

HERTFORD REGIONAL COLLEGE

**REPORT AND FINANCIAL STATEMENTS
for the year ended 31 July 2016**



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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 2015/16:

T. Medhurst - Principal and CEO; Accounting officer
D. Kingdon - Deputy Principal Finance & Resources (until December 2015)
A. Clare – Deputy Principal Finance & Resources (from January 2016)
O. Oliver - Vice Principal Technical & Information Services
K. Dougherty – Vice Principal Enterprise & Innovation (from January 2016)
J. Clarke – Vice Principal Curriculum & Quality (until April 2016)
W. Wright – Vice Principal Curriculum & Quality (from June 2016)
K. Fleet – Director of HR & Corporate Development
N. Conibear – Director of Quality (until February 2016)
A. Mclean – Director of Quality & Learner Experience (from April 2016)

Board of Governors

A full list of Governors is given on page 14 of these financial statements.

Mr J Fowl acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements and regularity auditors:

MHA MacIntyre Hudson
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Internal auditors:

RSM Risk Assurance Services LLP (formerly Baker Tilly)
The Pinnacle,
170 Midsummer Boulevard
Milton Keynes,
Bucks, MK9 1BP

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 members present their report and the audited financial statements for the year ended 31 July 2016.

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 revised and approved by the Corporation in 2016, 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 is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 16.

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

Implementation of strategic plan

In 2016, the College adopted a three-year strategic plan 2016 to 2019. This strategic plan is supported by a three-year financial plan. The Corporation monitors the performance of the College against these and other plans. The annual objectives are agreed each year. The College's objectives over the three-year plan are grouped under the four key themes:

- Quality
- Product
- Finances
- Culture

Strategic Objectives – 2016 to 2019:

HRC's overall strategic objectives for the three-year period are grouped under the four key themes adopted by the College. The annual objectives are updated each planning year to ensure that the institutional focus remains relevant and informed by any political and policy change unknown at the outset of this planning period. These annual objectives will be supported by specific family targets in line with revised performance review and local accountability procedures.

Quality

- To achieve an Ofsted rating of "Good" at the College's next inspection in 2018 with a clear indication that outstanding is achievable
- To address the recommendations made by Ofsted in the May 2016 inspection report through successful delivery of the College's post inspection action plan
- To deliver a consistently effective or highly effective learning experience for all students across the College's full range of provision
- To achieve an attendance rate of 93% on study programmes inc English/maths
- To achieve minimum 75th percentile achievement rate for classroom based learning - 16 to 18/19+
- To achieve minimum 75th percentile achievement rate of for apprenticeships including timely
- To improve English/maths outcomes to above national rates
- To improve the significance of value added scores year on year against external and internally devised measures
- To ensure that the quality assurance requirements of the QAA Guidelines are fully met across all Higher Education provision
- To achieve cross College Matrix accreditation

Product

- To implement the destination curriculum model, including the associated underpinning ethos and strategy
- To ensure that study programmes are relevant and of high quality, recognised by both employers and community as to the value they bring in terms of progression to further study at a higher level, an apprenticeship, HE or employment and to remove provision that no longer meets these criteria

Product Continued

- To expand HRC delivered apprenticeships, potentially in partnership, by introducing new programmes and/or higher levels meeting identified employer needs and maximising opportunities presented by the introduction of the levy
- To expand HRC delivered higher education, potentially in partnership, to support the development of higher level skills in the communities we serve in particular in both Hertfordshire and North London
- To refresh 14 to 16 provision to meet the needs of local learners both in and out of school
- To rebrand and relaunch community programmes both funded and commercial
- To maximise both community discounted and commercial letting opportunities
- To support the refreshed offer with a revitalised, refocussed and, where necessary, differentiated marketing strategy targeting the market segments that the College serves

Finances

- To deliver the financial objectives outlined in the 3-year financial plan and, in so doing, achieve “good” financial health in 2016/17 and “outstanding” in 2017/18
- To achieve learner number targets generally, specifically for 16 to 18 year olds and apprenticeships, as contained within the 3-year financial plan
- To maximise progression opportunities between levels, to apprenticeships and to HE
- To prepare for and manage the financial impact of the apprenticeship levy and devolution of the Skills Funding Agency’s Adult Education Budget through the period of this plan
- To maximise opportunities for European and other funding both through partnership/consortia and sole institution bidding
- To develop and implement a refreshed property strategy including both asset disposal and further investment in line with agreed principles
- To progress commercial opportunities in line with agreed principles
- To implement a staffing resource company to provide a flexible staffing mix
- To implement a fit for purpose business model for HRC that meets the needs of stakeholders and internal customers
- To ensure that the College operates within its bank covenants

Culture

- To ensure the organisational culture in HRC fits the strategic direction and goals of the organisation
- To improve internal communications with the management tiers taking full accountability for their part in ensuring that all staff are informed sufficiently to perform their roles at the optimum level
- To remove and/or reduce over-engineered and ineffective internal systems and processes by honest appraisal and the recommendation of solutions that reduce both cost and end user time
- To adopt a professional peer to peer learning culture amongst teaching, facilitating and learning support staff to support the overall improvement needed in delivering a consistently effective or highly effective learning experience for all students
- To fully embed the staff developed values and behaviours in the College including in performance review of existing staff and recruitment of new staff to ensure fit with the college’s strategic direction and operating ethos
- To develop, implement and embed the College wide people strategy

Culture Continued

- To continue to swiftly challenge and manage underperformance of both individuals and teams
- To support the development and progression of talented individuals within HRC
- To implement a management development programme for existing and future managers
- To maximise partnership opportunities with likeminded organisations who can share HRC's vision and operating ethos and value the "win/win" approach that partnership can bring
- To develop an internal apprenticeship strategy that fully utilises the opportunities offered by the new apprenticeship levy enabling HRC, as an employer, to further support economic growth by providing more jobs in the local community
- To continue to ensure that safeguarding and related arrangements are implemented effectively

Annualised Strategic Objectives 2016/2017

1. To improve overall College Achievement rate to 90% (excluding English and maths) and retention 94%
2. To achieve an overall minimum student attendance figure of 90% in 2016/17 across all provisions, including English & maths
3. To deliver the financial objectives outlined in the three-year financial plan and achieve "good" financial health in 2016/17
4. To ensure the culture at HRC aligns with the strategic direction and goals of the organisation, through timely management of underperformance
5. To continue to reposition and re-shape the organisation to maximise market opportunities and offer a sustainable future for the College
6. To revitalise the curriculum offer for 2017/18 to ensure it responds to local, LEP and national priorities – to include 16-18, adult, apprentice and commercial

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.

Performance indicators

The College is committed to observing the importance of sector measures and indicators and use the FE Choices which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency/Education Funding Agency ("EFA"). The Finance Record produces a financial health grading. The current rating of "Satisfactory" is considered an acceptable outcome.

FINANCIAL POSITION

Financial results

The College generated a group operating deficit in the year of £1,112,000 (2014/15 – £392,000, a surplus of £50,000 before FRS102 adjustments. The group results include one-off restructure costs of £842,000 and were further impacted by a loss of £795,000 relating to the 48% share in HertVec, a joint venture running three colleges in Saudi Arabia.

The College has accumulated reserves of £30,860,000 and cash balances of £6,861,000. 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 £1,578,000. The majority of this expenditure related to the completion of the Creative Arts building which opened in September 2015, in addition to some IT related projects.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the funding bodies provided 76% of the College's total income.

The College has a subsidiary company, CK Assessment and Training Limited, a plumbing and gas training company and purchased by the College in October 2013. Any surpluses generated by the subsidiary are transferred to the College under deed of covenant. In the current year, surpluses generated were £167,503 for CK Assessment and Training Limited.

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

At £1,623,000 outflow from operating activities (2014/15: £2,690,000 *inflow restated*).

The College had borrowings at 31 July 2016 of £7,925,000 (2014/15 £8,377.00)

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.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College has delivered activity that has produced £14,762,000 in funding body main allocation funding (2014/15: £16,647,000).

The College had 4,561 funded students and 1,581 other students.

Student achievements

Student achievement rates in 2015/16 have improved compared to 2014/15. Overall achievement rates (including English and maths) in 2015/16 was 76.3% (73.5% 2014/15). For 16-18 year olds, the rate was 73.5% (70.1% 2014/15) and for students aged 19+, the overall achievement rate was 81.3% (78.5% 2014/15).

For 16-18 year olds studying a diploma sized qualification, the overall achievement rate was 83% in 2015/16 (84.2% in 2014/15) and for students aged 19+, the overall achievement rate was 71.0% in 2015/16 (84% in 2014/15).

Curriculum developments

The college has a proactive approach to supporting local people in the context of the current difficult economic climate and rising unemployment. It continues to provide a broad range of learning opportunities in all subject sector areas identifying clear pathways of progression for students from pre-entry to higher education).

The college has also developed a range of tailored programmes for the unemployed, bringing together community services to collaborate effectively and support individuals in a more accessible way. The college has also continued to provide delivery of training in the work place and in community venues.

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 2014 to 31 July 2015, the College paid 99% per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Post-balance sheet events

There were no post balance sheet events to report.

Future developments

The College is subject to Plan Led Funding and EFA FE income for 16 to 19 and SFA adult learner responsive provision in 2016/17 has been confirmed as £ 14,849,954

The College will seek to increase 16-19 student numbers over the next three years. Changes in adult funding will mean that some courses will change to Non Funded Courses or where not viable, cease to run. The College will be focusing on improving efficiency as well as improving quality.

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

- College budget for 2016/17 approved by Governors generates a surplus
- College three year financial plans demonstrate its ability to generate positive cashflow in each year
- The College's ability to meet its bank covenants in the next 12 months and beyond
- Action plan and progress against plan to mitigate the "Requires Improvement" OFSTED results.

RESOURCES:

Financial

The college has £30,860,000 of net assets (including £8,581,000 pension liability) and £7,925,000 loans.

People

By the end of the year the College employed 358 people (expressed as full time equivalents), of whom 161 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 web based software application that is 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 maintained by various managers in the college and reviewed at the Corporate Management Group and Academic Management Groups meetings.

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

Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE. In 2015/16, 76% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. 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.

The College is aware of several issues which may impact on future funding

- The potential to reduce the 16-18 funding.
- The continued reduction in adult funding.
- The change of funding methodology to Employer Funding.

This risk is mitigated in a number of ways:

- 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
- Ensuring that the college is focused on those priority sectors which will continue to benefit from public funding
- Ensuring relevant staff have an understanding of the funding arrangements and impacts
- Maintaining regular dialogue with the EFA and the SFA at all levels
- Maintaining regular dialogue with local authorities in respect of high needs students

Ofsted Requirements

The college was graded as “Requires Improvement” in 2016 an action plan has been prepared and good progress has been made to improve the College curriculum and support services.

The college is responding to the new Common Inspection Framework and continues to promote working at the highest standards. The results of an Ofsted inspection can impact on reputation and therefore on student recruitment.

The risk is mitigated in a number of ways:

- Continuous review, training and development of staff on all aspects of roles to ensure the learner is at the heart of the college. This will include, but not restricted to,
 - Teaching & learning observations
 - Appraisals objectives that are learner focussed
 - Continuous monitoring of KPI's including attendance, achievement etc
 - Continuous Safeguarding training
- Provision of relevant work experience
- Continuous monitoring of student progress
- Keeping up to date with relevant Ofsted material and attending external training

48% Share in Joint Venture – HERTSVEC L.L.C.

The management and Governing body recognise this is a high risk venture and the financial statements show a significant loss in the first 2 years. The contract is for five years. The risk is mitigated in the following ways:

- Revised business model which achieves a profit for 16/17 and subsequent years
- Appointment of new Managing Director and Finance Director
- Monthly performance review meeting chaired by HRC
- Performance Reports reviewed by the corporation

STAKEHOLDER RELATIONSHIPS

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

• Students	• Government Offices /LEP's
• Education sector funding bodies	• The Local Community
• Staff	• Other FE/HE institutions
• Local employers (with specific links)	• Trade Unions
• Local Authorities	• Professional Bodies.

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

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 and has a Single Equality Scheme to provide a clear statement of its intent on equality matters. 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 also 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 Equality Act 2010:

- a) 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.
- b) 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.
- c) The College has made a 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.
- d) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- e) 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 15th December 2016 and signed on its behalf by:



M G CARVER
Chair

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.

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 of Good Governance, and it has complied throughout the year ended 31 July 2016.

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

2 QUALITY & STANDARDS

3 SEARCH

4 REMUNERATION

5 EMPLOYMENT ENGAGEMENT

6 AUDIT

Name of Member	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served in 2015/16	Attendance
Mr M Carver	31.12.12	4 Years		Independent Governor	1,3,4 Chair from 01.08.15	100%
Mr K Ayling	06.12.14	4 Years		Independent Governor	4,5,6	81%
Ms J Wing	02.07.13	4 Years		Independent Governor	2,3,4,5,6	80%
Mr T Medhurst	Principal	N/A		N/A	1,2,3,5	100%
Ms P Spears	06.12.14	4 Years		Independent Governor	5	100%
Mr D Tweedie	05.07.12	4 Years	July 2016	Independent Governor	1	45%
Mr W Gordon	12.12.13	4 Years		Independent Governor	4,5,6	88%
Mr I Cowin	02.07.13	4 Years	July 2016	Independent Governor	1,3,4	80
Ms D Morrison	01.03.14	4 Years	Retired July 2016	Staff	2,6	92%
Mr R Irons	10.03.15	4 Years		Staff		83%
Mr G Robertson	01.07.15	4 Years	Aug 2016.	Independent Governor	3,4,6	90%
Ms V Cooper	12.12.13	4 Years	Dec 2015	Independent Governor	2	33%
Mr H Young	09.07.15	4 years		Independent Governor	2	60%
Ms L Radford	17.03.16	4 years		Independent Governor	2	100%
Mr I Richardson	01.05.16	4 years		Independent Governor	5	80%
Mr J Brown	Dec 2015	1 year		Student Governor	2	25%
Ms C Booth	Dec 2015	1 year		Student Governor	2	0%
Mr J Fowl acts as Clerk to the Corporation						
Overall Attendance 2015-16 =79%						
Vacancies: 4 vacancies as at 31 st July 2016						

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

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Resources, Quality and Standards, Search, Remuneration, Employer & Community Engagement, Audit and Development. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website 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.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement.

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee, consisting of four members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years.

Remuneration Committee

By the 31 July 2016, the College's Remuneration Committee comprised of four members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post holders.

Details of remuneration for the year ended 31 July 2016 are set out in note 8 to the financial statements.

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

Audit Committee

The Audit Committee comprises four members of the Corporation (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a 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. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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.

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

Internal Control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material 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 reasonable and not absolute assurance of effectiveness.

The purpose of the system of internal control continued

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 2016 and up to the date of approval of the annual report and accounts.

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

Internal Control continued

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 2016 and 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 EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At 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.

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

Internal Control continued

The Principal 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 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

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 15th December 2016 and signed on behalf by:



M G CARVER
Chair



T MEDHURST
Principal

**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 Skills Funding Agency/Education Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency/Education Funding Agency terms and conditions of funding, under the financial memorandum/funding agreement in place between the College and the Skills Funding Agency/Education 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 Skills Funding Agency/Education Funding Agency terms and conditions of funding under the College's financial memorandum/funding agreement.

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 Skills Funding Agency/Education Funding Agency.



M G CARVER
Chair
15th December 2016



T MEDHURST
Principal
15th December 2016

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 Financial Memorandum agreed between the Skills Funding Agency and EFA and the Corporation of the College ('the Corporation'), through its Principal, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the Accounts Direction 2015 to 2016 issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare 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 of incorporation and other 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 Skills Funding Agency and EFA are used only in accordance with the Financial Memorandum/Financial Agreement with the Skills Funding Agency EFA and any other conditions that maybe prescribed from time to time. 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 Skills Funding Agency and EFA are not put at risk.

Approved by order of the members of the Corporation on 15th December 2016 and signed on its behalf by:



M G CARVER
Chair

**Independent Auditor's Report to the Corporation of Hertford Regional College
Year ended 31 July 2016**

We have audited the financial statements of Hertford Regional College which comprise the Statement of Comprehensive Income, the Statement of changes in Reserves, the Balance Sheet, the Statement of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Members of the Corporation of Hertford Regional College and Auditor

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2016 and of the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

**Independent Auditor's Report to the Corporation of Hertford Regional College
Year ended 31 July 2016**

Opinion on other matters prescribed by the revised Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency (August 2016)

In our opinion:

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

MHA MacIntyre Hudson

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MHA MACINTYRE HUDSON
Chartered Accountants & Statutory Auditor
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Date 22/12/16

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

This report is produced in accordance with the terms of our engagement letter for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2016 are regular as defined by and in accordance with the Funding Agreement with Secretary of State for Education acting through the Skills Funding Agency, in accordance with the authorities that govern them.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Audit Framework published by the Skills Funding Agency and the Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding body grants generated through the Individualised Learner Record (ILR) returns, for which the funding bodies have other assurance arrangements in place.

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

Responsibilities of the Corporation of Hertford Regional College

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 financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2016 are regular.

The Corporation of Hertford Regional College is also responsible, under the requirements of the Accounts Direction for 2015 to 2016 financial statements published by the Skills Funding Agency and the Education Funding Agency for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's funding agreement. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2016 have been notified to the Skills Funding Agency.

Reporting accountant's responsibilities

Our responsibilities for this engagement are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. 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 year ended 31 July 2016

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)

have not been applied for the purposes intended by Parliament or that the financial transactions do not conform to the authorities that govern them

Basis of opinion

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency. 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. The work undertaken to draw our conclusion included:

- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the relevant framework;
- Reviewing the Corporation minutes relevant to our consideration of regularity;
- Testing transactions with related parties;
- Testing a sample of payments to suppliers and a sample of payroll payments to staff.

Opinion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

MHA MacIntyre Hudson

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MHA MACINTYRE HUDSON
Chartered Accountants & Statutory Auditor
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Date 22/12/16

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July		Year ended 31 July	
		2016 Group £'000	2016 College £'000	2015 Group £'000	2015 College £'000
INCOME					
Funding body grants	2	15,796	15,796	18,062	18,062
Tuition fees and education contracts	3	3,264	3,264	3,473	3,473
Other grants and contracts	4	1,177	1,177	862	862
Other income	5	609	217	560	249
Endowment and investment income	6	52	52	61	61
Donations and Endowments	7	-	167	-	186
Total income		20,899	20,674	23,018	22,893
EXPENDITURE					
Staff costs	8	13,470	13,092	13,370	13,046
Fundamental restructuring costs	8	842	842	(122)	(122)
Other operating expenses	9	5,846	6,008	5,763	5,965
Depreciation	12	2,278	2,271	2,141	2,136
Interest and other finance costs	10	711	711	741	741
Amortisation		72	-	72	(26)
Total expenditure		23,219	22,922	21,965	21,740
(Deficit)/surplus before other gains and losses		(2,320)	(2,248)	1,054	1,154
Gain on disposal of assets	12	2,003	2,004	-	-
Share of Operating Surplus/(Deficit) in Associate		(795)	-	(1,446)	-
(Deficit)/surplus before tax		(1,112)	(244)	(392)	1,154
Taxation	10	-	-	-	-
(Deficit)/surplus for the year	11	(1,112)	(244)	(392)	1,154
Unrealised surplus on revaluation of assets		520	520	7	7
Actuarial loss in respect of pensions schemes		75	75	(805)	(805)
Total Comprehensive Income for the year		(517)	351	(1,190)	356

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Restated balance at 1st August 2014	26,565	6,529	33,094
Surplus/(deficit) from the income and expenditure account	(392)	-	(392)
Other comprehensive income	(805)	-	(805)
Transfers between revaluation and income and expenditure reserves	7	(7)	-
	(1,190)	(7)	(1,197)
Balance at 31st July 2015	25,375	6,522	31,897
Surplus/(deficit) from the income and expenditure account	(1,112)	-	(1,112)
Other comprehensive income	75		75
Transfers between revaluation and income and expenditure reserves	520	(520)	-
Total comprehensive income for the year	(517)	(520)	(1,037)
Balance at 31st July 2016	24,858	6,002	30,860
College			
Restated balance at 1st August 2014	26,557	6,529	33,086
Surplus/(deficit) from the income and expenditure account	1,154		1,154
Other comprehensive income	(805)	-	(805)
Transfers between revaluation and income and expenditure reserves	7	(7)	-
	356	(7)	349
Balance at 31st July 2015	26,913	6,522	33,435
Surplus/(deficit) from the income and expenditure account	(245)	-	(245)
Other comprehensive income	75	-	75
Transfers between revaluation and income and expenditure reserves	520	(520)	-
Total comprehensive income for the year	351	(520)	(169)
Balance at 31st July 2016	27,263	6,002	33,266

Balance sheets as at 31 July

	Notes	Group	College	Group Restated	College
		2016 £'000	2016 £'000	2015 £'000	2015 £'000
Non-Current Assets					
Tangible fixed assets	12	72,028	72,018	73,242	73,232
Investments	14		542		542
Goodwill	15	299		371	
Amounts due from associate		822	822	779	779
		73,149	73,382	74,392	74,553
Current assets					
Stocks					
Trade and other receivables	16	854	970	1,326	1,443
Investments		-	-	-	-
Cash and cash equivalents	21	6,861	6,671	8,356	8,150
		7,715	7,640	9,682	9,593
Less: Creditors – amounts falling due within one year	17	(4,503)	(4,457)	(6,215)	(6,155)
Net current assets		3,212	3,184	3,467	3,438
Total assets less current liabilities		76,361	76,565	77,859	77,991
Less: Creditors – amounts falling due after more than one year	18	(34,719)	(34,719)	(36,431)	(36,431)
Provisions					
Defined benefit obligations	20	(8,581)	(8,581)	(8,124)	(8,124)
Other provisions	20	(2,202)	-	(1,407)	-
Total net assets		30,860	33,265	31,897	33,436
Unrestricted reserves					
Income and expenditure account		24,858	27,263	25,375	26,914
Revaluation reserve		6,002	6,002	6,522	6,522
Total unrestricted reserves		30,860	33,265	31,897	33,436

The financial statements on pages 26 to 57 were approved and authorised for issue by the Corporation on 15th December 2016 and were signed on its behalf on that date by:


Mike Carver
Chair


Tony Medhurst
Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2016 £'000	Restated 2015 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		(1,112)	(392)
Adjustment for non cash items			
Depreciation		2,278	2,141
Amortisation		72	72
(Increase)/decrease in non current assets		(43)	
(Increase)/decrease in debtors		473	(864)
Increase/(decrease) in creditors due within one year		(1,731)	300
Increase/(decrease) in creditors due after one year		(1,243)	(1,009)
Pensions costs less contributions payable		532	354
Share of operating surplus/(deficit) in Associate		795	1,407
Adjustment for investing or financing activities			
Investment income		(52)	(61)
Interest payable		414	461
Profit on sale of fixed assets		(2,003)	-
Net cash flow from operating activities		(1,621)	2,409
Cash flows from investing activities			
Proceeds from sale of fixed assets		2,517	-
Investment income		52	61
Payments made to acquire fixed assets		(1,578)	(5,450)
		991	(5,389)
Cash flows from financing activities			
Interest paid		(414)	(461)
Repayments of amounts borrowed		(451)	(451)
		(865)	(912)
Increase / (decrease) in cash and cash equivalents in the year		(1,495)	(3,892)
Cash and cash equivalents at beginning of the year	21	8,356	12,248
Cash and cash equivalents at end of the year	21	6,861	8,356

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 2015 to 2016* 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.

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 ‘Transition to this FRS’.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 29.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition
- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

HERTFORD REGIONAL COLLEGE

NOTES TO THE ACCOUNTS (*Continued*)

1 Accounting policies (*continued*)

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 one subsidiary, CK Assessment & Training 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 2016.

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 cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £7,925,000 of loans outstanding with bankers on terms negotiated in 2009. Additionally, there are no uncommitted facilities available for drawdown. The College's forecasts and financial projections indicate that 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

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.

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.

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

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (*Continued*)

1 Accounting policies (*continued*)

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.

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).

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 quinquennial valuations using a prospective benefit method. As stated in Note 25, the TPS is a multiemployer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contribution recognised as they are paid each year.

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 staff costs 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 in other recognised gains and losses.

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

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.

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (*Continued*)

1 Accounting policies (*continued*)

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.

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 11.

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

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (*Continued*)

1 Accounting policies (*continued*)

Equipment

Equipment costing less than £5,000 per individual item (Except items within current New Build Project) 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.

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 purchase 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.

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (*Continued*)

1 Accounting policies (*continued*)

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.

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the SFA and EFA and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 28, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. The College employs two part time members of staff for the administration of Learner Support Fund applications and payments.

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 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.

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (*Continued*)

1 Accounting policies (*continued*)

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. Any changes in these assumptions, which are disclosed in note 26, 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 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. 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.

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (Continued)

2 Funding council grants

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Skills Funding Agency	3,639	3,639	4,313	4,313
Education Funding Agency	11,123	11,123	12,334	12,334
Higher Education Funding Council	10	10	12	12
Specific Grants				
Skills Funding Agency	243	243	750	750
Releases of government capital grants	781	781	653	653
Total	15,796	15,796	18,062	18,062

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	787	787	970	970
Apprenticeship fees and contracts	88	88	99	99
Fees for FE loan supported courses	228	228	322	322
Fees for HE loan supported courses	206	206	100	100
Total tuition fees	1,309	1,309	1,491	1,491
Education contracts	1,955	1,955	1,982	1,982
Total	3,264	3,264	3,473	3,473

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Local Authority Grants	638	638	301	301
Releases of other capital grants	470	470	355	355
Other grants and contracts	69	69	206	206
Total	1,177	1,177	862	862

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (Continued)

5 Other income

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other income generating activities	187	187	193	193
Miscellaneous income	30	30	56	56
CK Trading Income	392	-	311	-
	609	217	560	249

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	52	52	61	61
	52	52	61	61

7 Donations - College only

	Year ended 31 July	
	2016	2015
	£'000	£'000
Unrestricted donations	167	186
Total	167	186

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (Continued)

8 Staff costs - Group and College

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

	2016	2015
	No.	No.
Teaching staff	161	177
Non-teaching staff	197	205
	358	382

Staff costs for the above persons

	2016	2015
	£'000	£'000
Wages and salaries	10,029	10,532
Social security costs	730	698
Other pension costs	1,819	1,609
Payroll sub total	12,578	12,839
Contracted out staffing services	892	531
	13,470	13,370
Fundamental restructuring costs - contractual	842	(122)
	14,311	13,248

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 and Vice Principals and Directors of quality and HR. Staff costs include compensation paid to key management personnel for loss of office.

	2016	2015
	No.	No.
The number of key management personnel including the Accounting Officer was:	7	7

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (Continued)

8 Staff costs – Group and College

The number of senior post-holders and other staff who received emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Senior post holders		Other staff	
	Year ended 31 July		Year ended 31 July	
	2016	2015	2016	2015
	No.	No.	No.	No.
£0 to £40,000	-	-	2	1
£40,001 to £50,000	-	-	1	-
£50,001 to £60,000	-	-	1	2
£60,001 to £70,000	-	-	-	-
£70,001 to £80,000	-	-	1	2
£80,001 to £90,000	1	-	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	-	2	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	1	-	-	-
	2	2	5	5

The number of key management personnel who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Key management personnel	
	2016	2015
	No.	No.
£0 to £40,000	2	1
£40,001 to £50,000	1	-
£50,001 to £60,000	1	2
£60,001 to £70,000	-	-
£70,001 to £80,000	1	2
£80,001 to £90,000	1	-
£90,001 to £100,000	-	-
£100,001 to £110,000	-	2
£110,001 to £120,000	-	-
£120,001 to £130,000	1	-
	7	7

Key management personnel emoluments are made up as follows:

	2016	2015
	£'000	£'000
Salaries	474	486
Benefits in kind	2	2
	476	488
Pension contributions	82	71
Total emoluments	558	559

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (*Continued*)

8 Staff costs – Group and College (*continued*)

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

	2016 £'000	2015 £'000
Salaries	124	98
Benefits in kind	-	1
	124	99
Pension contributions	28	22

Compensation for loss of office paid to former key management personnel

	2016 £	2015 £
Compensation paid to the former post-holder - contractual	33	-
Estimated value of other benefits, including provisions for pension benefits	-	-

The severance payment was approved by the College's remuneration committee.

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.

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (Continued)

9 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	1,793	2,157	1,814	2,192
Non-teaching costs	2,619	2,532	2,523	2,457
Premises costs	1,434	1,319	1,426	1,316
Total	5,846	6,008	5,763	5,965

Other operating expenses include:

	2016	2015
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	43	33
Internal audit**	25	29
Other services provided by the financial statements auditors***	-	17
Hire of assets under operating leases	235	243

* includes £0 in respect of the College (2014/15 £23,250)

** includes £0 in respect of the College (2014/15 £29,420)

10 Interest payable - Group and College

	2016	2015
	£'000	£'000
On bank loans, overdrafts and other loans:	414	461
	414	461
Pension finance costs (note 25)	297	280
Total	711	741

11 Taxation - Group only

	2016	2015
	£'000	£'000
United Kingdom corporation tax at 20 per cent	-	-
Provision for deferred corporation tax in the accounts of the subsidiary company	-	-
Total	-	-

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (Continued)

12 Tangible fixed assets (Group)

	Land and buildings Freehold £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2015	90,691	4,533	95,224
Additions	870	708	1,578
Disposals	(514)	-	(514)
At 31 July 2016	91,047	5,241	96,288
Depreciation			
At 1 August 2015	20,541	1,441	21,982
Charge for the year	1,854	423	2,278
Elimination in respect of disposals	-	-	-
At 31 July 2016	22,395	1,864	24,260
Net book value at 31 July 2016	68,652	3,376	72,028
Net book value at 31 July 2015	70,150	3,092	73,242

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (*Continued*)

12 Tangible fixed assets (College only)

	Land and buildings Freehold £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2015	90,691	4,516	95,207
Additions	870	702	1,572
Disposals	(514)	-	(514)
At 31 July 2016	91,046	5,218	96,265
Depreciation			
At 1 August 2015	20,541	1,435	21,976
Charge for the year	1,855	416	2,271
Elimination in respect of disposals	-	-	-
At 31 July 2016	22,396	1,851	24,247
Net book value at 31 July 2016	68,651	3,367	72,018
Net book value at 31 July 2015	70,150	3,081	73,232

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.

13 Other Non-Current Assets

	Year ended 31 July 2016 Group £'000		Year ended 31 July 2015 Group £'000	
	College £'000		College £'000	
Amounts due from associates	822	822	779	779
Total	822	822	779	779

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (Continued)

14 Non current Investments

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Investments in subsidiary companies	-	542	-	542
Investments in associate companies	-	-	39	39
Share of Associates Loss	(795)	-	(1,446)	(39)
	(795)	542	(1,407)	-
Transfer to provision for losses in associate	795		1,407	
Total	-	542	-	542

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 cost of which was £39k.

15 Goodwill

	Group 2016 £'000	Group 2015 £'000
Cost		
Cost as at 1 st August	503	503
Additions	-	-
Balance at 31st July	503	503
Amortisation		
Cost at 1 st August	132	60
Charge for the year	72	72
Balance at 31st July	204	132
Net Book Value as at 31st July	299	371

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (Continued)

16 Debtors

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade receivables	343	308	190	151
Prepayments and accrued income	355	538	866	1,105
Other Debtors	33	-	82	-
Amounts owed by the Skills Funding Agency/EFA	123	123	188	188
Total	854	970	1,326	1,443

17 Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans and overdrafts	468	468	451	451
Trade payables	291	255	350	328
Amounts owed to group undertakings:				
Subsidiary undertakings	-	42	-	53
Other taxation and social security	203	191	211	203
Accruals and deferred income	1,325	1,292	2,396	2,397
Other Creditors	708	709	1,303	1,230
Deferred income - government capital grants	1,036	1,036	1,024	1,024
Amounts owed to the Skills Funding Agency/EFA	459	459	464	464
VAT	13	4	16	5
Total	4,503	4,457	6,215	6,155

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (Continued)

18 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans	7,457	7,457	7,926	7,926
Deferred income - government capital grants	27,262	27,262	28,505	28,505
Total	34,719	34,719	36,431	36,431

19 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
In one year or less	466	466	451	451
Between one and two years	489	489	466	466
Between two and five years	1,465	1,465	1,523	1,523
In five years or more	5,505	5,505	5,937	5,937
Total	7,925	7,925	8,377	8,377

Bank loans at 5.465 per cent repayable by instalments falling between 1 August 2009 and 1 July 2031

20 Provisions

	Defined benefit Obligations £'000	Group and College Other £'000	Total £'000
At 1 August 2015	8,124	1407	9,531
Expenditure in the period	532	-	532
Additions in year	(75)	795	720
At 31 July 2016	8,581	2,202	10,783

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (Continued)

21 Cash and cash equivalents

	At 1 August 2015 £'000	Cash flows £'000	Other changes £'000	At 31 July 2016 £'000
Cash and cash equivalents	8,356	(1,495)	-	6,861
Overdrafts	-	-	-	-
Total	8,356	(1,495)	-	6,861

22 Capital commitments

There were no capital commitments at 31st July 2015 or 31st July 2016 either for the college or the group as a whole.

23 Lease Obligations

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

	Group and College	
	2016 £'000	2015 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	95	95
Later than one year and not later than five years	64	159
later than five years	-	-
	159	254
Other		
Not later than one year	69	63
Later than one year and not later than five years	24	90
later than five years	-	-
	93	153

24 Contingent liabilities

At the 31st July 2016 the College has in place a performance guarantee of SR (Saudi Riyals) 302,374SR (sterling equivalent £65,733 at 31st July 2016) and an advanced payment guarantee of 72,385SR (sterling equivalent £15,736 at 31st July 2016) issued on behalf of Hertford Vocational Excellence Colleges, a mixed Saudi Limited Liability Company, in favour of Colleges of Excellence of Saudi Arabia, in respect of the College for which it has a five year contract to operate, from August 2013.

HERTFORD REGIONAL COLLEGE

NOTES TO THE ACCOUNTS (*Continued*)

25 Events after the reporting period

There are no events after the reporting period

26 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 Local Pension Partnership, a collaboration between Lancashire County Pension Funds and London Pensions Fund. Both are multi-employer defined-benefit plans.

Total pension cost for the year

	2016 £'000	2015 £'000
Teachers' Pension Scheme: contributions paid	620	615
Local Government Pension Scheme:		
Contributions paid	936	920
FRS 102 (28) charge	236	74
Charge to the Statement of Comprehensive Income	1,199	994
Enhanced pension charge to Statement of Comprehensive Income	-	-
Total Pension Cost for Year	1,819	1,609

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 2012 and of the LGPS 31 March 2013.

Contributions amounting to £165,516 (2015:£180,670) 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' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

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

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

HERTFORD REGIONAL COLLEGE

NOTES TO THE ACCOUNTS (*Continued*)

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates were set at 16.48% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.
- The new employer contribution rate for the TPS will be implemented in September 2015.

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

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

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three-and-a-half-year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £620,000 (2015: £615,000)

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.

HERTFORD REGIONAL COLLEGE

NOTES TO THE ACCOUNTS *(Continued)*

26 Defined benefit obligations (continued)

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 2016 was £285,000, of which employer's contributions totalled £178,000 and employees' contributions totalled £107,000. The agreed contribution rates for future years are 17.3 % for employers and range from 5.5% to 7.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	2.50%	4.00%
Future pensions increases	1.90%	2.60%
Discount rate for scheme liabilities	2.50%	3.60%
Inflation assumption (CPI)	1.90%	1.90%
Commutation of pensions to lump sums	50%	50%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2016 years	At 31 July 2015 years
<i>Retiring today</i>		
Males	22.30	22.30
Females	24.50	24.50
<i>Retiring in 20 years</i>		
Males	24.30	24.30
Females	26.70	26.70

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (Continued)

26 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016	Long-term rate of return expected at 31 July 2015	Fair Value at 31 July 2015
		£'000		£'000
Equities	8.00%	7,475	8.00%	16,212
Bonds	5.90%	2,304	6.00%	7,296
Property	7.20%	1,152	7.20%	2,162
Cash	4.50%	572	4.50%	1,351
Total market value of assets		11,503		27,021
Weighted average expected long term rate of return	5.80%		5.50%	
Actual return on plan assets		981		998

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2016 £'000	2015 £'000
Fair value of plan assets	29,665	27,021
Present value of plan liabilities	(38,246)	(35,145)
Net pensions (liability)/asset (Note 19)	(8,581)	(8,124)

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

	2016 £'000	2015 £'000
Amounts included in staff costs		
Current service cost	1,193	1,048
Past service cost	110	(19)
Total	1303	1029
Amounts included in investment income		
Net interest income	296	280
	296	280

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (Continued)

26 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	981	998
Experience losses arising on defined benefit obligations	(1,278)	(1,278)
Changes in assumptions underlying the present value of plan liabilities	75	(805)
Amount recognised in Other Comprehensive Income	(221)	(1,085)

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

	2016	2015
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	(8,124)	(6,965)
Movement in year:		
Current service cost	(1,193)	(1,048)
Employer contributions	1,067	955
Past service cost	(110)	19
Net interest on the defined (liability)/asset	(296)	(280)
Actuarial gain or loss	75	(805)
Net defined benefit (liability)/asset at 31 July	(8,581)	(8,124)

Asset and Liability Reconciliation

	2016	2015
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	35,145	31,897
Current Service cost	1,193	1,048
Interest cost	1,277	1,278
Contributions by Scheme participants	276	259
Experience gains and losses on defined benefit obligations		
Changes in financial assumptions	1,144	1,975
Estimated benefits paid	(899)	(874)
Past Service cost	110	8
Curtailments and settlements	-	(446)
Defined benefit obligations at end of period	38,246	35,145

HERTFORD REGIONAL COLLEGE **NOTES TO THE ACCOUNTS (Continued)**

26 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Reconciliation of Assets

	2016	2015
	£'000	£'000
Return on plan assets	1,219	1,170
Employer contributions	1,067	955
Contributions by Scheme participants	276	259
Estimated benefits paid	(899)	(874)
Curtailments and settlements	-	(419)
Assets at end of period	29,665	27,021

27 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 £435; 20 governors (2015: £829; 20 governors). 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 (2015: None).

28 Amounts disbursed as agent

Learner support funds

	2016	2015
	£'000	£'000
Funding body grants – Bursary Support	118	466
Funding body grants – Discretionary Learner Support	539	423
	657	889
Disbursed to students	(449)	(609)
Administration costs	(25)	(27)
Balance unspent as at 31 July, included in creditors	183	253

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (Continued)

**29 Transition to FRS 102 and the 2015
FE HE SORP**

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

Note	1st August 2014		31st July 2015	
	Group £'000	College £'000	Group £'000	College £'000
Financial Position				
Total reserves under previous SORP	61,744	61,736	61,724	63,264
Employee leave accrual	(299)	(299)	(299)	(299)
Movement of Deferred capital grant funds	(28,351)	(28,351)	(29,529)	(29,529)
Total effect of transition to FRS 102 and 2015 FE HE SORP	(28,650)	(28,650)	(29,828)	(29,828)
Total reserves under 2015 FE HE SORP	33,094	33,086	31,896	33,436

		Year ended 31st July 2015	
		Group £'000	College £'000
Financial Performance			
Surplus for the year after tax under previous SORP		50	1,154
Changes to measurement of net finance cost on defined benefit plans		(443)	(443)
Effect on surplus from transition to FRS102 and 2015 FE HE SORP		(443)	(443)
Other recognised gains/(losses) under previous SORP			
Actuarial loss		(1,248)	(1,248)
Unrealised surplus on revaluation of assets		7	7
		(1,241)	(1,241)
Changes to measurement of net finance cost on defined benefit plans		443	443
Other comprehensive income effect from transition to FRS 102 and 2015 FE HE SORP		(798)	(798)
Total comprehensive income for the year under 2015 FE HE SORP		(1,191)	356

HERTFORD REGIONAL COLLEGE
NOTES TO THE ACCOUNTS (*Continued*)

29 Transition to FRS 102 and the 2015 FE HE SORP

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 10 days unused leave for teaching staff and 5 days unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £298,000 was recognised at 1 August 2014, and at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £43,000 has been charged to Comprehensive Income in the year ended 31 July 2016.

b) Non-government grants accounted for under performance model

The College has previously been in receipt of certain capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved.

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

d) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

e) Movement of deferred capital grants fund to liabilities

Under FRS 102 deferred capital grants are treated as long term creditors and included within the net assets. The accounts have been adjusted and the impact is shown in Note 29.