

**Report & Financial Statements**  
For the year ending 31st July 2014



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## Operating & Financial Review

### NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31<sup>st</sup> July 2014.

#### Legal status

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 and that the required statements appear elsewhere in these financial statements.

#### Mission

An entrepreneurial College, where the ethos, values and culture of students, tutors and leaders is distinctively geared towards the task of wealth creation, business formation, growth and employment outcomes.

#### Vision

'To become nationally recognised as the foremost entrepreneurial college in the UK.'

#### Values

- Respect – Recognise and value the contribution of others
- Accountable – You take personal responsibility for the success of the College
- Inclusive – You take account of the different needs and aspirations of others
- Entrepreneurial – You are proactive and you engage with innovation
- Challenge – You are confident to give your opinion and open to receiving the views of others
- Empowering – You take the initiative and support others to take initiative within agreed boundaries
- Aspirational – You are relentless in pursuit of excellence
- Safe – You are alert to risks and proactive in the security of others

#### Implementation of Strategic Plan

In 2012/13 we commissioned a new Strategic Plan 2013-16. The College has a property master plan which was commissioned during 2012/13.

#### Key Strategic Themes

**Theme 1: Creating individuals with the ability to succeed in changing business and social environments** - This theme is based on the premise that our students will need to demonstrate and apply the knowledge, skills and wider characteristics associated with T-shaped students as an output from their college experience. This means that our College will allocate resources and develop models of teaching, learning, and assessment that will fundamentally alter the experience of a student in an entrepreneurial college. The most fundamental change in the delivery of this theme reflects a shift in the funding of delivery in order to create greater balance between knowledge, skills, enterprise, wealth creation and employment. Creativity, resilience and enterprise cannot simply be bi-products of a technical and skills-based curriculum.

The advancement of technology is continuing to create opportunities for our students to access knowledge and skills through mediums other than direct group-centred teaching. Our delivery teams will need to develop projects and opportunities for students that significantly improve their employability, alongside their mastery of skill. The College will therefore invest in key social learning networks, with increased access to learning on demand, and the utilisation of free resources in support of a curriculum that will provide greater balance in terms of student experience and opportunity.

**Theme 2: Developing business solutions and building employer partnerships** - To deliver this theme, we will need to build on our early successes in the engagement of students with employers, stakeholders and the community. We need to deliver strategies that will proactively engage students and our teaching workforce with small and medium-sized businesses in all parts of our community. Successful initiatives, such as Student Crew and The Big Student Takeover, will need to grow and develop to new levels and new scales. An investment in the technology infrastructure and in commercial learning for our students will underpin our ambition for a new, and more strategic, relationship with employers. College teams such as marketing, technology and delivery will need to fundamentally operate in the external environment as well as their internal environment. We believe this will enable staff to be more commercially aware and more in tune with the needs of our business and our communities.

## Operating & Financial Review (cont'd)

### Key Strategic Themes

#### **Theme 2: Developing business solutions and building employer partnerships (cont'd)**

We also intend to create greater ownership of the College and its assets amongst employers and community leaders. This will require a fundamental shift in the nature of the relationship with those leaders. It will require a greater openness in the sharing of the College's performance data, increasing accountability and matching performance to the needs of the local economy.

**Theme 3: Community and social responsibility** - The College wishes to be at the heart of the community we serve. We can achieve this through more systematic involvement of our staff, students and governors in social enterprise. We will enable staff and students to become proactive in community projects and in the support of the profitability of small businesses. This will require a greater focus on what is happening within local businesses and within the community generally. We will develop authentic relationships with our stakeholders and contribute to the social capital that binds our community together. They will be reciprocal, where the College and stakeholders develop high trust partnerships and work together on shared agendas. The College will develop an ecosystem where innovation and the entrepreneurial spirit drives forward the ambitions of our partners and students in a sustainable way whilst championing social responsibility.

### Strategic Priorities for 2014/16

In 2013/14 we agreed the following Strategic Priorities:

- Financial Health - We propose to effect a transition from a historic funding base to a new funding base which will generate an appropriate surplus. We propose to make the transition from 95% to 89% public sector funding in year 1. There will be a budget revision post enrolment by the end of October 2014.
- Growth – To reduce the reliance on sub-contracted work and develop other income streams
- Teaching & Learning – To increase the number of good and outstanding lessons throughout the College in order to achieve overall outstanding. Ensure we are on an upward trend in measures of success. Ofsted Inspection/Self-Assessment confirms that at least 84% of teaching is good or outstanding.
- Curriculum – Expand the curriculum model to put project based learning, teamwork, commercial experiences and employment more firmly at the centre of student experience.
- Leadership – Investment in middle management and leadership at all levels, that can deliver high performance with a focus on future succession.
- Student Empowerment – Placing the College within the top quartile in relation to the rest of the sector for student engagement in social enterprise, community engagement and direct employment.
- Staff Empowerment – Ensure the entire workforce know they have a voice and exercise that voice and use it to shape College actions and directions.
- Employer Engagement – We will place a greater focus on engagement and inclusion of employers ensuring that we are responsive to business needs.
- Property – Property development and delivery within budget continues to be a high priority.
- Gazelle – As a key founder College in Gazelle continue to exploit the network provided, rebuild reputational benefits and support the transition arrangements for the Gazelle College group.

The financial objectives of the College are to:

- Ensure that resources are aligned with the College's updated Strategic Plan and corporate priorities.
- Achieve and maintain a balanced budget such that ongoing expenditure does not exceed income from government grant and other charges.
- Use the College's reserves in a cost-efficient and planned manner to deliver the College's priorities.
- Obtain value for money in both external contracted and non-contracted spend.
- Maximise the College's income by promptly raising sales invoices for all monies due and minimising the level of arrears and debt write-offs.
- Identify alternative means of resourcing the capital strategy to minimise the impact of borrowing on the income and expenditure account.
- Only incur additional ongoing spending when matched by increased income or identified savings.
- Ensure that there are sound systems of internal control underpinning its operations and functions.
- Maintain a robust framework for the management of corporate risks.
- Maintain the confidence of funders, suppliers, bankers and auditors.

## Operating & Financial Review (cont'd)

The College's specific objectives for 2013/14 and achievement of these objectives is addressed below:

- The College received an SFA/EFA recurrent grant allocation. This is used to fund both Learner Responsive and Employer Responsive activity. In the year the College received £24,951,000 (2012/13 £27,457,000).
- The College recorded an operating surplus of £117,000 before pension adjustments which gave an additional deficit of £196,000. There were a set of exceptional items which caused the College to record a deficit. Once this was consolidated with the subsidiary companies this gave a group operating surplus of £31,000.

### Performance Indicators

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

### Changes in learner numbers and achievement of SFA/EFA targets

Learner Numbers	2012/13 Actual	2013/14 Target	2013/14 Actual	2014/15 Target
16-18 F/T	2,297	3,242	2,436	2,507
19+ F/T	579	n/a	576	536

### Learner success rates

	2012/13 Actual	2013/14 Target	2013/14 Current
All	89%	90	91
16-18 All	89%	90	90
19+ All	88%	90	92
16 - 18 Long	88%	90	90
16 - 18 Short	85%	87	89
19+ Long	87%	87	86
19+ Short	81%	87	94

### Teacher qualifications

	2011/12 Actual		2012/13 Actual		2013/14 Actual	
	Full time	Full time	Full time	Part time	Full time	Part time
Qualified %	80%	81%	81%	77%	83%	92%
Enrolled on qualification %	29%	18%	18%	23%	17%	8%

### RESOURCES:

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

#### Financial

The College has £29.8 million of net assets (including £6.7 million pension liability) and £10 million of long term debt.

#### People

During 2013/14 the College employed 462 people (expressed as full time equivalents), of whom 180 were 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.

## Operating & Financial Review (cont'd)

### PRINCIPAL RISKS AND UNCERTAINTIES:

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the Strategic Plan, the Senior Executive Group (SEG) undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal control plans are monitored to ensure they are implemented and once implemented controls are reviewed. In addition to the annual review SEG will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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

Outlined below is a description of the principal risk factors or key strategic risk areas that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

- Legislative changes
- Funding regime changes
- Student enrolment and success
- Appropriately skilled staff
- Reputation
- Property strategy
- Financial health

### Fraud

As a result of forged correspondence, the bank account details of a supplier were changed and a high value invoice of £1,431,425.04 was paid to the fraudulent bank account on 9<sup>th</sup> October 2013.

A large portion of £1,000,006 was recovered from the account on identifying the fraud. The College was able to manage its finances to absorb the residual exposure of £431,419.

The fraud was reported to the Chair of the Audit Committee and the Chair of Governors immediately the College became aware of it and then fully reported to the Audit Committee and the Corporation Board. The AoC, the SFA and the EFA were also informed. The Senior Executive Group conducted a thorough review of the events which had led to the fraud. In addition, a review of the relevant stages of the procurement cycle was commissioned from the College's internal auditors and governance and procedural changes have been made. The College has also carried out changes to ensure that its insurance policies are fully up to date in respect of online transactions.

This was reported in Post Balance Sheet Events (Note 30) in the Financial Statements for the year ended 31<sup>st</sup> July 2013.

### STAKEHOLDER RELATIONSHIPS:

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

- Students
- Funding Bodies
- Staff
- Employers
- North Hertfordshire Studio School Trust
- Local Authorities
- Government Offices
- Partners (with specific links)

## Operating & Financial Review (cont'd)

### STAKEHOLDER RELATIONSHIPS: (cont'd)

- The local community
- Other FE institutions
- Trades union
- Professional bodies

The College recognises the importance of these relationships to enable it to achieve its priorities and this is achieved through regular engagement.

### Transparency arrangements

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the full Corporation. Full minutes of all meetings are available from the Clerk to the Corporation at:

Letchworth Town Hall  
Broadway  
Letchworth Garden City  
Herts  
SG6 3PF

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.

### Finances

The College generated an operating surplus of £117,000 (2012/13: surplus of £126,000) before pension adjustments which gave an additional deficit of £196,000 (2012/13: £122,000). There were a set of exceptional items which caused the College to record a deficit. Once this was consolidated with the subsidiary companies this gave a group operating surplus of £31,000 (2012/13: £139,000).

The net assets of the College at the year-end were £29.8 million (2012/13: £30.3 million) including cash balances of £1.2 million (2012/13: £4.8 million).

The College has significant reliance on the SFA for its principal funding source, largely from recurrent grants. In 2013/14 the SFA/EFA provided 83.7% of the College's total income.

The College has five subsidiary companies: Protech Training Services Limited, Plaza Activity Limited, Clarity FE Limited (which has been placed into members' voluntary liquidation), The Consortium for Business and The Big Student Takeover, of which the latter two have not traded during the year. In addition the College holds an 11% shareholding in Gazelle Transform Limited (formerly Enterprise Through Innovation Limited).

In setting its strategic and financial forecasts the Board continues to aim to achieve a surplus for reinvestment on its continuing operations. It is the intention to maintain overall financial viability and to continue to retain SFA 'Good' financial status.

### 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 separate treasury management policy in place with a renewal due in 2014/15.

All borrowing undertaken has been authorised by the Corporation.

### Cash flows and Liquidity

The net inflow from operations was £687,000 (2012/13: inflow of £642,000) which together with an increase in the loans of £7 million funded the purchase of tangible fixed assets of £12.7 million and resulted in a decrease in cash of £3.7 million.

## Operating & Financial Review (cont'd)

### Cash flows and Liquidity (cont'd)

#### Payment Performance

It is the College's policy to pay all of its suppliers on the last day of the month following the month of invoice, provided that the College is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

The number of days' purchases outstanding for payment by the College at year-end was 39 days.

The College incurred no interest charges in respect of late payments for this period.

### CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

#### Student Numbers and Related Funding

In 2013/14 the College has delivered activity that has produced £24,951,000 in funding body main allocation funding (2012/13: £27,457,000). The College had approximately 10,623 SFA-funded and 3,889 non-SFA-funded students.

97% of learners completed their programmes in 2013/14 and this represented a 2% drop on 2012/13. The national benchmark is 91%

#### Student Achievements

The College is forecasting that 94% of learners will achieve their intended learning aim (93% in 2012/13). The national benchmark is 91%.

#### Curriculum Developments

Stevenage Skills Centre - To expand the full cost curriculum offering and attract additional students the Skills Centre has invested in new tools and facilities. These include a specialist MOT bay and various simulation rigs to support learning and expand the full cost provision, refurbished workshops and new painting and decorating areas. The Common Room and Canteen have been also been refurbished.

The academy has subsequently expanded to include full time welding courses and new Level 3 Motor and Level 2 Body and Paint programmes which have attracted an additional 86 learners. In addition, a learning company has been created in Motor Vehicle which will encompass the service centre, scooter maintenance and the body and paint repair service.

Care, Health & Life Skills - The Stevenage Academy has continued to expand with considerable growth in the HND in Health & Social Care and the introduction of the HNC in Computing and IT.

The IT learning company has been launched in the academy this year, enabling students to work alongside the IT team to deliver first line support for staff and students. In the future students will also provide this service to external companies, charities and schools etc.

The Childhood Studies department have run a pilot crèche at Fit4Less that is now expanding to become a learning company. The learning company will be a Day Nursery called "Little Rockets", this will be situated on the Stevenage site and will provide high quality childcare for students, staff and externals. In addition the Supported Studies students' retail outlet has expanded and now offers chocolate bouquets and a dry cleaning service. In addition they are now in partnership with an upcycling firm called 'Recover'.

Creative & Service Industries - Within the Creative & Service Industries Academy there have been several areas of growth in new provision to provide progression onto existing programmes, these new programmes include nail services which supports the growing number of students interested in particular disciplines within Beauty rather than the traditional Beauty pathway. Barbering at level 3, has also enabled a large cohort of students' to progress onto a particular part of the hairdressing programme.

Catering has incorporated a part time provision to support adult students who are wishing to change career paths. Creative Industries developed a range of full cost programmes to support both existing programmes and new customers to develop their skills further in interactive media and media studies. The development of a learning company in 2013/14 that sits within the Catering and Hospitality area, supported by a commercial company Aramark, will see a significant difference in the skills developed by the students for 2014/15, opportunities will range from fine dining to fast food across a range of outlets on differing sites.

## Operating & Financial Review (cont'd)

### Curriculum Developments (cont'd)

Lifestyle, Enterprise & Life Skills - The Lifestyle and Enterprise Academy has continued to develop its curriculum offer throughout 2013/14. The Business department saw significant growth in its Level 3 provision and within Travel a new level 3 course in Aviation was successfully introduced. Animal Management also saw growth at level 3 through year 2 progression.

Partnership working has also expanded across the academy with increased business with both the Sport National Governing Bodies and Swissport. The academy also sustained growth in Higher Education with the introduction of a new HND in Travel and Tourism and Level 5 HND progression for Sports Studies.

In addition 2013/14 saw the launch of The Edge Sports Centre Learning Company at the Hitchin site and continued growth of the Fit4Less learning company, both of which have provided a significant income contribution. These developments have enabled students to experience learning within a commercial company and to widen their skills to understand sector required skills.

Workforce & Community Responsive - Within the Workforce and Community Responsive Academy there have been significant developments over the past year. The Community and Training for Employment area, through the introduction of new Adult Skills Budget funding by the Hertfordshire Adult and Family Learning Service, has provided a range of level 1 and level 2 qualifications in ICT, dressmaking, flower arranging, cake decorating and employability provision.

The department continues to maintain and grow strong relationships with Job Centre Plus, community groups, children centres and schools to provide bespoke programmes for disadvantaged groups. Close work with the Management and Professional and Childhood Studies teams have developed bespoke vocational provision for unemployed adults in accounting, team leading and childcare. There has also been the introduction of Traineeships which will continue to grow into the new academic year. Management and Professional continue to deliver development courses for professionals including Adult Enterprise for individuals starting their own business.

### Apprenticeships

There has been a continuation of positive change within the College's apprenticeship provision over the last six months. The most notable being the decentralisation of apprenticeships from the Workforce and Community (W&C) team, to the academy which already delivers the relevant sector subject area. This transition has been as smooth as can be expected, with each Assistant Principal engaging with the concept and working hard to understand and disseminate the intricacies of apprenticeship delivery and funding. The W&C Academy still retains a proportion of the delivery and also a strategic role in supporting the wider College with this transition and growth.

The quality and success of our apprenticeship provision has been monitored by Ofsted since January 2014 with the last meeting in October 2014 indicating a significant improvement (13%) on overall success rates from 2012/13. Additionally we gained support for a self-assessed Grade 2 for Leadership and Management, which indicates a confidence that 2014/15 outcomes for learners and quality of teaching & learning will continue to improve.

The next significant phase for apprenticeships will be to operationalise our Employer Engagement Strategy (to attract more large organisations, change their engagement level and develop 'good' employers); enhancing our learner journey with more competent and engaged staff, and position ourselves comfortably with the proposed government funding reform.

### Community

The services provided by the Community team accounted for 33% of the total head count of College customers accessing provision during 2013/14. Community programmes at NHC are varied and consist of programmes aimed at supporting personal development, cultural enrichment, intellectual or creative stimulation and stepping stones into further learning and/or employment; we also offer a wide range of Learn Together programmes directed at families. Our provision reflected changes within both our customer profile and in the local economy.

## Operating & Financial Review (cont'd)

### Charitable and taxation status

The College is an exempt charity for the purposes of the Charities Act 2011 and is not liable to corporation tax. The subsidiary companies are registered under the Companies Act 2006.

### Equal opportunities

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy is published on the College's Intranet site.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Single 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.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College has achieved accreditation to the Committed to Equality (C2E) standard at the gold (highest) level. The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

### Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010 and Children and Families Act 2014.

- a As part of its property strategy the College carried out a full access audit and the results of this formed the basis of works subsequently carried out to improve access.
- b The College has an Additional Learning Support Manager and LDD Supported Studies Manager who provides information, advice and arranges specialist support where necessary for students with disabilities to enable equal access to learning.
- c The College is a Disabled Students Allowance (DSA) Assessment Centre and undertakes assessments for students progressing to Higher Education
- d There is specialist equipment within the College which is made available for use by students. A comprehensive range of assistive technology is provided in the DSA Centre where students can undertake detailed assessments in order to determine the most appropriate equipment required to address individual learning needs.
- e The admissions policy for all students is described in the College prospectus and website. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- f The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of learning support assistants who can provide a variety of support for learning. Support is provided for students with specific learning difficulties, sensory impairments, general learning difficulties, physical disabilities and personal care and can take place both within the classroom, in the workplace or in a community based setting. 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.
- g Specialist programmes are described in College prospectuses and on the website and achievements and destinations are recorded and published in the standard College format.
- h Counselling, welfare services, complaints and disciplinary procedures are made available to all students during induction and additional details can be found on the College website, in the prospectus and leaflets.

## **Operating & Financial Review (cont'd)**

### **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.

### **Members**

Approved by order of the members of Corporation on 8<sup>th</sup> December 2014 and signed on its behalf by:

**J Simmonds**  
Chairman

## Operating and Financial Review (cont'd)

### Professional advisers

The professional advisers to the Corporation are:

#### Financial statements and regularity auditors:

KPMG LLP  
London North  
58 Clarendon Road  
Watford  
WD17 1DE

#### Internal auditors:

Grant Thornton UK LLP  
30 Finsbury Square  
London  
EC2P 2YU

#### Bankers:

NatWest  
Park Centre  
210 Butterfield  
Great Marlings  
Luton  
LU2 8DL

Lloyds TSB  
Business & Commercial Service Centre  
49/51 Dean Street  
Marlow  
Buckinghamshire  
SL7 3BP

#### Solicitors:

Eversheds LLP  
Kett House  
Station Road  
Cambridge  
CB1 2JY

Thomas Eggar  
The Corn Exchange  
Baiffin's Lane  
Chichester  
West Sussex  
PO19 1GE

## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2014. 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.

### Public Benefit Statement

North Hertfordshire College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1<sup>st</sup> September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 13.

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 and commerce.

### The Corporation

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

(Attendance figures relate to Board Meetings for period 1<sup>st</sup> September 2013 – 31<sup>st</sup> July 2014)

Name	Date of first appointment	Term of office	Date of resignation	Status of appointment	Committees served
Mr J Simmonds Chairman	1 Apr 2003 Reappointed 1 Apr 2007 1 Apr 2011	4 years		Ordinary Member	Finance & General Purposes Property Group Quality Standards Group Remuneration Panel(Chairman) Board attendance: 100%
Mrs S Sutherland (Principal from 1 Sep 2012) (Principal/CEO from Jul 2013)	1 Sep 2012			Principal	Finance & General Purposes Property Group Observer at Search and Governance and Remuneration Panel In attendance at Audit Board attendance: 100%
Mr A Ahmedi	1 Apr 2012	4 years		Ordinary Member	Board attendance 0% (special permission given as working away from home)

Mr P Bathmaker (Vice-Chairman from Apr 2009)	1 Apr 2005 Re-appointed 1 Apr 2009 1 Apr 2013	4 years		Ordinary Member	Finance & General Purposes (Chairman) Remuneration Panel Board attendance: 91%
Mrs S Baker	19 Jan 2005 Re-appointed 1 Apr 2009 1 Apr 2013	4 years		Ordinary Member	Search & Governance Remuneration Panel Quality Standards Group Safeguarding Governor Board attendance: 73%
Mr L Cattell	1 Aug 2013			Student Member	Average Board attendance Jan – Sep 2014: 57%
Mr N Chesher	1 Apr 2012			Ordinary Member	Finance & General Purposes Board attendance: 91%
Mrs S Clark	19 Sep 2011	4 years		Ordinary Member	Finance & General Purposes Board attendance 91%
Mrs M Harris	19 Sep 2011	4 years	Resigned: Jun 2014	Parent Member	Audit Board attendance: 45%
Mr C Jackson	1 Apr 2010 Re-appointed Apr 2014	4 years		Staff member	Audit Property Board attendance: 100%
Mr S Juneja	18 Oct 2010 Re-appointed 1 Apr 2011	4 years	Resigned: Feb 2014	Staff Member	Search & Governance Quality Standards Group Board attendance: 50%
Mr M Kellard	1 Apr 2007 Re-appointed 1 Apr 2011	4 years		Ordinary Member	Finance & General Purposes Property Group (Chairman) Remuneration Panel Board attendance: 55%
Mr D Lloyd	17 Oct 2011	4 years		Ordinary Member	Search and Governance Board attendance: 36%
Mr K Scott	1 April 2014	4 years		Staff Member	Search & Governance Committee Board attendance: 75%
Ms L Saunders	1 Apr 2011	4 years		Ordinary Member	Audit (Chairman) Board attendance: 100%
Mrs S Taylor	Jun 2011	4 years		Ordinary Member	Finance & General Purposes Board attendance: 27%
Mr P Waters	26 Nov 2013	4 years		Ordinary Member	Search & Governance Committee Property Group Board attendance: 50%
Mr K Yusuf	1 Aug 2013	Resigned: Feb 2014		Student Member	Average Board attendance Jul 2013 – Jan 2014: 80%
<b>External Members of Committees or Academy Focus Groups</b>					
Ms K Belinis	1 Jul 2009 Reappointed 1 Apr 2010 1 Apr 2011 1 Apr 2012 1 Apr 2013 1 Apr 2014	Appointed annually		External Member	Search & Governance
Mr P Brooker	1 Apr 2010 1 Apr 2011 1 Apr 2012 1 Apr 2013	Appointed annually  Resigned: Nov 2013		External Member	Finance & General Purposes Property Group
Mrs C Bowes-Lyon	1 Apr 2013 1 Apr 2014	Appointed annually		External Member	Quality Standards Group
Ms L Ceeney	14 Jul 2008 Reappointed 1 Apr 2009 1 Apr 2010 1 Apr 2011 1 Apr 2012 1 Apr 2013 1 Apr 2014	Appointed annually		External Member	Property Group
Mr M Hick	Mar 2010 1 Apr 2011 1 Apr 2012 1 Apr 2013 1 Apr 2014	Appointed Annually		External Member	Quality Standards Group (External Chairman)
Mr P Joester	1 Apr 2009 1 Apr 2010 1 Apr 2011 1 Apr 2012 1 Apr 2013 1 Apr 2014	Appointed annually		External Member	Search & Governance (External Chairman)

## Statement of Corporate Governance and Internal Control (cont'd)

### The Corporation (cont'd)

Ms A Lokman	15 Jul 2013 1 Apr 2014	Appointed annually			
Mr T Khan	20 Jul 2009 1 Apr 2010 1 Apr 2011 1 Apr 2012 1 Apr 2013 1 Apr 2014	Appointed annually		External member	Audit Committee
Mr A Stewart	20 Jul 2009 Reappointed 1 Apr 2010 1 Apr 2011 1 Apr 2012 1 Apr 2013 1 Apr 2014	Appointed annually		External member	Quality Standards Group

Average attendance of **full** Governors at Corporation Board meetings during the year was 67%.

Bernadette Wallis ACIS was Clerk to the Corporation and Company Secretary during the year 1<sup>st</sup> August 2013 to 31<sup>st</sup> July 2014.

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.

From October 2006 the Corporation moved towards a "Policy Governance" model, with the Governing Body meeting monthly (apart from August) and focusing on a range of strategic issues clearly driving the College to a new standard of excellence. Statutory committees for Audit and Search & Governance were retained. However there was also retained a Finance & General Purposes Committee to continue the Corporation tradition of close control of financial matters and Joint Management/Governor Groups have been established to oversee Quality and Standards and Property Matters .

"Task and Finish" groups are established to review particular issues in depth and there is Governor and Student leadership of the Focus groups established for each of the College's main curriculum based Academies and for Student Support Services.

Agendas and full minutes of all meetings, except those deemed to be confidential by the Corporation, are published on the North Hertfordshire College website.

Copies are available from Bernadette Wallis, Clerk to the Corporation and Company Secretary at:

Town Hall  
Broadway  
Letchworth Garden City  
SG6 3PF

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.

## **Statement of Corporate Governance and Internal Control (cont'd)**

### **The Corporation (cont'd)**

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 two roles of the Chairman of the Corporation and the Principal & Chief Executive Officer of the College are separate.

### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee comprising of five members plus the Principal & CEO as Observer under an independent Chairman, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Ordinary Members of the Corporation are appointed for a term of office not exceeding four years, but are eligible for re-appointment.

External Members are appointed to Committees or Focus Groups and are appointed for one year. They are eligible for re-appointment normally on no more than five occasions unless the Board agrees to a further term of office.

### **Remuneration Committee**

Throughout the year ending 31<sup>st</sup> July 2014, the College's Remuneration Committee comprised four members. The Committee's responsibilities are to determine the appointment, conditions of service and remuneration of the Principal/CEO and other senior postholders.

Details of remuneration for the year ended 31<sup>st</sup> July 2014 are set out in Notes 7 and 8 to the financial statements.

### **Audit Committee**

The Audit Committee comprises four members of the Corporation, plus an external member with audit experience (and excludes the Chairman and Principal/CEO). In July 2014, the Audit Committee agreed to a revised remit which increases the membership to include up to two Directors from the NHSST joining the Committee. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and financial statements 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 and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

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

## Statement of Corporate Governance and Internal Control (cont'd)

### 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/CEO, 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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 North Hertfordshire College for the whole of the year ended 31<sup>st</sup> July 2013 and up to the date of approval of the annual report and financial statements.

#### ***The risk and control framework***

The system of internal control is based on a framework of regular management information, administration 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 Corporation.
- Regular reviews by the Corporation 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.

The College has an internal audit service provided by an independent firm which operates in accordance with the requirements of the Skills Funding Agency. 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.

As a minimum, the Head of Internal Audit (HIA) annually provides the Corporation 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/CEO has responsibility for reviewing the effectiveness of the system of internal control. The Principal/CEO's review of the effectiveness of the system of internal control is informed by:

- The reports of the Audit Committee.
- 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 and the funding auditors in their management letters and other reports.

## **Statement of Corporate Governance and Internal Control (cont'd)**

### **Internal Control (cont'd)**

#### ***Review of effectiveness (cont'd)***

The Principal/CEO has been advised on the implications of the result of this review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor, and a plan to address any weaknesses and ensure continuous improvement of the system is in place.

The Senior Executive Group 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 Executive Group and 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.

On the basis of the reports received from the auditors appointed by the College and other sources of audit information, and on the assurances of the College's management regarding action taken in response to audit recommendations, the Audit Committee is of the opinion that for 2013-14:

- i. the College's governance processes and systems of internal financial control are adequate and effective.
- ii. the College's arrangements for control and risk management at a strategic level are adequate and effective; management having undertaken action to address any control and risk management weaknesses.
- iii. the College's arrangements for securing economy, efficiency and effectiveness (value for money) are adequate and effective.

During 2013/14 the College continued to undertake a review of its risk management processes with a view to updating its strategy and strategic risks and ensuring the incorporation of the wider College and School Trust structure. This review was underway in July 2014. The risk management process will continue to ensure that management undertake a regular review of key strategic risks, that areas monitor their own risks and that regular reports are submitted to the Audit Committee and annually to the College's Corporation.

#### ***Statement on Regularity, Propriety and Compliance***

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with the Skills Funding Agency (SFA) terms and conditions of funding, under the funding agreement in place between the College and the Skills Funding Agency as part of its consideration, the Corporation has had due regard to the requirements of the Funding Agreement.

We confirm on behalf of the Corporation that, to the best of our knowledge, we believe we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's Funding Agreement. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency. The one instance reported in the year related to the external fraud in October 2013 as detailed on page 5.

#### ***Capacity to handle risk***

The Corporation received an Annual Report on Risk at its 4<sup>th</sup> December 2014 meeting which set out the process for the monitoring of risks within the College and incorporated the Strategic Risk Register. The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31<sup>st</sup> July 2014 but notes that strategic risks are currently under review to ensure that they are in line with the current Strategic Plan.

## Statement of Corporate Governance and Internal Control (cont'd)

### Internal Control (cont'd)

#### ***Going concern***

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

Approved by order of the members of the Corporation on 8<sup>th</sup> December 2014 and signed on its behalf by:

**J Simmonds**  
Chairman

**S Sutherland**  
Principal/CEO

## **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 Skills Funding Agency/EFA and the Corporation of the College, the Corporation, through its Principal/CEO, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education institutions and with the Accounts Direction issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including 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 to 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 assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of North Hertfordshire College website is the responsibility of the governing body 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. In addition they are responsible for ensuring that funds from Skills Funding Agency/EFA are used only in accordance with the Financial Memorandum with the Skills Funding Agency/EFA and any other conditions may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds by the Skills Funding Agency/EFA are not put at risk.

Approved by order of the members of the Corporation on 8<sup>th</sup> December 2014 and signed on its behalf by:

**J Simmonds**  
**Chairman**

## **Independent auditor's report to the Corporation of North Hertfordshire College**

We have audited the Group and College financial statements ("the financial statements") of North Hertfordshire College for the year ended 31<sup>st</sup> July 2014 set out on pages 22-47. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of the Corporation of North Hertfordshire College and Auditor**

As explained more fully in the Statement of the Corporation's responsibilities set out on page 17, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Groups' and of the College's affairs as at 31st July 2014 and of the Group/College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions

Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Parts 1 and 2) issued jointly by the Skills Funding Agency and the Education Funding Agency.

In our opinion:

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

Benjamin Stapleton  
For on behalf of KPMG LLP Statutory Auditor  
Chartered Accountants  
KPMG LLP, London North, 58 Clarendon Road, Watford, WD17 1DE

Date:

## **Independent Auditor's Report on Regularity to the Corporation of North Hertfordshire College and the Chief Executive of Skills Funding**

This report is produced in accordance with the terms of our engagement letter dated 8 May 2012 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular as defined by and in accordance with the Financial Memorandum with the Chief Executive of Skills Funding and in accordance with the authorities that govern them.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Audit Framework published by the Skills Funding Agency and the Education Funding Agency.

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

### **Responsibilities of the Corporation of North Hertfordshire College**

The Corporation of North Hertfordshire College is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

The Corporation of North Hertfordshire College is also responsible, under the requirements of the Accounts Direction for 2013/14 Financial Statements published by the Skills Funding Agency and the Education Funding Agency, for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31<sup>st</sup> July 2014 have been notified to the Skills Funding Agency.

### **Auditor's responsibilities**

Our responsibility is to express a reasonable assurance opinion that the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter dated 8 May 2012. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.

### **Basis of opinion**

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31<sup>st</sup> July 2014.

**Independent Auditor's Report on Regularity to the Corporation of North Hertfordshire College and the Chief Executive of Skills Funding**

**Opinion**

In our opinion the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31<sup>st</sup> July 2014.

Without qualifying our opinion above, we draw attention to the Statement on Regularity, Propriety and Compliance on page 17 of the annual report which provides details of a significant fraud perpetrated against the College in October 2013. Under the requirements of the Financial Memorandum, the College has informed the SFA of this fraud.

Benjamin Stapleton  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
KPMG LLP, London North, 58 Clarendon Road, Watford, WD17 1DE

Date:

## College Income and Expenditure Account for the year ended 31<sup>st</sup> July 2014

<b>INCOME</b>	<b>Pre FRS17 2014 £000</b>	<b>FRS17 2014 £000</b>	<b>Post FRS17 2014 £000</b>	<b>2013 £000</b>
Funding Bodies Income	27,759	-	27,759	29,807
Tuition fees and education contracts	2,954	-	2,954	3,677
Other grant income	171	-	171	194
Other income	2,284	-	2,284	1,591
Investment income	6	-	6	17
<b>Total Income</b>	<u>33,174</u>	<u>-</u>	<u>33,174</u>	<u>35,286</u>
<b>EXPENDITURE</b>				
Staff costs	16,724	165	16,889	17,873
Other operating expenses	14,083	-	14,083	15,298
Depreciation & Amortisation	2,045	-	2,045	1,939
Interest and other finance costs	205	31	236	172
<b>Total Expenditure</b>	<u>33,057</u>	<u>196</u>	<u>33,253</u>	<u>35,282</u>
<b>Surplus / (deficit) on continuing operations after depreciation of assets at valuation and before exceptional items and tax</b>	117	(196)	(79)	4
<b>Exceptional items</b>	(821)	-	(821)	-
<b>(Deficit) / surplus on continuing operations after depreciation of assets at valuation but before tax</b>	<u>(704)</u>	<u>(196)</u>	<u>(900)</u>	<u>4</u>
Taxation	-	-	-	-
<b>(Deficit) / surplus on continuing operations after depreciation of assets at valuation and tax</b>	<u>(704)</u>	<u>(196)</u>	<u>(900)</u>	<u>4</u>

The notes on pages 29-49 form part of the financial statements.

## Consolidated Income and Expenditure Account for the year ended 31<sup>st</sup> July 2014

<b>INCOME</b>	<b>Note</b>	<b>2014 £000</b>	<b>2013 £000</b>
Funding Bodies Income	2	27,759	29,807
Tuition fees and education contracts	3	2,954	3,677
Other grant income	4	171	194
Other income	5	2,868	1,869
Investment income	6	<u>6</u>	<u>17</u>
<b>Total Income</b>		<u><b>33,758</b></u>	<u><b>35,564</b></u>
 <b>EXPENDITURE</b>			
Staff costs	7	17,009	17,878
Other operating expenses	9	14,546	15,554
Depreciation & Amortisation	14 & 15	2,137	1,943
Interest and other finance costs	10	<u>236</u>	<u>172</u>
<b>Total Expenditure</b>		<u><b>33,928</b></u>	<u><b>35,547</b></u>
<b>(Deficit) / surplus on continuing operations after depreciation of assets at valuation and before exceptional items and tax</b>		(170)	17
 <b>Exceptional items</b>	 11	 <u>(821)</u>	 <u>-</u>
<b>(Deficit) / surplus on continuing operations after depreciation of assets at valuation, disposals and before tax</b>		<u>(991)</u>	<u>17</u>
 Taxation	 12	 -	 -
<b>(Deficit) / surplus on continuing operations after depreciation of assets at valuation, disposals and tax</b>		<u>(991)</u>	<u>17</u>
 <b>(Deficit) / surplus attributable to group</b>	 13	 <u><u>(991)</u></u>	 <u><u>17</u></u>

The notes on pages 29-49 form part of the financial statements.

## Consolidated Statement of Total Recognised Gains and Losses for the year ended 31<sup>st</sup> July 2014

	Note	2014 £000	2013 £000
(Deficit) / surplus on continuing operations after depreciation of assets at valuation, disposals, tax and minority interest		(991)	17
Actuarial (loss) in respect of pension scheme	24	<u>(895)</u>	<u>(132)</u>
<b>Total recognised (loss) relating to the year</b>		<u>(1,886)</u>	<u>(115)</u>
<b>Total recognised (loss) since the last period</b>		<u><u>(1,886)</u></u>	<u><u>(115)</u></u>

### Reconciliation

Opening reserves		26,429	26,544
Total recognised gains for the year		<u>(1,886)</u>	<u>(115)</u>
Closing reserves		<u><u>24,543</u></u>	<u><u>26,429</u></u>

## Consolidated Statement of Historical Cost Surpluses and Deficits for the year ended 31<sup>st</sup> July 2014

	Note	2014 £000	2013 £000
(Deficit) / surplus on continuing operations after depreciation of assets at valuation, disposals and before tax		(991)	17
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	22	28	27
Historical cost (deficit) / surplus for the year before taxation		<u><u>(963)</u></u>	<u><u>44</u></u>

The notes on pages 29-49 form part of the financial statements.

## Consolidated Balance Sheet as at 31<sup>st</sup> July 2014

	Note	2014 £000	2013 £000
<b>FIXED ASSETS</b>			
Goodwill	14	2	3
Negative goodwill	14	(138)	(172)
Net goodwill		<u>(136)</u>	<u>(169)</u>
Other intangible assets	14	480	600
Tangible fixed assets	15	43,923	33,293
Investments	16	182	206
		<u>44,449</u>	<u>33,930</u>
<b>CURRENT ASSETS</b>			
Stock – raw materials and consumables		7	26
Debtors	17	3,229	2,781
Cash at bank and in hand		1,277	4,931
		<u>4,513</u>	<u>7,738</u>
<b>Creditors: amounts falling due within 1 year</b>	18	<u>(2,873)</u>	<u>(2,790)</u>
<b>Net current assets</b>		<u>1,640</u>	<u>4,948</u>
<b>Total assets less current liabilities</b>		46,089	38,878
<b>Creditors: amounts falling due after more than 1 year</b>	19	(9,724)	(3,000)
<b>Net assets excluding pension liability</b>		36,365	35,878
Net pension liability	24	<u>(6,730)</u>	<u>(5,639)</u>
<b>Net assets including pension liability</b>		<u>29,635</u>	<u>30,239</u>
<b>Deferred capital grants</b>	21	5,092	3,810
<b>Reserves</b>			
Income and expenditure account excluding pension reserve	23	28,500	29,267
Pension reserve	24	<u>(6,730)</u>	<u>(5,639)</u>
Income and expenditure account including pension reserve		21,770	23,628
Revaluation reserve	22	<u>2,773</u>	<u>2,801</u>
<b>Total Reserves</b>		<u>24,543</u>	<u>26,429</u>
<b>Total</b>		<u>29,635</u>	<u>30,239</u>

The notes on pages 29-49 form part of the financial statements.

The financial statements on pages 23-49 were approved by the Corporation on 8<sup>th</sup> December 2014 and were signed on its behalf by:

**J Simmonds**  
Chairman

**S Sutherland**  
Principal & CEO

## College Balance Sheet as at 31<sup>st</sup> July 2014

	Note	2014 £000	2013 £000
<b>FIXED ASSETS</b>			
Intangible assets		480	-
Tangible fixed assets	15	43,814	33,278
Investments	16	612	633
		44,906	33,911
<b>CURRENT ASSETS</b>			
Stock – raw materials and consumables		7	26
Debtors	17	3,265	2,911
Cash at bank and in hand		1,181	4,754
		4,453	7,691
<b>Creditors:</b> amounts falling due within 1 year	18	(3,099)	(2,645)
<b>Net current assets</b>		1,354	5,046
<b>Total assets less current liabilities</b>		46,260	38,957
<b>Creditors:</b> amounts falling due after more than 1 year	19	(9,724)	(3,000)
<b>Net assets excluding pension liability</b>		36,536	35,957
Net pension liability	24	(6,730)	(5,639)
<b>Net assets including pension liability</b>		29,806	30,318
<b>Deferred capital grants</b>	21	5,092	3,810
<b>Reserves</b>			
Income and expenditure account excluding pension reserve	23	28,670	29,346
Pension reserve	24	(6,730)	(5,639)
Income and expenditure account including pension reserve		21,940	23,707
Revaluation reserve	22	2,773	2,801
<b>Total Reserves</b>		24,713	26,508
<b>Total</b>		29,806	30,318

The notes on pages 29-49 form part of the financial statements.

The financial statements on pages 23-49 were approved by the Corporation on 8<sup>th</sup> December 2014 and were signed on its behalf by:

**J Simmonds**  
Chairman

**S Sutherland**  
Principal & CEO

### Consolidated Cash Flow Statement for the year ended 31<sup>st</sup> July 2014

	Note	2014 £000	2013 £000
<b>Net cash inflow from operating activities</b>	24	460	642
<b>Returns on investments and servicing of finance</b>	26	6	17
<b>Capital expenditure and financial investment</b>	26	(11,120)	(4,792)
<b>Financing</b>		<u>7,000</u>	<u>-</u>
<b>Decrease in cash</b>	25	<u>(3,654)</u>	<u>(4,133)</u>

Financing – this represents the increase in bank loans from £3million at 31<sup>st</sup> July 2013 to £10million at 31<sup>st</sup> July 2014.

### Reconciliation of Net Cash Flow to Movement in Net Funds for the year ended 31<sup>st</sup> July 2014

	Note	2014 £000	2013 £000
(Decrease) in cash in the year	25	<u>(3,654)</u>	<u>(4,133)</u>
Net funds at beginning of the year	25	<u>4,931</u>	<u>9,064</u>
<b>Net funds at end of the year</b>	25	<u><u>1,277</u></u>	<u><u>4,931</u></u>

The notes on pages 29-49 form part of the financial statements.

**Notes**  
**(forming part of the Financial Statements)**

**1 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, except as noted below.

**Basis of preparation**

These financial statements have been prepared in accordance with the 2007 Statement of Recommended Practice (SORP): Accounting for Further and Higher Education institutions and in accordance with applicable Accounting Standards. They conform to guidance published in the Accounts Direction Handbook 2013/14.

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

**Going concern**

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

The College had a £10m bank loan facility at 31<sup>st</sup> July 2014 which had been fully drawn at that date. A further £3m bank loan facility was taken and drawn down in 2014 after the year end. These loans are not secured on any of the College assets. The terms of the existing agreements are for up to another 15 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

**Basis of consolidation**

The consolidated financial statements of the group include the financial statements of the College and its subsidiary undertakings, together with the group's share of the profit less losses and reserves of associated undertakings. The results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 2, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are prepared to 31<sup>st</sup> July 2014.

**Recognition of income**

The recurrent grant from the SFA & EFA is that receivable as determined by the results of the funding audit undertaken. The recurrent grant from HEFCE represents the funding allocation attributable to the current financial year and is credited direct to the income and expenditure account. Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Adult learner responsive funding element is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. Employer responsive grant income is recognised based on a year end reconciliation to actual delivery. Any under-achievement against this planned activity is adjusted in-year and reflected in the level of recurrent grant recognised in the income and expenditure account.

Other discrete SFA & EFA funds received during the year are taken to income as expenditure is incurred in line with the specific terms and conditions attached to each fund by the LSC and its successor organisations.

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

Income from tuition fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors, for example their employers.

## Notes (cont'd)

### 1 Statement of accounting policies (cont'd)

#### Recognition of income (cont'd)

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

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

#### Agency arrangements

The College acts as an agent in the collection and payment of learner support funds. Related income received from the SFA & EFA and subsequent disbursements to students are excluded from the income and expenditure account (and are shown separately in note 31), 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 one member of staff dedicated to the administration of Learner Support Fund applications and payments.

#### Pension schemes

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

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

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Further details of the pension schemes are given in note 24.

#### Intangible fixed assets

##### *Goodwill*

Goodwill arose from the acquisition of Protech Training Services Limited. This is being amortised over a five year period from the date of acquisition. All intangible assets amortisation is considered on a case by case basis.

##### *Negative Goodwill*

Goodwill arose from the acquisition of the remaining 50% shareholding of Clarity FE Limited. This was purchased at below book value giving rise to a negative goodwill. This will be amortised at the same rate as the intellectual property originally held by Clarity FE Limited.

##### *Intellectual property*

Intellectual property rights were recognised following the acquisition of Clarity FE Limited. These have now been transferred to the College.

#### 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. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Long Leasehold land is amortised over the period of the lease. Freehold and Long Leasehold buildings are depreciated over their expected useful economic life to the College.

## Notes (cont'd)

### Tangible fixed assets (cont'd)

#### *Land and buildings (cont'd)*

On adoption of FRS 15, the College followed the transitional provisions to retain the book value of land and buildings, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

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.

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.

#### *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's 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

#### *Buildings owned by third parties*

Where land and buildings are used, but the legal rights are held by a third party, they are only capitalised if the College has rights or access to ongoing future economic benefit or term of lease if shorter. These assets are then depreciated over their expected useful economic life.

#### *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<sup>st</sup> July. They are not depreciated until they are brought into use.

#### *Equipment, loose tools and motor vehicles*

Equipment costing less than £1,000 is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority is included in the balance sheet at estimated cost less estimated depreciation to date. Equipment and Motor Vehicles are depreciated on a straight line basis at varying rates from 10%-33% dependent upon useful economic life.

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

#### *Leased assets*

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The relevant assets 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.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

## Notes (cont'd)

### Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

### Stocks

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

### Maintenance of premises

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

### Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

### Taxation

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

Subsidiary companies are liable to corporation tax. 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.

Protech Training Services Limited and Plaza Activities Limited, the wholly owned subsidiaries, are considered chargeable for taxation. They are members of the VAT group of the College.

### Liquid resources

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

### Provisions

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

### Cash

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Notes (cont'd)

**2 FUNDING BODIES INCOME**

	<b>2014 £000</b>	<b>2013 £000</b>
Recurrent grant - Main funding bodies	19,812	21,581
Employer Responsive	5,139	5,876
Release Deferred Capital Grants, Equipment (note 20)	83	93
LL Difficulties and Disabilities	1,588	1,614
Workplace Learning CE	830	498
Support for the Unemployed	308	116
Other	-	29
	<u>27,759</u>	<u>29,807</u>

**3 TUITION FEES AND EDUCATION CONTRACTS**

	<b>2014 £000</b>	<b>2013 £000</b>
UK Further Education Students	<u>1,124</u>	<u>806</u>
Education contracts		
Local Education Authority (LEA)	335	532
Higher Education (HE) income	1,072	1,407
Other income	423	932
	<u>2,954</u>	<u>3,677</u>

**4 OTHER GRANT INCOME**

	<b>2014 £000</b>	<b>2013 £000</b>
Release of deferred capital grants (non main funding bodies)	<u>171</u>	<u>194</u>

**5 OTHER INCOME**

	<b>2014 £000</b>	<b>2013 £000</b>
Catering and residence operations	212	89
Other income	2,656	1,780
	<u>2,868</u>	<u>1,869</u>

**6 INVESTMENT INCOME**

	<b>2014 £000</b>	<b>2013 £000</b>
Bank interest receivable	<u>6</u>	<u>17</u>

## Notes (cont'd)

### 7 STAFF NUMBERS AND COSTS

The average number of persons (including senior postholders) employed by the College during the year ended 31<sup>st</sup> July, expressed as full-time equivalents, was:

	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>
Teaching departments – teaching staff	180	176
Teaching departments – other staff	123	123
Teaching support services	50	54
Other support services	8	7
Administration and central services	93	87
Premises	14	15
	<b>468</b>	<b>462</b>
	<b>468</b>	<b>462</b>
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	12,068	13,095
Social security costs	923	1,049
Other pension costs (including FRS 17 adjustments)	1,913	1,469
	14,904	15,613
Contracted-out lecturing services	2,105	1,862
Restructuring costs	0	403
	17,009	17,878
	17,009	17,878
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Teaching departments – teaching staff	6,376	6,613
Teaching departments – other staff	2,968	3,842
Teaching support services	1,154	1,047
Other support services	74	72
Administration and central services	3,673	3,621
Premises	495	454
FRS 17 retirement benefits gain / (cost)	165	(36)
	14,904	15,613
Staff restructuring	0	403
Contracted-out lecturing services	2,105	1,862
	17,009	17,878
	17,009	17,878

## Notes (cont'd)

### 7 STAFF NUMBERS AND COSTS (cont'd)

The restructuring costs were approved by the College's Board of Governors.

The number of staff, including senior postholders and the Principal, who received emoluments in the following ranges was:

	Year Ended 31 July 2014		Year Ended 31 July 2013	
	Number of Senior Postholders	Number of Other Staff	Number of Senior Postholders	Number of Other Staff
£80,001 to £90,000	2	-	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	-	-	1	-
£110,001 to £120,000	-	-	1	-
£120,001 to £130,000	2	-	-	-
£130,001 to £140,000	-	-	-	-
£140,001 to £160,000	-	-	-	-
£160,001 to £170,000	-	-	1	-
£180,001 to £190,000	1	-	-	-
£210,001 to £220,000	-	-	1	-

A 1% or minimum £280 pay award was approved by the Corporation in the year from 1<sup>st</sup> August 2013.

### 8 EMOLUMENTS OF SENIOR POSTHOLDERS AND MEMBERS

	2014 Number	2013 Number
The number of senior postholders, expressed as full time equivalents, including the Principal was:	<u>5</u>	<u>4</u>
	2014 £000	2013 £000
Salaries	556	538
Benefits in kind	8	5
Pension contributions	<u>81</u>	<u>62</u>
	<u>645</u>	<u>605</u>

The above emoluments include amounts payable to the Chief Executive Officer (who is also the highest paid senior postholder) of:

	2014 £000	2013 £000
Salaries	162	191
Benefits in kind	1	1
Pension contributions	<u>21</u>	<u>24</u>
	<u>184</u>	<u>216</u>

## Notes (cont'd)

### 8 EMOLUMENTS OF SENIOR POSTHOLDERS AND MEMBERS (cont'd)

Pension contributions in respect of the Principal and senior postholders relate to contributions to the Teachers' Pension Scheme or the Local Government Pension Scheme and are available as for other employees.

The members of the Corporation other than the Principal and Staff Members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

In accordance with best practice and the recommendations of the combined code, the Pay and Conditions of Service of the Principal and Senior Postholders are set following advice by a Remuneration Committee consisting of the Chairman of Corporation, Vice-Chairman of the Corporation and three other Governors (who are neither a student nor staff member). The Remuneration Committee uses outside professional consultants to advise them on performance-related pay levels in the sector and to ensure that performance-related bonuses are based on attainment of appropriate and measurable criteria.

### 9 OTHER OPERATING EXPENSES

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Teaching departments	8,878	10,732
Teaching support services	231	284
Other support services	103	28
Administration and central services	2,317	1,267
General education	742	882
Premises costs - Running costs	859	1,258
- Maintenance costs	866	421
- Rents and leases	550	477
Other expenses	-	205
	<b>14,546</b>	<b>15,554</b>

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Other operating expenses include:		
Auditors' remuneration		
- financial statements audit	33	36
- internal audit	47	22
- other services from external audit	-	4
Hire of plant and machinery - operating leases	144	67
Hire of other assets - operating leases	405	493
	<b>405</b>	<b>493</b>

earner Support Fund expenditure is excluded from the above and is shown separately in note 31.

### 10 INTEREST & OTHER FINANCE COSTS

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Bank interest payable	205	14
Pension finance payable	31	158
	<b>236</b>	<b>172</b>

## Notes (cont'd)

### 11 EXCEPTIONAL ITEMS

	2014 £000	2013 £000
Restructuring costs	241	-
Subcontractor Costs	104	-
Fraud and associated costs	476	-
	821	-
	821	-

Fraud has been described in the Principal Risks and Uncertainties section of the Operating & Financial Review on page 5

### 12 TAXATION

The members do not believe that the College was liable for any corporation tax arising out of its activities during either period. There were no tax liabilities in the subsidiary companies in the year.

### 13 SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

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

	2014 £000	2013 £000
(Deficit) / surplus for the year	(991)	17
	(991)	17

### 14 INTANGIBLE ASSETS

	Goodwill £000	Negative Goodwill £000	Intellectual Property £000	Total £000
<b>Cost or valuation</b>				
At 1 August 2013	5	(172)	600	433
Additions	-	-	-	-
<b>At 31 July 2014</b>	5	(172)	600	433
<b>Accumulated Amortisation</b>				
At 1 August 2013	2	-	-	2
Charge / (credit) for period	1	(34)	120	87
<b>At 31 July 2014</b>	3	(34)	120	89
<b>Net book value</b>				
<b>At 31 July 2014</b>	2	(138)	480	344
At 31 July 2013	3	(172)	600	431

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. For the £5,000 goodwill in Protech Training Services Limited, it was considered a five year amortisation to be appropriate.

The intellectual property of Clarity FE Limited was to be amortised over a five year period from 1<sup>st</sup> August 2013. The College has purchased the intellectual property on 31<sup>st</sup> July 2014 at the net book value of £480,000.

The negative goodwill arose from the acquisition of the remaining 50% shareholding of Clarity FE Limited. This was purchased at below book value. This will be released over a 5 year period in line with the intellectual property.

## Notes (cont'd)

## 15 TANGIBLE FIXED ASSETS

Group	Land & Buildings Freehold	Long lease-hold	Equipment	Motor Vehicles	Assets in Course of Construction	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
At 1 August 2013	28,805	6,644	10,701	14	2,695	48,859
Additions	222	31	1,068	-	11,359	12,680
Disposals	-	-	-	-	-	-
<b>At 31 July 2014</b>	<b>29,027</b>	<b>6,675</b>	<b>11,769</b>	<b>14</b>	<b>14,054</b>	<b>61,539</b>
<b>Accumulated depreciation</b>						
At 1 August 2013	6,966	1,786	6,800	14	-	15,566
Charge for period	513	395	1,142	-	-	2,050
Disposals	-	-	-	-	-	-
<b>At 31 July 2014</b>	<b>7,479</b>	<b>2,181</b>	<b>7,942</b>	<b>14</b>	<b>-</b>	<b>17,616</b>
<b>Net book value</b>						
<b>At 31 July 2014</b>	<b>21,548</b>	<b>4,494</b>	<b>3,827</b>	<b>-</b>	<b>14,054</b>	<b>43,923</b>
At 31 July 2013	21,839	4,858	3,901	-	2,695	33,293
Inherited	2,773	-	-	-	-	2,773
Finance by capital grant	543	1,080	187	-	2,000	3,810
Other	18,232	3,414	3,640	-	12,054	37,340
	<b>21,548</b>	<b>4,494</b>	<b>3,827</b>	<b>-</b>	<b>14,054</b>	<b>43,923</b>

  

College	Land & Buildings Freehold	Long lease-hold	Equipment	Motor Vehicles	Assets in Course of Construction	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
At 1 August 2013	28,805	6,644	10,671	14	2,695	48,829
Additions	222	31	969	-	11,359	12,581
Disposals	-	-	-	-	-	-
<b>At 31 July 2014</b>	<b>29,027</b>	<b>6,675</b>	<b>11,640</b>	<b>14</b>	<b>14,054</b>	<b>61,410</b>
<b>Accumulated depreciation</b>						
At 1 August 2013	6,966	1,786	6,785	14	-	15,551
Charge for period	513	395	1,137	-	-	2,045
Disposals	-	-	-	-	-	-
<b>At 31 July 2014</b>	<b>7,479</b>	<b>2,181</b>	<b>7,922</b>	<b>14</b>	<b>-</b>	<b>17,596</b>
<b>Net book value</b>						
<b>At 31 July 2014</b>	<b>21,548</b>	<b>4,494</b>	<b>3,718</b>	<b>-</b>	<b>14,054</b>	<b>43,814</b>
At 31 July 2013	21,839	4,858	3,886	-	2,695	33,278
Inherited	2,773	-	-	-	-	2,773
Finance by capital grant	543	1,080	187	-	2,000	3,810
Other	18,232	3,414	3,531	-	12,054	37,231
	<b>21,548</b>	<b>4,494</b>	<b>3,718</b>	<b>-</b>	<b>14,054</b>	<b>43,814</b>

## Notes (cont'd)

### 15 TANGIBLE FIXED ASSETS (cont'd)

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied. Accordingly the base values at implementation have been retained.

Land and buildings, except for those properties where a decision had been taken to sell, were valued at depreciated replacement cost by a firm of independent chartered surveyors in 1994.

Equipment inherited from the Local Education Authority at incorporation has been valued by the Corporation at estimated cost less estimated depreciation to date to reflect the remaining useful life of the equipment.

Land and buildings with a net book value of £2,773,000 (2012/13: £2,801,000) have been funded from Local Education Authority sources. Should these assets be sold, the College would either have to surrender the sale proceeds to the SFA and EFA or use them in accordance with the financial memorandum with the funding agencies.

Long leasehold land and buildings includes the following properties:

- Lease of land accommodating the Goldsmith Management Centre at Letchworth for 999 years from 2000.

If inherited land and buildings had not been valued they would have been included at nil value and have a current net book value of zero.

### 16 INVESTMENTS

	Subsidiary Undertakings	Other Investments	Total
College	£000	£000	£000
At 1 August 2013	427	206	633
Additions	3	(24)	(21)
Disposals	-	-	-
<b>At 31 July 2014</b>	<b>430</b>	<b>182</b>	<b>612</b>

The College's subsidiaries and associated undertakings are as follows:

Subsidiary Company	Country of Incorporation	Principal Activity	Holding
The Consortium for Business Limited	England and Wales	Dormant	100%
The Big Student Takeover Limited	England and Wales	Dormant	100%
Protech Training Services Limited	England and Wales	Provision of training	100%
Plaza Activity Limited	England and Wales	Commercial Gym	100%
Gazelle Transform Limited	England and Wales	Education Design	11%

The College became a founding member of Gazelle Foundation Limited (a company limited by guarantee) during the year.

Notes (cont'd)

17 DEBTORS

	2014		2013	
	Group £000	College £000	Group £000	College £000
<b>Amounts falling due within one year</b>				
Trade debtors	848	744	636	628
Prepayments and accrued income	1,522	1,250	1,447	1,341
Amounts due from group undertakings	-	444	-	325
Other Debtors	859	827	698	617
	<u>3,229</u>	<u>3,265</u>	<u>2,781</u>	<u>2,911</u>

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014		2013	
	Group £000	College £000	Group £000	College £000
Trade creditors	275	231	1,082	1,044
Other taxation, social security and pensions	557	504	610	583
Accruals	1,374	1,225	970	891
Deferred income	92	92	63	63
Other creditors	575	548	65	64
Amounts due to group undertakings	-	499	-	-
	<u>2,873</u>	<u>3,099</u>	<u>2,790</u>	<u>2,645</u>

Included within the total Other taxation and social security charges is an amount of £136,000 in relation to deferred VAT under Lennartz.

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2014		2013	
	Group £000	College £000	Group £000	College £000
Bank Loan	9,724	9,724	3,000	3,000

The College had a £10m loan facility at 31<sup>st</sup> July 2014 which had been drawn down at that date. This amount is repayable in quarterly instalments over a ten year period as follows:

	2014		2013	
	Group £000	College £000	Group £000	College £000
In one year or less	276	276		
Between one and two years	276	276	450	450
Between two and five years	6,828	6,828	900	900
In five years or more	2,621	2,621	1,650	1,650
Total	<u>10,000</u>	<u>10,000</u>	<u>3,000</u>	<u>3,000</u>

This loan is not secured on any of the College assets.

## Notes (cont'd)

### 20 DEFERRED CAPITAL GRANTS

	SFA £000	Other £000	Total £000
At 1 August 2013	3,012	798	3,810
Cash received:			
Equipment	1,536	-	1,536
Release to income and expenditure account:			
Equipment	(83)	(171)	(254)
<b>At 31 July 2014</b>	<u><u>4,465</u></u>	<u><u>627</u></u>	<u><u>5,092</u></u>

### 21 REVALUATION RESERVE

	£000 Group	£000 College
At 1 August 2013	2,801	2,801
Transfer from revaluation reserve to Income and Expenditure account - depreciation on revalued assets	(28)	(28)
<b>At 31 July 2014</b>	<u><u>2,773</u></u>	<u><u>2,773</u></u>

### 22 MOVEMENT ON GENERAL RESERVES

	2014 Group £000	2014 College £000	2013 Group £000	2013 College £000
<b>At 1 August</b>	23,628	23,707	23,716	23,808
(Deficit) / surplus for the year after depreciation of assets at valuation and tax	(991)	(900)	17	4
Transfer from revaluation reserve to income and expenditure account	28	28	27	27
Actuarial (loss) in respect of pension scheme	(895)	(895)	(132)	(132)
<b>At 31 July</b>	<b>21,770</b>	<b>21,940</b>	<b>23,628</b>	<b>23,707</b>
<b>Balance represented by:</b>				
Income and expenditure account excluding pension reserve	28,500	28,670	29,267	29,346
Pension reserve	(6,730)	(6,730)	(5,639)	(5,639)
<b>At 31 July</b>	<b>21,770</b>	<b>21,940</b>	<b>23,628</b>	<b>23,707</b>

### 23 PENSIONS AND SIMILAR OBLIGATIONS

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). The total pension cost for the period was £1,913,000 (2012/13: £1,469,000).

## Notes (cont'd)

### **Teachers' Pension Scheme**

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

### **The Teachers' Pension Budgeting and Valuation Account**

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

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

### **Valuation of the Teachers' Pension Scheme**

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. The last formal actuarial valuation undertaken for the Teachers' Pension Scheme was completed in 2004. Consequently, a formal actuarial valuation would have been due by 2008. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

Approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes.

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

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

23 Pensions and similar obligations (continued)

**Teachers' Pension Scheme**

**Valuation of the Teachers' Pension Scheme (cont'd)**

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

**Scheme Changes**

From 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2014, the employee contribution rate ranged between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary, with Employer contributions set at 14.1%. With effect from 1<sup>st</sup> April 2014 the employee contributions rates were increased and ranged between 6.4% and 12.4%, depending on a member's Full Time Equivalent salary, with Employer contributions set to increase to 16.4% from September 2015.

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

The Proposed Final Agreement can be found at:

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

The pension costs paid to TPS in the year amounted to £615,875 (2013: £656,033).

**FRS 17**

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Notes (cont'd)

23 PENSIONS AND SIMILAR OBLIGATIONS (cont'd)

**Local Government Pension Scheme**

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31<sup>st</sup> July 2014 was £1,576,000 of which employer's contributions totalled £1,213,000 and employee's contributions totalled £363,000. The current agreed contribution rate for the year ending 31<sup>st</sup> July 2014 was 20.5%.

The following information is based upon a full actuarial valuation of the fund as at 31 March 2013 updated to 31 July 2014 by a qualified independent actuary.

	31-Jul-14	31-Jul-13
Inflation - CPI	2.70%	2.80%
Rate of increase in salaries	4.00%	5.10%
Rate of increase in pensions	5.80%	2.80%
Discount rate for liabilities	4.00%	4.60%

On advice from our actuaries it has been assumed that 50% of employees retiring after 6 April 2008 will take advantage of the option to commute part of their future annual pension to a lump sum payment on retirement.

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

	31-Jul-14	31-Jul-13
Current pensioners		
Males	22.3	21.0
Females	24.5	23.8
Future pensioners		
Males	24.3	22.9
Females	26.7	25.7

The assets in the scheme (of which the College's share is estimated at 0.62%) and the expected rates of return were:

	Long term rate of return	Value at 31-Jul-14	Long term rate of return	Value at 31-Jul-13
	expected at 31-Jul-14	£000	expected at 31-Jul-13	£000
Equities	6.60%	2,224,960	6.40%	2,270,250
Bonds	3.70%	719,840	3.80%	514,590
Property	4.70%	229,040	4.60%	151,350
Cash	3.60%	98,160	3.40%	90,810
Total market value of assets		<u>3,272,000</u>		<u>3,027,000</u>
		<b>2014</b>		<b>2013</b>
		<b>£000</b>		<b>£000</b>
College's estimated asset share		21,669		18,892
Present value of scheme liabilities		<u>(28,399)</u>		<u>(24,531)</u>
Deficit in the scheme		<u>(6,730)</u>		<u>(5,639)</u>

Notes (cont'd)

23 PENSIONS AND SIMILAR OBLIGATIONS (cont'd)

Analysis of the amount charged to the income and expenditure account

	2014 £000	2013 £000
Employer service cost (net of employee contributions)	1,328	942
Settlements and curtailments	50	10
Total operating charge	<u>1,378</u>	<u>952</u>

Analysis of pension finance

	2014 £000	2013 £000
Expected return on pension scheme assets	1,122	764
Interest on pension scheme liabilities	(1,153)	(922)
Pension finance expense	<u>(31)</u>	<u>(158)</u>

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

	2014 £000	2013 £000
Actuarial (loss) recognised in STRGL	<u>(895)</u>	<u>(132)</u>

Movement in deficit during year

	2014 £000	2013 £000
Deficit in scheme at beginning of year	(5,639)	(5,385)
Movement in year:		
Current service charge	(1,328)	(942)
Employer contributions	1,213	988
Impact of settlements and curtailments	(50)	(10)
Net interest on assets	(31)	(158)
Actuarial (loss)	(895)	(132)
Deficit in scheme at end of year	<u>(6,730)</u>	<u>(5,639)</u>

The estimated value of employer contributions for the year ended 31<sup>st</sup> July 2015 is £1,213,000.

## Notes (cont'd)

### 23 PENSIONS AND SIMILAR OBLIGATIONS (cont'd)

#### History of gains or losses

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Difference between the expected and actual return on assets:					
Amount	692	2,140	(408)	(750)	962
% of scheme assets	3.19%	11.33%	(2.69%)	(5.32%)	7.17%
Experience gains and losses on scheme liabilities:					
Amount	(1,041)	-	(245)	77	-
% of scheme liabilities	3.67%	-	1.19%	0.43%	-
Total amounts recognised in statement of total recognised gains and losses:					
Amount	(895)	(132)	(1,449)	1,297	(465)
% of scheme liabilities	(3.15%)	(0.54%)	(7.04%)	7.29%	(2.55%)

#### Asset and liability reconciliation

	2014 £000	2013 £000
<b>Reconciliation of liabilities</b>		
<b>Liabilities at start of period</b>	24,531	20,571
Current service charge	1,328	942
Interest cost	1,153	922
Employee contributions	355	307
Actuarial losses	1,587	2,272
Benefits paid	(605)	(493)
Curtailments and settlements	50	10
<b>Liabilities at end of period</b>	<u>28,399</u>	<u>24,531</u>
<b>Reconciliation of assets</b>		
<b>Assets at start of period</b>	18,892	15,186
Expected return on assets	1,122	764
Actuarial gains	692	2,140
Employer contributions	1,213	988
Employee contributions	355	307
Benefits paid	(605)	(493)
<b>Assets at end of period</b>	<u>21,669</u>	<u>18,892</u>

Notes (cont'd)

**24 RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) TO NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
(Deficit) \ surplus on continuing operations after depreciation of assets at valuation and before tax	(991)	17
Depreciation (note 15)	2,050	1,942
Amortisation of Intangible Assets (note 14)	87	1
Deferred capital grants released to income (notes 2 and 4)	(254)	(287)
Interest receivable (note 6)	(6)	(17)
Pension cost less contributions payable (note 23)	196	122
(Increase) in debtors	(448)	(866)
Decrease from Associate in debtors	-	-
Increase / (decrease) in creditors	<u>(193)</u>	<u>(270)</u>
<b>Net cash inflow from operating activities</b>	<u><u>460</u></u>	<u><u>642</u></u>

**25 ANALYSIS OF CHANGES IN NET FUNDS**

	<b>At</b>	<b>Cash flows</b>	<b>At</b>
	<b>01-Aug-13</b>		<b>31-Jul-14</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	<u>4,931</u>	<u>(3,654)</u>	<u>1,277</u>

**26 ANALYSIS OF CASH FLOWS**

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	6	17
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(12,680)	(5,949)
Purchase of intangible fixed assets	-	172
Deferred capital grants received	1,536	1,272
Minority interest	-	(207)
Investment	<u>24</u>	<u>(80)</u>
<b>Net cash outflow for capital expenditure and financial investment</b>	<u><u>(11,120)</u></u>	<u><u>(4,792)</u></u>

## Notes (cont'd)

### 27 FINANCIAL COMMITMENTS

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

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Land and buildings</b>		
Expiring within one year	57	50
Expiring between two and five years	296	292
Over five years	<u>53</u>	<u>53</u>
	<u>406</u>	<u>395</u>
<b>Other</b>		
Expiring within one year	23	-
Expiring between two and five years	<u>50</u>	<u>39</u>
	<u>73</u>	<u>39</u>

### 28 CONTINGENT LIABILITIES

The College had previously entered into leasing arrangements in respect of some of its equipment purchases from 1998 to 2001. At the date of these financial statements, the basis of the scheme has been challenged by HM Revenue and Customs on a sector basis. Under the scheme, the College has reclaimed £266,000 of VAT. If the challenge was to be successful and all VAT was to be repayable, the impact on the financial statements at 31<sup>st</sup> July 2014 would be to reduce the income and expenditure balance by £266,000 and interest thereon levied by HMRC.

### 29 RELATED PARTY TRANSACTIONS

Due to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal sales or procurement procedures. No transactions were identified which should be disclosed under Financial Reporting Standard 8, Related Party Disclosures.

The College makes a grant each year to support the activities of the North Hertfordshire College Students Union, which is a separately constituted body, responsible for its own affairs and which is affiliated to the National Union of Students.

No governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2013: none).

The College traded with its various subsidiaries and related party companies.

## Notes (cont'd)

### 30 RELATED PARTY TRANSACTIONS (cont'd)

	Sales £000	Purchases £000	Outstanding £000
<u>College to Subsidiary</u>			
Protech Training Services Limited	1	1,687	(54)
Plaza Activity Limited	74	-	52
<u>Protech to Other Group Companies</u>			
Plaza Activity Limited	15	2	5
<u>College to Other Related Parties</u>			
Gazelle Global Limited	8	178	(12)
Gazelle Foundation Limited	102	52	31
Gazelle Transform Limited	17	32	7
North Hertfordshire Studio School Trust	478	21	439

Protech Training Services Limited provided staffing to North Hertfordshire College and Plaza Activity Limited.

North Hertfordshire College provided office space, equipment and an apprentice to Protech Training Services Limited.

North Hertfordshire College purchased from Plaza Activity Limited enrichment activities and subsidised membership of the gym.

North Hertfordshire College purchased from Gazelle Global Limited various educational matters and provided to Gazelle Global Limited seconded staff and financial accounting services.

North Hertfordshire College purchased from North Hertfordshire Studio School Trust various educational matters and provided to North Hertfordshire Studio School Trust various support services and the provision of additional teaching staff.

Transactions with the SFA & EFA are detailed in notes 2, 21 and 31.

### 31 LEARNER SUPPORT FUNDS

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Hardship and Bursary	641	579
Childcare	111	161
	<u>752</u>	<u>740</u>
Disbursed to students:		
Hardship & Bursary	690	390
Childcare	192	218
Administration costs	38	37
	<u>920</u>	<u>645</u>
Balance overspent at 31 July	<u>(168)</u>	<u>95</u>

Funding council grants are available solely for students; the College acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.