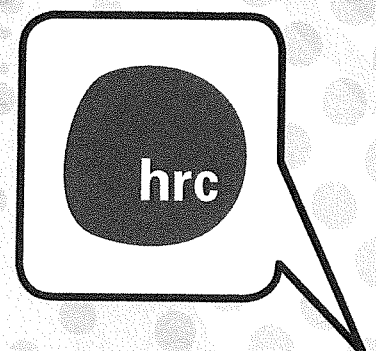


**HERTFORD
REGIONAL COLLEGE**

**REPORT
AND
FINANCIAL
STATEMENTS**

**YEAR ENDING
31/07/2020**



CONTENTS	PAGE NUMBER
Management Personnel, Board of Governors and Professional advisers	3
Strategic Report	4
Statement of Corporate Governance and Internal Control	18
Governing Body's Statement on the College's regularity, propriety and Compliance with Funding Body Terms and Conditions of Funding	24
Statement of the Responsibilities of the Members of the Corporation	25
Independent Auditor's Report to the Corporation of Hertford Regional College	27
Independent Auditor's Report on Regularity to the Corporation of Hertford Regional College	30
Consolidated Statement of Comprehensive Income	32
Consolidated and College Statement of Changes in Reserves	33
Balance Sheet as at 31 July	34
Consolidated Statement of Cash Flow	35
Notes To The Accounts	36



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 2019/20:

T. Medhurst - Principal and CEO; Accounting Officer
A. Clare – Deputy Principal Finance & Resources
O. Oliver – Associate Director
K. Dougherty – Vice Principal Enterprise & Innovation
K. Fleet – Director of HR & Corporate Development
A. Mclean –Vice Principal Curriculum & Quality

Board of Governors

A full list of Governors is given on page 19 of these financial statements.

Ms J Chaplin acted as Clerk to the Corporation July 2019/20

Professional advisers

Financial statements and Regularity auditors:

MHA MacIntyre Hudson
2 London Wall Place
London
EC2Y 5AV

Bankers:

Lloyds TSB plc
1 Bircherley Street
Hertford
Herts
SG14 1BU

Internal auditors

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

Solicitors:

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



Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

The governing body present their annual report together with the financial statements and auditor's report for Hertford Regional College for the year ended 31 July 2020.

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 2017, is:

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

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

Public Benefit

Hertford Regional College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government change in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 19.

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

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

Implementation of strategic plan

In 2019, the College adopted a three-year strategic plan 2019 to 2022. 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



HERTFORD REGIONAL COLLEGE

- Finances
- People

Strategic Objectives – 2019 to 2022:

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

"Moving from compliance to empowerment"

- To achieve an Ofsted rating of "Good" at the College's next inspection with a clear indication that outstanding is achievable
- To address the recommendations made by Ofsted in the March 2018 inspection report through successful delivery of the College's post inspection action plan
- To reward excellent performance and delivery consistent with HRC values and behaviours with lighter touch scrutiny to enable focus on developing the whole College vision of excellence
- To provide all students with authentic, unique, and innovative learning experiences that will foster the development of 21st Century skills
- To ensure that the quality assurance requirements of the Office for Students are fully met across all Higher Education provision and Teaching Excellence and Student Outcomes Framework (TEF) Silver status is maintained or improved
- To achieve a college attendance rate of 90%
- To achieve cross College Matrix accreditation
- To further improve English/math's outcomes above national rates
- To perform at a recognised at a minimum of a "good" level in respect of current and future EPA driven apprenticeship KPIs
- To improve the significance of key value-added scores year on year against appropriate external and internally devised measures

Product

"Preparing the students of today for the roles of tomorrow"

- To deliver and further develop the destination curriculum model, including the associated underpinning ethos and strategy
- To maximise the use of the study programme framework to ensure work related skills are encouraged, nurtured and developed as part of the model through high quality work experience or industrial placement
- To support the health and well-being needs of our students, equipping them with resilience and appropriate strategies to ensure they can achieve at the College to progress to their intended destination
- To ensure that study programmes have relevance and are of high quality, recognised by the LEP, employers and community as to the value they bring in terms of progression to further study, an apprenticeship, HE or employment and to remove provision that no longer meets these criteria
- To identify gaps in the existing market for 16 to 18-year old's and introduce new provision thus further meeting the needs of the local community
- To put in place a "shadow" T Level and Foundation Phase strategy to ensure that HRC can implement a timely roll out of this curriculum when required. This may include introducing existing non T Level/Foundation Phase qualifications with similar design and assessment frameworks.



- To further expand HRC delivered apprenticeships, including in partnership, by introducing new standards and/or higher levels of Apprenticeships that meet identified employer needs and maximise levy opportunities
- To further expand the range of HRC's higher education programmes to support the development of higher-level skills in the communities we serve in Hertfordshire, West Essex and North London
- To increase local adult delivery by individual curriculum areas with associated income targets through AEB, commercial income or both
- To increase the number of professional and commercial programmes by utilising more innovative and flexible approaches to delivery
- To maximise both pro bono and commercial letting opportunities

Finance

"Achieving sustainability through investment and profit"

- To deliver the financial objectives outlined in the 3 year financial plan and, in so doing, maintain "good" or better financial health for the duration of this plan
- To ensure that the College operates within its bank covenants
- To progress commercial opportunities, maximising the benefits for the collective or individual parts of the College Group, in line with agreed principles
- To further develop Herts Resourcing Group (HRG) to the benefit of the College Group
- To adopt and implement a refreshed business plan and investment strategy for CK Assessment & Training
- To seek LEP and/or private investment to further develop the estates and resources of the College Group in line with agreed principles
- To implement a refreshed property strategy, including both asset disposal and partnership activities, in line with agreed principles
- To maximise project opportunities via European and/or replacement funding and other relevant funding, such as via the British Council, both through partnership/consortia/joint venture and sole institution bidding
- To move a prudent and realistic amount of previously subcontracted AEB delivery annually to HRC direct delivery through the duration of the plan
- To achieve learner number targets generally being mindful of demographics and the expectations and requirements of stakeholders
- To continue to prioritise and maximise progression opportunities between levels, to apprenticeships and HE subject to these being the most appropriate destination for the learner
- To streamline financial systems to support the implementation of a fit for purpose business model for the College Group that meets the needs of stakeholders and internal customers



People

“Striving and collaborating to deliver excellence”

- To ensure HRC's organisational culture matches the strategic direction and ambitions of the governing body
- To continue to identify and support the development and progression of talented individuals within HRC, including from our learner cohort
- To continue to plan and focus CPD and professional updating on the basis of Performance Development Review outcomes and annually agreed institutional priorities
- To facilitate further collaborative and cross team working to deliver HRC's vision for excellence
- To target agreed priorities in staff recruitment to achieve immediate impact in College performance supporting the journey towards excellence
- To further develop affordable reward and remuneration models that inspire excellence in the performance of teams and individuals
- To further improve internal communications with 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 empower managers to lead on and address health and well-being issues for their teams and any individual that reports to them
- To recruit and develop governors to shape the future strategic direction of the College and who can both support and challenge accountable officers, act as advocates for the College externally, embody the College's values and behaviours and both recognise and enforce the boundaries between governance and management
- To foster a professional peer to peer learning culture amongst teaching and learning support staff to support the overall continuous improvement needed in delivering a consistently effective or highly effective learning experience for all students
- To review the staff developed values and behaviours over the lifetime of the plan to ensure continued fit with the College's strategic direction and operating ethos
- To continue to swiftly challenge and manage underperformance of both individuals and teams whilst also rewarding excellent performance and delivery consistent with HRC values and behaviours with lighter touch scrutiny
- To remove and/or reduce over-engineered and ineffective internal systems and processes by honest appraisal and the adoption of solutions that reduce both cost and end user time
- 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 always ensure that safeguarding is robust, and all related arrangements are implemented effectively

In spite of the impact of COVID-19, the College is on target for achieving these objectives and the objectives and themes of the strategic plan remain current.

The College's specific objectives for 2019/20 and achievement of those objectives are addressed below.



Strategic Objectives 2019/2020

1. To improve the overall College achievement rate to 88% with an achievement rate of 85% for 16 to 18 year olds on study programmes including English and Maths
2. To expect all students to aspire to 100% attendance in order to achieve an overall minimum student attendance figure of 90% in 2019/20 across all provision
3. To deliver the financial objectives outlined in the 3 year financial plan and achieve a minimum of "Good" financial health in 2019/20
4. To continue to revitalise the curriculum offer for 2020/21 to ensure it responds to local, LEP and national priorities – to include 16-18, adult, higher education, apprenticeships and commercial programmes – and maximises market opportunities

In respect of these objectives:

1. Overall achievement rates improved to 88.6% (a 2% increase) and for 16 – 18 year olds improved to 86.9% (a 2.8% increase).
2. This target is aspirational and was agreed as such. Overall college attendance improved to 87% at the time of lockdown and learner engagement was 84% during the lockdown period
3. The financial health grade "Good" has been achieved for 2019/20.
4. New programmes were introduced successfully in areas such as computing, construction and new pathways were introduced in hair and beauty. Key LEP priority areas, construction, electrical and plumbing recruited well.
5. Relations with local strategic partners remain strong. Relationships with local Broxbourne schools have improved significantly. Several other partnerships did not develop fully in 19/20 due to COVID-19 /lockdown.
6. Staff survey results during lockdown were overwhelmingly positive. Staff conference in February was the best received

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.



HERTFORD REGIONAL COLLEGE

	Financial Objectives	College Long Term Target	ESFA Target for Good Financial Health	July 2020
1	Financial Health	Good	Good	Good
2	Cashflow from operations (excluding exceptional funding)	POSITIVE >0	N/A	£1,126k
3	Cash in Hand	>60 days	N/A	177
1	Adjusted Current Ratio	>1.0	>1.2%	3.39
5	EBITDA as a % of Income (Cash based operating surplus)	>6%	>5%	3.58%
6	Balance on General Reserve	>0	N/A	£21,693k
7	Pay (excluding restructuring) to total income based on ESFA model	<63%	N/A	64.9%
8	Borrowing as a % of Income	<30%	<40%	34%
9	Borrowing as a % of net assets (excl pension liability)	<40%	N/A	21%

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 Education and Skills Funding Agency (ESFA). The College is assessed by the ESFA as have a "Good" financial health grading. The current rating of "Good" is considered an acceptable outcome.



HERTFORD REGIONAL COLLEGE

FINANCIAL POSITION

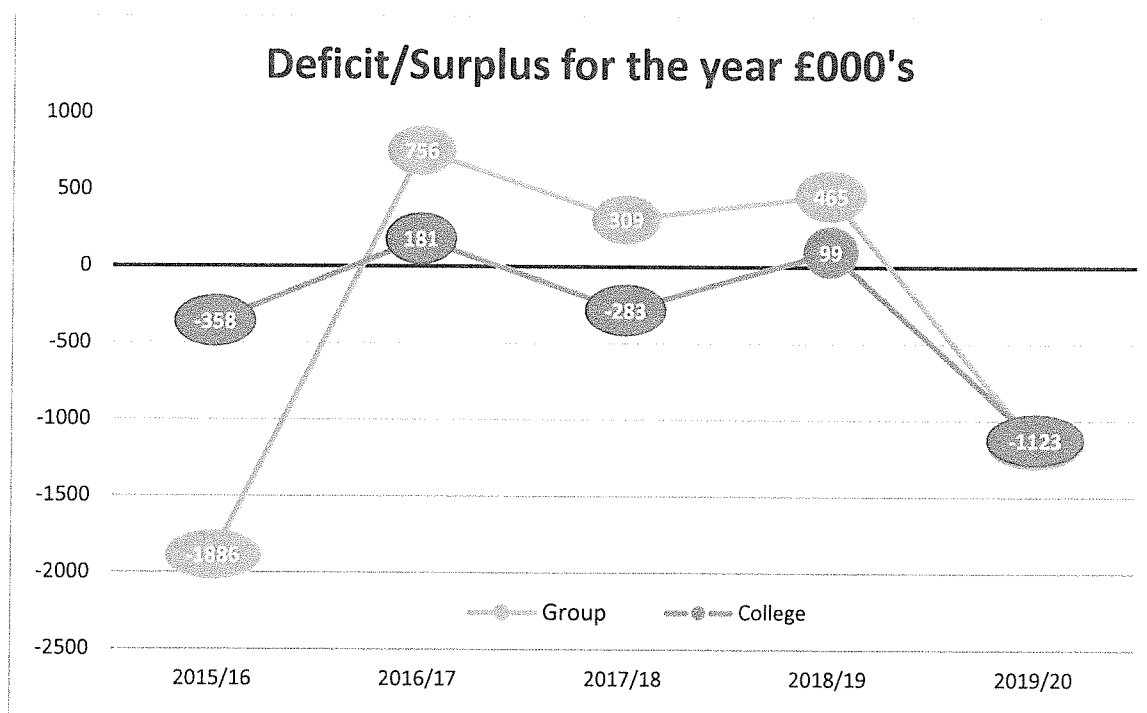
Financial results

	2019/20	2018/19
	£000s	£000s
Underlying College Operating Surplus / (Deficit) (as per Management Accounts)	-1,123	99
Deduct CK loss / add back surplus for the year included in Group Accounts	165	-60
Amortisation of Goodwill in Subsidiary	-72	-72
Share of Surplus in Associate	-	674
Result for College including Subsidiary and Associate income	-1,030	641
Deduct Restructuring Costs	-218	-176
Add Gain on Disposal of Assets		
Group Result excluding Pension Adjustments	-1,248	465
Actuarial (Loss)/Gain on Pensions Scheme	-4,992	-2,285
Pension Finance Costs / Pay Service cost	-1,017	-660
Group Comprehensive income	-7,257	-2,481

The Group generated a loss before other gains and losses in the year of £2,196k (2018/19 – loss of £196k), with total comprehensive loss of £7,161k (2018/19 – loss of £2,481k).

Recent years have been difficult for the Further Education Sector with significant cuts in funding and increased competition from Schools, Academy and Private Training Providers. On top of this the College under-recruited in September 2018. The Corporation agreed to take a long-term view with the expectation that the full time numbers would increase over the next 2 years. The SLT completed a restructure to reduce costs by £1.25m for 19/20. With full time numbers not recovering as hoped and planned a further restructure in the summer of 2020 shed a further £0.45m ready for the 2020/21 academic and financial year. The turnaround of the College's associate Hertvec continued but the contract with the College of Excellence in Saudi Arabia came to an end in July 2019. This left the College without the budgeted share of on-going profits. The associate company is currently being liquidated and the College's share of its costs have been fully provided for.





Financial Results Continued

The College has accumulated reserves of £27,585k and cash and short-term investment balances of £8,182k. 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 £504k. The whole of this investment related to investment in the College's stock of equipment including IT infrastructure.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20, the funding bodies provided 75% of the College's total income.

The College has two subsidiary companies, CK Assessment and Training Limited, a plumbing and gas training company and purchased by the College in October 2013 and Hertford Resourcing Group, a staff resource company which commenced business in January 2017. Any surpluses generated by the subsidiaries are gifted aided to the College in the following year. In the current year, the gifted aided surplus from CK Assessment and Training Limited was nil because of the loss in 2018/19. The company made a profit of £162k in 2019/20 and will gift aid £102k to HRC in 20/21. Hertford Resourcing Group did not generate any surplus.

Treasury policies and objectives

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

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

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

HERTFORD REGIONAL COLLEGE

Cash flows & Liquidity

The Group saw a £1,149k inflow from operating activities (2018/19: £1,225k inflow). Outflow from investing activities was £486k (18/19 £382k) and from financing activities was £864k (18/19 866k) leaving a net decrease in Cash and cash equivalents during the year of £201k (18/19 £23k).

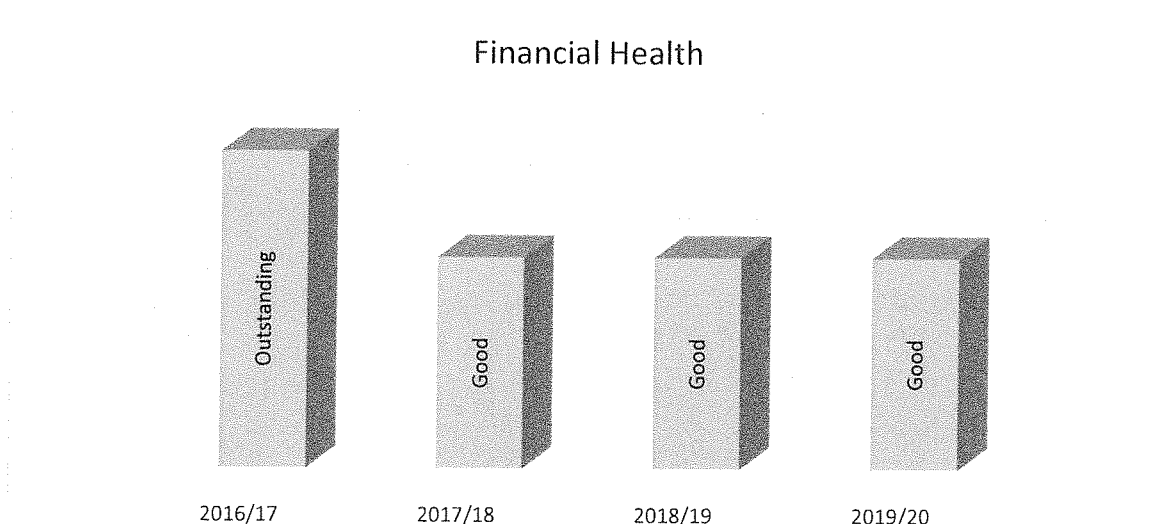
The College had borrowings at 31 July 2020 of £5,810k (2018/19 £6,456k)

Reserves Policy

The College adopted a reserves policy to maintain general reserves, excluding pension liability of at least £20m as part of the three-year plan. The present level of reserves excluding revaluation reserve is £21.7m.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial health



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

Student numbers

In 2019/20 the College has delivered activity that has produced £13,514k in funding body grants (2018/19: £15,626k). The significant reduction is the result of the reduction in student numbers in September 2018 and the lagged funding methodology.

The College had 3,543 funded students and 637 unfunded students as set out in the table below. Both learners and enrolments refer to those who were enrolled for more than 42 days.

Funded Students	Learners	Enrolments
16-19	1,807	3,755
AEB	970	1,718
Apprentices	564	
HE	202	
Total	3,543	5,473
Unfunded Learners	Learners	
Full Cost	545	
Supported by FE Loans	92	
Total	637	

HERTFORD REGIONAL COLLEGE

Student achievements

The College has improved its achievement rates in 2019/20. Overall achievement rates including English and Maths stand at 88.6%, a 2.0% improvement on 2018/19. There has been further improvement in 16-18 year old achievement (+2.8%) and this now stands at 86.9% and 19+ achievement has seen an improvement of 1.8% now standing at 91.6%.

Curriculum developments

The college has a proactive approach to supporting local people and communities in the context of the current economic climate. It continues to provide a broad range of learning opportunities in all subject sector areas identifying clear pathways of progression for students from pre-entry to higher education. In addition, the college continues to work strategically with key partners to deliver niche apprentice and predominantly adult provision within the local area.

New curriculum developments for 2019/20 included:

- Introduction of part time adult provision for Construction and Motor Vehicle. Some of this will be full cost recovery.
- Review of Computing courses which will need to be updated so that they align with the needs of the computing security and games development sectors.
- Review of all level 3 qualifications that are in scope to be removed from funding by the DfE in 2020 and the introduction of suitable alternatives in time for 2020/21.
- Expansion of curriculum areas in scope for industry placements in preparation for the introduction of T levels.

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 2019 to 31 July 2020, 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 lagged funding, the previous losses were due to the loss on the internal investment in Saudi Arabia and the fall in full time student. The ESFA FE income for 16 to 19 (including 14-16 year olds and 19-24 year old learners with learning difficulties or disabilities) and adult learner responsive provision in 2020/21 has been confirmed as £10,062k.

The College will seek to increase 16-19 student numbers over the next three years as the demographic downturn in the number of these learners improves. The College will be focusing on improving efficiency as well as improving quality. There will also be other opportunities to expand our adult and 16-19 curriculum offer to generate further growth.

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

- College budget for 2020/21 approved by Governors generates a surplus.
- College three year financial plans demonstrate its ability to generate positive cash flow in each year
- The College's ability to meet its bank covenants in the next 12 months and beyond



HERTFORD REGIONAL COLLEGE

RESOURCES:

Financial

The college group has £27,585k of net assets (including £13,005k pension liability) and £5,810k loans.

People

By the end of the year, the College employed 276 people (expressed as full time equivalents), of whom 148 are teaching staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES:

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

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

Impact of COVID -19

The lockdown imposed by the government in late March 2020 led to the closure of the College although it remained open for vulnerable learners until the end of April. As far as was practical staff worked from home and students were taught online resulting in an 84% learner engagement rate. Initial practical difficulties were gradually overcome and it is to the credit of our staff and students that the College was able to maintain its back office operations throughout the period and was able to support students on all courses.

The College gradually re-opened as lockdown eased, commencing mid June in line with government guidelines, and fully re-opened in September 2020.

There were some areas of work that could not be carried out on a remote basis such as planned commercial courses. This resulted in a loss of income and staff involved in these activities were furloughed.

There has been an inevitable impact on the College's financial performance with significant costs associated with home working for both students and staff along with protecting students and staff as the College re-opened.

The delay in Brexit has created more uncertainty. The transition is likely to impact over 2 years and therefore the risk to the College is considered to be low although it creates political uncertainty.

Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and their higher education equivalent. In 2019/20, 91% 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



Government Funding Continued

at the same levels or on the same terms. The increase to the base rate of funding for 16 to 18 year old learners for 20/21 is welcomed.

The College is aware of several issues which may impact on future funding, including the ongoing impact of apprenticeship reforms, the potential of further devolution of the adult education budget and any unforeseen consequences of COVID-19. The forthcoming FE White Paper, the government's response to COVID-19 and market conditions are all shaping the curriculum response from January 2021. The College is working with its key stakeholders to ensure a coherent and appropriate response is made to all of these areas.

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 including online and remote working
- Ensuring that the college is focused on those priority sectors, identified by the LEP and others, 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 ESFA at all levels
- Maintaining regular dialogue with HCC and other authorities in respect of high needs students

Tuition fee policy

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

Maintain adequate funding of pension liabilities

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

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

Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "Good" as described above. This is a weaker position than last years "outstanding" largely as a result of lower student numbers. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

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

HERTFORD REGIONAL COLLEGE

Ofsted Requirements

The college was graded as Requires Improvement in March 2018. However, during the inspection apprentices, adult learners and high needs all received a good grade as did leadership and management. The impact of 16-18 results in 2016/17 however meant that the overall grade was Requires Improvement. However, as shown earlier in the report, there continues to be significant improvement in outcomes for this cohort. Subsequent to the publication of the NART in March 2020, the college was independently recognised as being one of the 5 most improved in the country over the three year period. Its results compare favourably and are in many cases superior to local providers on a higher historic inspection grade.

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
 - Appraisal objectives that are learner focussed
 - Blended and online delivery
 - A focus on assessment planning and student progress
 - Continuous monitoring of KPI's including attendance, achievement etc.
 - Continuous Safeguarding training
- Provision of relevant work experience and work placements
- The development of systems to support teaching and learning
- Regular and rigorous performance reviews across the whole curriculum offer

Keeping up to date with relevant Ofsted framework and attending external training

STAKEHOLDER RELATIONSHIPS

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

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

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



HERTFORD REGIONAL COLLEGE

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis

Disability statement

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

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

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 10 December 2020 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. This statement covers the period from 1st August 2019 to 31st July 2020 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with all the provisions of the Code of Good Governance, and it has complied throughout the year ended 31 July 2020.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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



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

The Corporation

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

Committees

- | | |
|---|----------------------------------|
| 1. Resources | 4. Remuneration |
| 2. Quality, Standards & Business Planning | 5. Audit |
| 3. Search & Governance | 6. Governance & Leadership Group |

Name of Member	Date of Appointment (A)/Reappointment (R)	Term of Office	Date of Resignation (R)/Term Ended (E)	Status of Appointment	Committees Served	Attendance In 2019/20
Ms V Bew	Oct 2019	4 years		Independent	2	100%
Mr M Carver	Dec 2016 (R)	4 Years		Independent	1,3,4,6	100%
Mr N Daeche Green	Dec 2018	4 years	(R)Dec 2019	Staff	2	25%
Mr M Dempsey	Mar 2017	4 years		Independent	5,6	100%
Mr W Gordon	Dec 2017 (R)	4 Years		Independent	1, 3, 4	69%
Ms T Hawkins	Sept 2019	1 year	(R) Mar 2020	Student	2	50%
Ms J Howell	Dec 2016	4 years		Independent	1	100%
Mr R Irons	Mar 2019 (R)	4 Years		Staff	2	75%
Mr P McCallion	Feb 2020	4 Years		Staff	2	100%
Mr T Medhurst	Principal	N/A		N/A	1,2,3,6	100%
Mr I Richardson	May 2016	4 years		Independent	1,3,4	85%
Mr J Sills	Oct 2017	4 years		Independent	3,4,5,6	100%
Ms C Simmonds	Oct 2017	4 years		Independent	2,5	80%
Mr L Taylor	Sept 2019 (R)	1 year	(R)Dec 2019	Student	2	0%
Ms J Wickes	Oct 2019	4 year		Independent	5	100%
Ms J Wing	July 2017 (R)	4 Years		Independent	2,3,4,5,6	94%
Mr M Carver was appointed as Chair of the Corporation for the period 01.08.19 to 31.07.20						
Ms J Chaplin acted as Clerk to the Corporation						
Overall Attendance 2019/20 = 75%						
Vacancies: 2 vacancies as at 31 st July 2020 (Student)						



**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, Standards & Business Planning, Search & Governance, Remuneration and Audit. In June 2020 a Governance & Leadership Group also was established to oversee specific Covid_19 related decisions including the full re-opening of the College to full time learners from September 2020.

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 & Governance Committee, consisting of six members of the Corporation, which is responsible for the selection and nomination of any new members 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.

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2020 and graded itself as "good" on the Ofsted scale.

Remuneration Committee

By the 31 July 2020, the College's Remuneration Committee comprised of five 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 2020 are set out in note 8 to the financial statements.



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

Audit Committee

The Audit Committee comprises five 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 a reasonable and not an absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Hertford Regional College for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The



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

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 2020 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 Education and Skills Funding Agency Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

The 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



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

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 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2020.

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 10 December 2020 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 Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with Education and Skills Funding Agency terms and conditions of funding, under the financial memorandum/funding agreement in place between the College and the Education and Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum /funding agreement.

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

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



M G CARVER
Chair
10 December 2020



T MEDHURST
Principal
10 December 2020

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 Education and Skills Funding Agency (ESFA) 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 2018 to 2019 issued jointly by the Education and Skills Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and 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 Education and Skills Funding Agency and any other public funds are used only in accordance with the Financial Memorandum/Financial Agreement with the Education and Skills Funding Agency and any other conditions that maybe prescribed from time to time by the Education and Skills Funding Agency, or any other public funder. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Education and Skills Funding Agency and any other public bodies are not put at risk.

Approved by order of the members of the Corporation on 10 December 2020 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 2020

Opinion

We have audited the financial statements of Hertford Regional College (the 'parent college') and its subsidiaries (the 'group') for the year ended 31 July 2020 which comprise the group statement of comprehensive income, the group and parent college statement of changes in reserves and balance sheets, the group statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent college's affairs as at 31 July 2020 and of the group's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
 - the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the parent college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.
- Other information

The Corporation is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



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

Conclusions relating to going concern, Continued

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Corporation

As explained more fully in the statement of responsibilities of members of the Corporation, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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



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

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

Use of our report

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



MHA MacIntyre Hudson
Chartered Accountants
6th Floor
2 London Wall Place
London
EC2Y 5AU

10th December 2020

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

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum/funding agreement with the ESFA we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Hertford Regional College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the Department has other assurance arrangements in place.

Respective responsibilities of Hertford Regional College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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 2020 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 Code issued by the Department. 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.



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)

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 2019 to 31 July 2020 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Use of our report

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



MHA MacIntyre Hudson
Chartered Accountants and Statutory Auditors
2 London Wall Place,
London,
EC2Y 5AV

19 January 2021

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July		Year ended 31 July	
		2020	2020	2019	2019
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	13,514	13,571	15,626	15,623
Tuition fees and education contracts	3	3,148	2,939	3,351	3,099
Other grants and contracts	4	280	280	289	289
Other income	5	1,010	1,061	623	577
Endowment and investment income	6	41	41	37	37
Donations and Endowments	7	-	102	-	74
Total income		17,993	17,994	19,926	19,699
EXPENDITURE					
Staff costs	8	11,577	11,145	11,598	11,103
Fundamental restructuring costs	8	218	218	176	176
Other operating expenses	9	4,901	5,753	5,758	5,890
Depreciation	13	2,071	2,071	2,175	2,175
Interest and other finance costs	10	333	333	353	353
Actuarial finance costs in respect of pension schemes	12	1,017	1,017	664	664
Amortisation		72	-	72	-
Total expenditure		20,189	20,537	20,796	20,361
(Deficit)/surplus before other gains and losses		(2,196)	(2,543)	(870)	(662)
Loss on Investments		(39)	(39)	-	-
Share of Operating Surplus/(Deficit) in Associate		(30)	-	674	-
(Deficit)/surplus before tax		(2,265)	(2,582)	(196)	(662)
Taxation	11	-	-	-	-
(Deficit)/surplus for the year		(2,265)	(2,582)	(196)	(662)
Actuarial (loss)/gain in respect of pensions schemes		(4,992)	(4,992)	(2,285)	(2,285)
Total Comprehensive Income for the year		(7,257)	(7,574)	(2,481)	(2,947)
Represented by:					
Unrestricted comprehensive income		7,257	7,574	(2,481)	(2,947)
Restricted comprehensive income		-	-	-	-
		7,257	7,574	(2,481)	(2,947)
Surplus for the year attributable to:					
Non-controlling interest		-	-	-	-
Group		(7,257)	(7,574)	(2,481)	(2,947)
		(7,259)	(7,574)	(2,481)	(2,947)
Total Comprehensive Income for the year attributable to:					
Non-controlling interest		-	-	-	-
Group		(7,257)	(7,574)	(2,481)	(2,947)
		(7,257)	(7,574)	(2,481)	(2,947)

Hertford Regional College
Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 31st July 2019	28,854	5,988	34,842
Surplus/(deficit) from the income and expenditure account	(2,265)	-	(2,265)
Other comprehensive income	(4,992)		(4,992)
Transfers between revaluation and income and expenditure reserves	96	(96)	-
Total comprehensive income for the year	(7,161)	(96)	(7,257)
Balance at 31st July 2020	21,693	5,892	27,585
College			
Balance at 31st July 2019	29,628	5,988	35,616
Surplus/(deficit) from the income and expenditure account	(2,581)	-	(2,581)
Other comprehensive income	(4,992)	-	(4,992)
Transfers between revaluation and income and expenditure reserves	96	(96)	-
Total comprehensive income for the year	(7,477)	(96)	(7,573)
Balance at 31st July 2020	22,151	5,892	28,043
	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 31st July 2018	31,335	5,988	37,323
Surplus/(deficit) from the income and expenditure account	(196)	-	(196)
Other comprehensive income	(2,285)		(2,285)
Total comprehensive income for the year	(2,481)	-	(2,481)
Balance at 31st July 2019	28,854	5,988	34,842
College			
Balance at 31st July 2018	32,761	5,988	38,749
Prior Years Adjustment	(186)	-	(186)
Surplus/(deficit) from the income and expenditure account	(662)	-	(662)
Other comprehensive income	(2,285)	-	(2,285)
Total comprehensive income for the year	(2,947)	-	(2,947)
Balance at 31st July 2019	29,628	5,988	35,616

Hertford Regional College

Balance sheets as at 31 July

	Notes	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Non Current Assets					
Tangible fixed assets	13	64,694	64,694	66,238	66,238
Investments	14	-	503	-	542
Goodwill	15	-	-	83	-
		11			
Amounts due from associates	16	-	-	721	721
		64,705	65,197	67,042	67,501
Current assets					
Trade and other receivables	17	892	885	849	846
Cash and cash equivalents	22	8,182	7,909	8,383	8,263
		9,074	8,794	9,233	9,109
Less: Creditors – amounts falling due within one year	18	(3,836)	(3,590)	(3,670)	(3,519)
		5,238	5,204	5,562	5,590
Net current assets		5,238	5,204	5,562	5,590
Total assets less current liabilities		69,943	70,401	72,604	73,091
Less: Creditors – amounts falling due after more than one year	19	(29,353)	(29,353)	(30,477)	(30,478)
Provisions					
Defined benefit obligations	21	(13,005)	(13,005)	(6,997)	(6,997)
Other provisions	21	-	-	(288)	-
		27,585	28,043	34,842	35,616
Total net assets		27,585	28,043	34,842	35,616
Unrestricted reserves					
Income and expenditure account		21,693	22,151	28,854	29,628
Revaluation reserve		5,892	5,892	5,988	5,988
Total unrestricted reserves		27,585	28,043	34,842	35,616

The financial statements on pages 32 to 60 were approved and authorised for issue by the Corporation on 10th December 2020 and were signed on its behalf on that date by:


Mike Carver
Chair


Tony Medhurst
Accounting Officer

**Hertford Regional College
Consolidated Statement of Cash Flows**

	Notes	2020 £'000	2019 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		(2,265)	(196)
Adjustment for non cash items			
Depreciation		2,071	2,175
Amortisation		72	72
(Increase)/decrease in non current assets		721	166
(Increase)/decrease in debtors		(45)	(10)
Increase/(decrease) in creditors due within one year		(201)	(471)
Increase/(decrease) in creditors due after one year		(606)	(817)
Increase/(decrease) in provisions			
Pensions costs less contributions payable		1,017	664
Share of operating surplus /(deficit) in Associate		30	(674)
Loss on investment in associate		39	-
Adjustment for investing or financing activities			
Investment income		(41)	(37)
Interest payable		333	353
Net cash flow from operating activities		1,126	1,225
Cash flows from investing activities			
Proceeds from sale of fixed assets			
Disposal of non-current asset investments			
Investment income		41	37
Payments made to acquire fixed assets		(504)	(419)
		(463)	(382)
Cash flows from financing activities			
Interest paid		(333)	(353)
Repayments of amounts borrowed		(531)	(513)
		(864)	(866)
Increase / (decrease) in cash and cash equivalents in the year		(201)	(23)
Cash and cash equivalents at beginning of the year	21	8,383	8,406
Cash and cash equivalents at end of the year	21	8,182	8,383



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 2018 to 2019* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Basis of consolidation

At the year end Hertford Regional College had two subsidiaries, CK Assessment & Training Ltd and Herts Resourcing Group. 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 2020.

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 £5,810k of loans outstanding with bankers on terms negotiated in 2009. Additionally, there are no uncommitted facilities available for drawdown.

The financial statements have been prepared on a going concern basis. The College has considered relevant information, including the annual budget, forecast future cash flows and the impact of subsequent events in making their assessment. Like most organisations worldwide, the COVID-19 pandemic and the ensuing economic shutdown has had some impact on the College's operations. The College closed its buildings in late March 2020 and moved to online learning and gradually re-opened as lockdown eased, returning to fully open in September 2020. The College took necessary steps to mitigate the impact of this full and partial closure with many staff continuing to work from home throughout.

In response to the COVID-19 pandemic, the College has performed a robust analysis of forecast future cash flows taking into account the current and likely future impact of various scenarios arising from the impact of COVID-19. This analysis also considers the effectiveness of available measures to assist in mitigating the impact.

Although the forecast prepared takes accounts of the matters above, the full impact of COVID 19, the continued level of government support and the underlying trading assumptions used in forecasting are extremely judgemental and difficult to predict and could be subject to significant variation.



NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES (CONTINUED)

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

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are recognised in line with the best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end, and the results of any funding audits. 16 - 18 learner responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Capital grant funding

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

Fee income

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

Investment income

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

Accounting for post-employment benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

Teachers' Pension Scheme (TPS)

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

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



NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES (CONTINUED)

Hertfordshire Local Government Pension Scheme (LGPS)

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

Non-current Assets - Tangible fixed assets

Land and buildings

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

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.



NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES (CONTINUED)

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 102.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Equipment

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

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

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

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

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

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.



NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES (CONTINUED)

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

Investments and endowment assets

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

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Liquid resources

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

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event. It is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the ESFA and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown in creditors, 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.



NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (CONTINUED)

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 27, 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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.



NOTES TO THE ACCOUNTS (CONTINUED)

2 Funding council grants

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	1,129	1,139	2,205	2,205
Education and Skills Funding Agency - 16-18	10,268	10,292	11,162	11,162
Education and Skills Funding Agency - apprenticeships	1,452	1,475	1,485	1,482
Higher Education Funding Council	40	40	60	60
Specific Grants				
Releases of government capital grants	625	625	714	714
Total	13,514	13,571	15,626	15,623

3 Tuition fees and education contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	468	261	686	457
Apprenticeship fees and contracts	28	26	74	74
Fees for FE loan supported courses	182	182	236	213
Fees for HE loan supported courses	569	569	593	593
Total tuition fees	1,247	1,038	1,589	1,337
Education contracts	1,901	1,901	1,762	1,762
Total	3,148	2,939	3,351	3,099

4 Other grants and contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Local Authority Grants	-	-	16	16
Releases of other capital grants	105	105	224	224
Other grants and contracts	175	175	49	49
Total	280	280	289	289



HERTFORD REGIONAL COLLEGE

NOTES TO THE ACCOUNTS (CONTINUED)

5 Other income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other income generating activities	262	262	112	112
Miscellaneous income	746	799	500	465
CK Trading Income	2	-	11	-
	1,010	1,061	623	577

6 Investment income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	41	41	37	37
	41	41	37	37

7 Donations - College only

	Year ended 31 July	
	2020	2019
	£'000	Restated £'000
Unrestricted donations	102	74
Total	102	74



NOTES TO THE ACCOUNTS (CONTINUED)

8 Staff costs

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

	2020 Group No.	2020 College No.	2019 Group No.	2019 College No.
Teaching staff	148	136	148	136
Non teaching staff	128	123	128	123
	276	259	276	259
Staff costs for the above persons				
	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Wages and salaries	8,044	7,122	8,632	7,518
Social security costs	733	659	756	696
Other pension costs	1,623	1,600	1,346	1,325
Payroll sub total	10,400	9,381	11,734	9,539
Contracted out staffing services	317	904	320	1,020
	10,717	10,285	11,054	10,559
Current and past service costs less employer contributions	860	860	544	544
Fundamental restructuring costs - contractual	218	218	176	176
	11,795	11,363	11,774	11,279

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 marketing. Staff costs include compensation paid to key management personnel for loss of office.

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	7	7



NOTES TO THE ACCOUNTS (CONTINUED)

8 Staff costs - Group and College (continued)

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

	Key management personnel		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£65,001 to £70,000	1	3	-	-
£70,001 to £75,000	1	-	-	-
£85,001 to £90,000	1	-	-	-
£90,001 to £95,000	-	1	-	-
£110,001 to £115,000	1	1	-	-
£140,000 to £145,000	1	1	-	-
	5	6	-	-

In 2019 the member of staff whose emoluments fell in the £90,001 to £95,000 band was employed by a subsidiary company and was not a College Employee. He left the subsidiary company at the end of August 2019.

Key management personnel emoluments are made up as follows:

	2020 £'000	2019 £'000
Salaries - gross salary sacrifice and waived emolument	518	589
Employers National Insurance	64	73
Benefits in kind	3	3
	585	665
Pension contributions	116	111
Total emoluments	701	776

The above emoluments include one member of staff who was employed by a subsidiary company and who was not a College employee. He left one month after the start of the year, his emoluments were salary £8k (£92k 18/19). Employers National Insurance £1k (£12k 18/19), Pension Contribution £0.3k (£3k 18/19).

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

NOTES TO THE ACCOUNTS (CONTINUED)

8 Staff costs - Group and College (continued)

	2020	2019
	£'000	£'000
Salaries	137	137
Bonus	6	6
Benefits in kind	1	1
	144	144
Pension contributions	31	31

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

The Accounting Officer's basic salary is 4.87 (5.05 18/19) times the median basic pay of all corporation employees. The Accounting Officer's total emoluments (including pension contributions) are 5.07 (5.5 18/19) times the median of all corporation employees basic pay including pension contributions. Both ratios are calculated on a full time equivalent basis and based on the March 2020 payroll (2018/19 March 2019 payroll).

9 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	2,297	3,112	2,752	3,307
Non teaching costs	1,174	1,340	1,538	1,247
Premises costs	1,430	1,301	1,467	1,336
Total	4,901	5,753	5,757	5,890

Other operating expenses include:	2020	2019
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	28	29
Internal audit**	27	22
Other services provided by the financial statements auditors***		
Other services provided by the internal auditors		
Hire of assets under operating leases	82	77

* includes £27,600 in respect of the College (2018/19 £29,472)

** includes £26,607 in respect of the College (2018/19 £22,000)

HERTFORD REGIONAL COLLEGE

NOTES TO THE ACCOUNTS (CONTINUED)

10 Interest payable - Group and College

	2020 £'000	2019 £'000
On bank loans, overdrafts and other loans:	333	353
On finance leases	-	-
Total	333	353

11 Taxation - Group only

	2020 £'000	2019 £'000
United Kingdom corporation tax	-	-
Total	-	-

The members do not believe that the College was liable for any corporation tax arising out of its activities during either year.

12 Costs in respect of pension schemes – Group and College

	2020 £'000	2019 £'000
Pension finance costs (note 27)	157	120
Current and past service costs less employer contributions	860	544
Total	1,017	664



NOTES TO THE ACCOUNTS (CONTINUED)

13 Tangible fixed assets (Group)

	Land and buildings Freehold £'000	Equipment £'000	Work in Progress £'001	Total £'000
Cost or valuation				
At 1 August 2019	83,072	5,995		89,067
Additions	-	482	22	504
Transfer between categories	1,224	(1,275)		(51)
Disposals	(101)	120		19
At 31 July 2020	84,195	5,322	22	89,539
Depreciation				
At 1 August 2019	19,625	3,204		22,829
Charge for the year	1,539	532		2,071
Transfer between categories	(501)	446		(55)
At 31 July 2020	20,663	4,182	0	24,845
Net book value at 31 July 2020	63,532	1,140	22	64,694
Net book value at 31 July 2019	63,447	2,791	0	66,238

NOTES TO THE ACCOUNTS (CONTINUED)

13 Tangible fixed assets (College only)

	Land and buildings Freehold £'000	Equipment £'000	Work in Progress £'001	Total £'000
Cost or valuation				
At 1 August 2019	83,072	5,995		89,067
Additions		482	22	504
Transfer between categories	1,224	(1,275)		(51)
Disposals	(101)	120		19
At 31 July 2020	84,195	5,322	22	89,539
Depreciation				
At 1 August 2019	19,625	3,204		22,829
Charge for the year	1,539	532		2,071
Transfer between categories	(501)	446		(55)
At 31 July 2020	20,663	4,182	0	24,845
Net book value at 31 July 2020	63,532	1,140	22	64,694
Net book value at 31 July 2019	63,447	2,791	0	66,238

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

NOTES TO THE ACCOUNTS (CONTINUED)

14 Non current Investments

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Investments in subsidiary companies	-	503	-	542
Share of Associates (loss) / profit	(30)	-	674	
	(30)	503	674	542
Transfer to provision of (losses)/ profits in associate	30	-	(674)	-
Total	-	503	-	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 2020 £'000	Group 2019 £'000
Cost		
Cost as at 1st August	503	503
Additions		
Balance at 31st July	503	503
Amortisation		
Cost at 1st August	420	348
Charge for the year	72	72
Balance at 31st July	492	420
Net Book Value as at 31st July	11	83

16 Other Non-Current Assets

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts due from associates	-	-	721	721
Total	-	-	721	721



HERTFORD REGIONAL COLLEGE

NOTES TO THE ACCOUNTS (CONTINUED)

17 Trade and Other Receivables

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	115	94	149	113
Amounts owed by group undertakings:				
Subsidiary undertakings	-	-	-	31
Prepayments and accrued income	583	597	326	328
Other Debtors	-	-	-	-
Amounts owed by the ESFA	194	194	374	374
Total	892	885	849	846

18 Creditors: amounts falling due within one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans and overdrafts	516	516	526	526
Trade payables	641	549	187	165
Other taxation and social security	160	155	186	163
Accruals and deferred income	1,105	957	1,257	1,159
Other Creditors	247	247	218	211
Deferred income - government capital grants	798	798	798	798
Amounts owed to the Skills Funding Agency/EFA	369	368	497	497
Total	3,836	3,590	3,670	3,520

19 Creditors: amounts falling due after one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans	5,409	5,409	5,930	5,930
Deferred income - government capital grants	23,944	23,944	24,547	24,548
Total	29,353	29,353	30,477	30,478



NOTES TO THE ACCOUNTS (CONTINUED)

20 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	516	516	526	526
Between one and two years	420	420	526	526
Between two and five years	3,211	3,211	3,385	3,385
In five years or more	1,778	1,778	2,019	2,019
Total	5,925	5,925	6,456	6,456

The College has two fixed rate bank loans and is repaying by instalments as follows: 4.5m loan with an end date of July 2013 at 5.45% 3.5m loan with an end date of July 2024 at 5.52%. In addition, the College has a £12m loan falling due in 2021 at a variable rate of interest.



HERTFORD REGIONAL COLLEGE

NOTES TO THE ACCOUNTS (CONTINUED)

21 Provisions

	Group and College		
	Defined benefit Obligations	Other	Total
	£'000	£'000	£'000
At 1 August 2019	6,997	288	7,285
Expenditure in the period	1,016		1,016
Additions in year	4,992		4,992
Released in year		(288)	(288)
At 31 July 2020	13,005	0	13,005

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 26.

22 Cash and cash equivalents Group

	At 1 August 2019	Cash flows	Other changes	At 31 July 2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents	8,383	(201)	-	8,182
Total	8,383	(201)	-	8,182

College

	At 1 August 2019	Cash flows	Other changes	At 31 July 2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents	8,263	(354)	-	7,909
Total	8,263	(354)	-	7,909

23 Capital commitments

	Group and College	
	2020 £'000	2019 £'000
Commitments contracted for at 31 July	75	-



HERTFORD REGIONAL COLLEGE

NOTES TO THE ACCOUNTS (CONTINUED)

24 Lease Obligations

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

	Group and College	
	2020	2019
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	73	12
Later than one year and not later than five years	-	-
later than five years	-	-
	73	12
Other		
Not later than one year	4	5
Later than one year and not later than five years	4	-
later than five years	-	-
	8	5
Total lease payments due	154	17

25 Contingent liabilities

There are no contingent liabilities

26 Events after the reporting period

There are no events after the reporting period

NOTES TO THE ACCOUNTS (CONTINUED)

27 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 [name]. Both are multi-employer defined-benefit plans.

Total pension cost for the year	2020 £'000	2019 £'000
Teacher's Pension Scheme: contributions paid	812	815
Local Government Pension Scheme:		
Contributions paid	792	831
FRS 102 (28) charge	860	560
Charge to the Statement of Comprehensive Income	1,672	1,391
Enhanced pension charge to Statement of Comprehensive Income	-	-
Total Pension Cost for Year	2,484	2,206

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 2016 and of the LGPS 31 March 2016.

Contributions amounting to £182,739 (2019:£152,509) were payable to the scheme and are included in creditors

Teachers' Pension Scheme

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

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020/21 academic year.

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

The pension costs paid to TPS in the year amounted to £811,708 (2019: £815,436)



NOTES TO THE ACCOUNTS (CONTINUED)

27 Defined benefit obligations (continued)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Hertford Local Authority. The total contribution made for the year ended 31 July 2020 was £1,024,882 of which employer's contributions totalled £793,062 and employees' contributions totalled £231,820. The agreed contribution rates for future years are 22.9% for employers and range from 5.5% to 12.5% cent for employees, depending on salary according to a national scale.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2020 by a qualified independent actuary

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	2.60%	2.50%
Future pensions increases	2.20%	2.40%
Discount rate for scheme liabilities	1.40%	2.10%
Inflation assumption (CPI)	2.2%	2.40%
Commutation of pensions to lump sums	50%/75%	50%/75%

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

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

	At 31 July 2021 years	At 31 July 2020 years
<i>Retiring today</i>		
Males	21.90	21.50
Females	24.10	23.70
<i>Retiring in 20 years</i>		
Males	22.80	22.30
Females	25.50	25.00



HERTFORD REGIONAL COLLEGE

NOTES TO THE ACCOUNTS (CONTINUED)

27 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:

	Share of scheme assets at 31 July 2020	Fair Value at 31 July 2020	Share of scheme assets at 31 July 2019	Fair Value at 31 July 2019
		£'000		£'000
Equities	51%	20,798	51%	20,372
Bonds	37%	15,089	37%	14,780
Property	9%	3,670	8%	3,196
Cash	3%	1,223	4%	1,598
Total market value of assets		40,781		39,945
 Present value of plan liabilities		 (53,786)		 (46,942)
Deficit in the Scheme		(13,005)		(6,997)

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	1,672	1,352
Employer contributions	(812)	(832)
Past service cost	-	19
Total	860	539

Amounts included in investment income

Net interest income	156	120
	156	120

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	(59)	(1,808)
Experience losses arising on defined benefit obligations	1,190	(2,445)
Other experience	(1,264)	
Changes in assumptions underlying the present value of plan liabilities	5,125	6,538
Amount recognised in Other Comprehensive Income	4,992	2,285



NOTES TO THE ACCOUNTS (CONTINUED)

27 Defined benefit obligations (continued)

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

	2020 £'000	2019 £'000
Surplus/(deficit) in scheme at 1 August	(6,997)	(4,053)
Movement in year:		
Current service cost	(1,672)	(1,353)
Employer contributions	812	832
Past service cost	-	(19)
Net interest on the defined (liability)/asset	(156)	(120)
Actuarial gain or (loss)	(4,993)	(2,285)
Net defined benefit (liability)/asset at 31 July	(13,005)	(6,997)

Asset and Liability Reconciliation

	2020 £'000	2019 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	46,942	40,993
Current Service cost	1,672	1,353
Interest cost	996	1,156
Contributions by Scheme participants	232	242
Changes in financial assumptions	5,051	4,093
Estimated benefits paid	(1,107)	(914)
Past Service cost		19
Defined benefit obligations at end of period	53,786	46,942
Change in fair value of plan assets		
Fair value of plan assets at start of period	39,945	36,940
Interest on plan assets	840	1,036
Return on plan assets	59	1,809
Employer contributions	812	832
Contributions by Scheme participants	232	242
Estimated benefits paid	(1,107)	(914)
Curtailments and settlements		
Fair value of plan assets at end of period	40,781	39,945

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

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

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the



NOTES TO THE ACCOUNTS (CONTINUED)

27 Defined benefit obligations (continued)

disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pa increase would increase the estimated cost by 65%.

28 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 nil (2019: None). 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 (2019: None).

