</b>	<b>2,874</b>	<b>-</b>	<b>14,225</b>

**22 Capital commitments**

	<b>Group and College</b>	
	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted for at 31 July	53	134



Notes to the Accounts (continued)

21 Lease Obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	Group and College	
	2023 £'000	2022 £'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	92	79
Later than one year and not later than five years	-	-
later than five years	-	-
	<u>92</u>	<u>79</u>
<b>Other</b>		
Not later than one year	14	21
Later than one year and not later than five years	-	-
later than five years	-	-
	<u>14</u>	<u>21</u>
<b>Total lease payments due</b>	<u><b>106</b></u>	<u><b>100</b></u>

22 Events after the reporting period

There are no events after the reporting period



Notes to the Accounts (continued)

**23 Defined benefit obligations**

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Wessex Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Hertford Local Authority. Both are multi-employer defined-benefit plans.

**Total pension cost for the year**

	<b>2023 £'000</b>	<b>2022 £'000</b>
Teachers Pension Scheme: contributions paid	817	803
Local Government Pension Scheme:		
Contributions paid	723	666
FRS 102 (28) charge	250	1,043
Charge to the Statement of Comprehensive Income	973	1,709
Enhanced pension charge to Statement of Comprehensive Income	-	-
<b>Total Pension Cost for Year</b>	<b>1,790</b>	<b>2,512</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2020 and of the LGPS 31 March 2019.

Contributions amounting to £171k (2022: £161k) were payable to the scheme and are included in creditors.

**Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education (the DfE) in October 2023. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222 billion giving a notional past service deficit of £40 billion.

As a result of the valuation, new employer contribution rates were set at 28.6% of pensionable pay from April 2024 onwards (compared to 23.6% during 2022/23. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2024-25 financial year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £817,054 (2022: £803,415)



**Notes to the Accounts (continued)**

**23 Defined benefit obligations (continued)**

**FRS 102 (28)**

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

**Local Government Pension Scheme**

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Hertford Local Authority. The total contribution made for the year ended 31 July 2023 was £930,793 of which employer's contributions totalled £722,653 and employees' contributions totalled £208,140. The agreed contribution rates for future years are 21.9% for employers and range from 5.5% to 12.5% cent for employees, depending on salary according to a national scale.

**Principal Actuarial Assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2022 updated to 31 July 2023 by a qualified independent actuary.

At the year end, the initial actuarial report from the Scheme Actuary reported a net pension asset of 5.5m.

When the Scheme gives rise to a potential asset position, the Governors are required to assess the basis for recognising an asset on the balance sheet against the FRS102 criteria, this being "An entity shall recognise the plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or refunds from the plan." In using the word "shall", the emphasis is placed upon the College to consider the value of such an asset, rather than whether an asset should be recognised in the first instance. Accordingly, the College has considered the value at which they can benefit from either (1) refunds from the plan or (2) reduced contributions. As the College intends to continue to participate in the LGPS, the likelihood of a refund being due from the Scheme has been deemed as remote and not practically achievable.

Secondly, the College has undertaken an exercise to assess the Minimum Fund Contributions (MFR) due to the Scheme in order to calculate the net present value of the asset which will be the value of a perpetuity of the future service cost minus the prevailing primary rate. The outcome of this calculation has shown that the College is unlikely to gain economic benefit from a reduction in future contributions.

Accordingly, the college has made an impairment charge on the asset reducing the net position at the year ended 31 July 2023 to £Nil. Therefore, no defined benefit pension asset has been included in the financial statements.

	At 31 July 2023	At 31 July 2022
Rate of increase in salaries	3.5%	3.15%
Future pensions increases	3.0%	2.75%
Discount rate for scheme liabilities	5.05%	3.50%





# Notes to the Accounts (continued)

## 23 Defined benefit obligations (continued)

### Local Government Pension Scheme (Continued)

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post April 2008 service.

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI2018 model, an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and females.

	At 31 July 2023 years	At 31 July 2022 years
<i>Retiring today</i>		
Males	21.5	21.9
Females	24.6	24.4
<i>Retiring in 20 years</i>		
Males	21.9	22.9
Females	25.6	26.0

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

	% of Total Assets at 31 July 2023	Fair Value at 31 July 2023 £'000	% of Total Assets at 31 July 2022	Fair Value at 31 July 2022 £'000
Equities	52%	22,963	48%	21,901
Bonds	24%	10,598	25%	11,407
Property	14%	6,183	15%	6,844
Cash	10%	4,416	12%	5,475
<b>Total market value of assets</b>		<b>44,160</b>		<b>45,627</b>
Present value of plan liabilities		(44,160)		(46,587)
[Present value of unfunded liabilities]		-		-
<b>Surplus / (Deficit) in the Scheme</b>		<b>-</b>		<b>(960)</b>



Notes to the Accounts (continued)

Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2023 £'000	2022 £'000
<b>Amounts included in staff costs</b>		
Current service cost	970	1,729
Employers contributions	(720)	(686)
Past service cost	-	-
<b>Total</b>	<b>250</b>	<b>1,043</b>
<b>Amounts included in investment income</b>		
Net interest income	(147)	226
	<b>(147)</b>	<b>226</b>
<b>Amounts recognised in Other Comprehensive Income</b>		
Return on pension plan assets	3,178	1,537
Other experience	6,174	(137)
Changes in assumptions underlying the present value of plan liabilities	(10,415)	(15,345)
<b>Amount recognised in Other Comprehensive Income</b>	<b>(1,063)</b>	<b>(13,945)</b>



Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit (liability)/asset during the year

	2023 £'000	2022 £'000
Surplus/(deficit) in scheme at 1 August	(960)	(13,636)
Movement in year:		
Current service cost	(970)	(1,729)
Employer contributions	720	686
Net interest on the defined (liability)/asset	147	(226)
Actuarial gain or (loss)	1,063	13,945
<b>Net defined benefit asset /(liability) at 31 July</b>	<b>-</b>	<b>(960)</b>

Asset and Liability Reconciliation

	2023 £'000	2022 £'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	46,587	60,280
Current Service cost	970	1,719
Interest cost	1,441	970
Contributions by Scheme participants	208	197
Experience gains and losses on defined benefit obligations		
Other experience	6,755	137
Changes in financial assumptions	(9,697)	(15,394)
Changes in demographic assumptions	(718)	(225)
Estimated benefits paid	(1,386)	(1,107)
<b>Defined benefit obligations at end of period</b>	<b>44,160</b>	<b>46,577</b>
<b>Change in fair value of plan assets</b>		
<b>Fair value of plan assets at start of period</b>	45,627	46,644
Interest on plan assets	1,588	744
Return on plan assets	(3,178)	(1,107)
Employer contributions	720	686
Contributions by Scheme participants	208	197
Estimated benefits paid	(1,386)	(1,537)
Other Experience	581	
<b>Fair value of plan assets at end of period</b>	<b>44,160</b>	<b>45,627</b>

These accounts show a past service cost of £230 million in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 2% of the total scheme liability as at 31 March 2019. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption



Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pa increase would increase the estimated cost by 65%.

24 Related party transactions

Owing 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 such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £315 (2022: £0). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2022: None).

25 Amounts disbursed as agent -  
Learner Support Funds

	Group and College 2023 £'000	Group and College 2022 £'000
16-18 bursary grants	196	184
Other funding body grants	243	256
	<b>439</b>	<b>440</b>
Disbursed to students	(281)	(333)
Administration costs	(18)	(19)
<b>Balance unspent as at 31 July, included in creditors</b>	<b>140</b>	<b>88</b>





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**Document generated** Thu, 14th Dec 2023 14:36:55 UTC

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**Parties involved with this document**

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Thu, 14th Dec 2023 17:03:23 UTC	Nick Buckland - Signer (e5bf54275f49ed5d96d1c68823e98ae8)
Wed, 20th Dec 2023 9:54:37 UTC	Rajeev Shaunak - Signer (9df13345caf9bd34ed71a4e30e3e95b2)

**Audit history log**

Date	Action
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Thu, 14th Dec 2023 17:03:24 UTC	Nick Buckland viewed the envelope (85.255.237.179)
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Thu, 14th Dec 2023 17:03:24 UTC	Sent the envelope to Rajeev Shaunak (rajeev.shaunak@mhllp.co.uk) for signing (85.255.237.179)
Thu, 14th Dec 2023 17:03:24 UTC	Nick Buckland signed the envelope (85.255.237.179)

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