REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022

NORTH HERTFORDSHIRE COLLEGE

CONTENTS

REFERENCE AND ADMINISTRATIVE DETAIL

BOARD OF GOVERNORS

A full list of the names of those who served as members of the Group Board during this period is given on pages 22 and 23.

KEY MANAGEMENT PERSONNEL

In 2021/22, these (all members of the Senior Management Team) were:

- Kit Davies, Group Chief Executive and Principal; Accounting Officer.
- Paul Harte, Group Finance Director.
- Lizzie Jones, Corporate Services Director.
- Gary Phillips, Quality, Curriculum and Organisational Development Director.
- Lindsey Sherring, Hart Learning & Development Director.
- Skip Singleton, Director of Management Information Systems (MIS), Exams and Reporting

PRINCIPAL OFFICE

North Hertfordshire College, Monkswood Way, Stevenage, Hertfordshire, SG1 1LA

PROFESSIONAL ADVISERS

Bankers

Lloyds Bank plc

249 Silbury Boulevard

Secklow Gate

West Milton Keynes MK9 1NA

Financial statements auditors and reporting accountants

Buzzacott LLP

130 Wood Street

London EC2V 6DL

Internal auditors

RSM UK Risk Assurance Services LLP

6th Floor

25 Farringdon Street

London EC4A 4AB

Solicitors

Eversheds LLP

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1 Station Road

Cambridge CB1 2JY

Howes Percival LLP

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Norwich NR3 1RG

MEMBERS' REPORT: CREATING ECONOMIC & SOCIAL VALUE THROUGH LEARNING

NATURE, OBJECTIVES AND STRATEGIES

The members of North Hertfordshire College Further Education Corporation Board ("Group Board") present their report and audited financial statements for the year ended 31 July 2022. Members of the Group Board, who are also Trustees of the charity, are listed on pages 22 and 23.

LEGAL STATUS

The Group Board was established under the Further and Higher Education Act 1992 for the purpose of operating North Hertfordshire College (NHC) and is listed in the Schedule to The Education (Further Education Corporations) Order 1992 (SI 1992 No. 2097). The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

OPERATING STRUCTURE

We operate through a simple, customer-oriented, group structure under the banner of the Hart Learning Group. HLG is a group of organizations with a collective mission to create social and economic value through learning. The Group includes:

- **North Hertfordshire College (NHC)**: an occupationally-focussed further education college with campuses in Stevenage and Hitchin. We deliver full and part-time programmes in sectors and occupations important to employers and industries in our region to meet current and future labour market demands. We also deliver programmes for young people with learning difficulties and disabilities who require discrete, specialist provision and support to complete their studies.

- A wholly-owned subsidiary, **Hart Employment Services Ltd (HESL)** (Companies House Registration Number 13972009): HESL provides temporary teaching staff and other support staff to NHC and other entities.

- **The Hart Schools Trust Ltd**: a multi-academy trust which currently operates a secondary and a primary academy, increasingly recognised for the quality of its teaching and learning and the strength of its personal development curriculum - including the award of the Character Education kitemark in 2022. Currently focussed on Stevenage, it aims to increase the number of schools that are part of the Trust over the next five years, where it believes that its values can make a difference for students. The Group sponsors the Trust, which is a separate legal entity (Companies House Registration Number 07791933), whose financial accounts are distinct from those of NHC and Hart L&D.

- A wholly-owned subsidiary, **Hart Learning & Development Ltd** (Companies House Registration Number 02884833), which is registered with the Register of Apprenticeship Training Providers for the delivery of apprenticeships. The apprenticeships have mostly been transferred to the NHC contract during 2021/22.

A further wholly-owned subsidiary (Plaza Activity Ltd) was wound up in 2021/22 having not operated since 2018.

These business units are supported by a single corporate spine providing traditional corporate service functions as well as strategic management support, and a quality teaching and learning team.

Throughout this document, we refer to 'the Group' as the overarching nomenclature, using NHC to refer more narrowly to the work of the college within the structure described above although for the avoidance of doubt, neither the Members' Report nor the Financial Statements include information about the Hart Schools Trust Ltd which has its own separate statutory accounts.

MISSION

Our mission is to enrich lives, raise aspirations and create prosperity for individuals, business and the communities we work in through learning.

IMPLEMENTING OUR FIVE-YEAR STRATEGY

For the Group, our strategic objectives are centred around five core themes, with students, staff, community and employers at its core:

THEME 1 - A responsive, destination-focused curriculum

Our focus is designing and delivering a curriculum that gives our students a fully rounded educational experience as well as making them work-ready.

THEME 2 – Consistently exceptional teaching and learning across all areas of the curriculum

We are proud of our relentless focus on developing our students through inspiring teaching, learning and support across all phases of their education.

THEME 3 – Culture and people development

Our focus is developing high performing individuals and teams, empowered to lead, innovate and take accountability for their work.

THEME 4 – Strengthened financial resilience and investment in our resources and estate

Building our financial resilience and strengthening our resources will ensure all our users and stakeholders benefit from outstanding learning environments.

THEME 5 - local, regional and national engagement that build our reputation

Our focus is being an engaged and influential sector leader that will foster productive partnerships.

The Strategic Plan is supported by separate plans for key areas, including a financial recovery plan, annual quality improvement plan and an estates plan all designed to deliver continuous organisational improvement.

2021/22 PERFORMANCE

Although 2021/22 did not see the periods of lockdown or restricted operations that characterised the previous two years, COVID-19 infections continued to disrupt operations and recovering learning lost was a key goal. Increasing energy costs and the wider cost of living crisis, coupled with considerable national and global uncertainty made for an anxious time for many. This manifested itself in increased demand for mental health support, signposting to third party advice on financial matters for learners and staff and more work needed to keep learners on track with their studies. Significant staff recruitment pressures manifested themselves, reflecting a wider national labour shortage, and there were serious cost pressures – actual and anticipated – particularly during the second half of the year.

A major success during the year was the completion of the redevelopment of sports facilities at the Hitchin campus. Supported by a grant plus a loan from the Hertfordshire Local Enterprise Partnership (LEP) and Hertfordshire County Council, work began to demolish the leaking 1970s Sports Hall and old squash courts in August 2021 and the new facilities were completed in time for the start of the new academic year in 2022/23. Officially opened by the MP for Hitchin and Harpenden, Bim Afolami, in October 2022, the facilities are seeing high demand from the local community when not being used by our learners.

The Board would like to express its thanks for the support from the LEP and the County Council for their contribution to this development.

Finances

The Group's financial objectives for 2021/22 were:

- To deliver our planned budget.

  This objective was not achieved. A decision to award a non-consolidated cost pressure payment to staff for 2021/22, in line with the Association of Colleges' (AoC) recommended pay award for the FE sector meant that NHC returned a management accounts loss for 2021/22.

- To maintain a positive cash position throughout the year to ensure it continue to hold enough cash balances to meet the expenditure needs of the business.

  The college maintained a positive cash position throughout the year while fulfilling its payment obligations to trade creditors, staff and HMRC.

- To bring our staff/income ratios to within 67%.

  Our ratio of staff cost/income is vastly improved and now is better than the Further Education Commissioners (FEC) benchmark (<65%) at 62%.

- To exceed banking covenant measures and to agree new ones with effect from 2022/23.

  All banking covenant measures were exceeded during the year and new long-term covenants were agreed and implemented as required.

RESOURCES

The Group has various resources that it can deploy in pursuit of its strategy.

People

At 31 July 2022, NHC and Hart L&D employed 418 people (356.9 FTE).

	2021/22			2020/21		
	Teaching Headcount	**Non-teaching Headcount**	**Total**	Teaching Headcount	Non-teaching Headcount	Total
Total	**262.0**	**156.0**	**418.0**	247.0	152.0	399.0
Total FTE	**214.1**	**142.8**	**356.9**	205.4	140.9	346.3

Reputation

The Group maintains a good reputation locally and nationally; this is delivered through our high qualification outcomes in much of our curriculum and a broad outreach programme of employer engagement and collaborative working. It seeks to:

- maintain and enhance the reputation of NHC as a provider of outstanding outcomes for its students;
- establish Hart L&D as a positive brand in the local and national market;
- enhance the reputation of the Hart Schools Trust as an effective provider of education, with the aim of delivering from Early Years to Sixth Form as key priorities.

Over the past three years, student outcomes have improved across all areas of delivery. Our Ofsted inspection in the last quarter of 2017 judged our Overall Effectiveness to be Good, with our traineeship provision and our support for learners with high needs judged to be Outstanding.

Even during the most challenging of years, the college has continued to showcase and celebrate our work, our staff and our students on a regional and national platform. The college was shortlisted for several prestigious regional and national awards and kitemarks including:

- National Health & Science Apprenticeship Provider of the Year in the 2022 FE Week and AELP AAC Apprenticeship awards - **Winners** – Hart Learning and Development.
- Craft Guild award – **shortlisted nominee**– Anthony Gascoigne.
- Lloyds Banking Group tutor of the year – **Winner -** Salma Khan.
- Royal Opera House Design Challenge - **Winner** - two Creative Industries students.
- Zest Quest Asian Awards 'best menu and best use of produce' - **Winner** – three catering students

- AoC Beacon Award - **Commended** - Support for students (Springboard).

- Hair and Beauty department becoming one of a handful of national Centres for Excellence in Hairdressing.

- Our Health & Social Care apprenticeship provision gained the Skills for Health Kitemark.

- We successfully achieved the Matrix inspection for our careers and student services.

Stakeholder relationships

We have an extensive range of stakeholder and partner relationships, including:

- Our current and prospective new students and our growing pool of alumni.

- Employers, large and small, in Hertfordshire and – increasingly following the establishment of Hart L&D – nationally.

- Our current and potential new staff both locally and – to support Hart L&D's growth – nationally.

- Community partners in North Hertfordshire.

- The Hertfordshire LEP and LEPs in adjacent areas.

- The Hertfordshire Chamber of Commerce.

- Local Authorities, particularly Stevenage Borough Council, North Hertfordshire District Council and Hertfordshire County Council.

- Other FE Colleges in Hertfordshire and adjacent areas e.g. Bedfordshire, London.

- The University of Hertfordshire.

- Education (ESFA, the FE Commissioner), employment (DWP, Jobcentre Plus) and other relevant funding bodies.

- The Construction Industry Training Board (CITB).

These and other relationships are key to the successful delivery of our new five-year strategy and so we ensure that we are in regular contact with students and prospective students, their parents/carers and local employers. We have well-developed relationships with education policy-makers, both locally and nationally, and are working to enhance links with local authorities and other partners.

A focus on broadening our regional influence and reputation has been further progressed through active engagement with external stakeholder groups during 2021/22.

Notable examples include the Group CEO taking on roles on the Stevenage Regeneration Board and more latterly WENTA (a Hertfordshire based Social Enterprise company). Our Head of Creative serves on the Letchworth Garden City Heritage Foundation (LGCHF) Board; our Head of Sports on the Herts Sport Partnership Board; Our Director of Curriculum is a local governor for the Roebuck Academy; and our Head of Construction is a member/the clerk of the National Construction Partnership.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

STUDENT NUMBERS

The Group enrolled approximately 9,137 students in 2021/22 (2020/21 8,805). The student population included 1,880 16-18 year-old students (2020/21: 1,947), 1,311 apprentices (2020/21: 1,261), 596 higher education students (2020/21: 302) and 5,350 class-based adult funded learners (2020/21: 5,294).

STUDENT ACHIEVEMENTS

The College has continued to grow and develop since the last Ofsted inspection in November 2017, which confirmed the College's self-assessment as "Good". For the academic year 2021/22, the College is self-Assessing as "Good" for Overall Effectiveness, as students and staff have been able to demonstrate good and better delivery through the Quality of Education, Behaviours and Attitudes and Personal Development. These areas demonstrate the commitment from both staff and students to consistently achieve above and beyond the norm in exceptional times.

The Group is committed to helping its students gain the best outcomes of which they are capable and to achieve the qualifications they are studying.

For 2021/22, we saw the return of external sat and assessed examinations in functional skills, GCSES and a range of vocational qualifications. Notable headlines in 2021/22 include:

- For young people, achievement rates have improved since 2020/21 and vocational achievement is in line with national averages. A large majority of subject areas were above the national average with rates particularly high in Catering at 94%, Sport & Public Services at 89%, IT at 95% and Creative Arts at 90%. Retention is in line with the national average, and pass rates are very high with 95% of students retained going onto achieve their vocational qualification.

- In apprenticeships, achievement rates are above the latest national average by +4.3%. 12 of the 13 subject areas are high at 95%.

- Achievement on our sub-contracted adult provision remains strong at 93%.

- The overall achievement rate for apprenticeships is at 63.5% (+2.4% vs. 2020/21).

- Overall achievement rates for standards-based programmes exceed the latest national averages and eight of these areas have improved their achievement rates since 2020/21. In areas that have been particularly impacted by the pandemic, achievement rates outperform the national averages – by +14% in retail and by +6% in health. Nine of our 12 apprenticeship sectors areas have achievement rates which exceed the latest national averages.

- Adult achievement rates have improved by +3.5% since 2020/21 and are in line with the national average for vocational programmes. Students continue to achieve and progress well in Access to HE (+4% vs. national average), Employability provision at 92% and across sub-contracted programmes at 93%.

- Maths and English GCSE programmes returned to externally assessed examinations. High grade achievement in GCSE Maths & English continues to improve and achievement in Functional Skills English is above national averages. In GCSE, the latest data shows that high grades for English will be +3.9% above the national average and, +4.9% in Maths. Achievement in Functional Skills English is at 76% which is +16% against the latest Functional Skills achievement rate.

- The large majority of students and apprentices progress positively. 92% of apprentices and 94% of full-time students with a known destination access a positive destination including employment, higher study or further study.

Curriculum Development

- We continue to develop our Study Programmes, apprenticeship and adult portfolio offer to ensure our courses are fit for purpose and support students to achieve their best and provide them with the behaviour, skills and knowledge they need to progress into the world of work, HE or further study in their chosen occupation.

- Our employer engagement work and focus of Careers is driven through our called *Give a Future* campaign. This aims to give our 16-19 year old students a variety of opportunities in the workplace, so that when they complete their course they are better prepared for entering the world of work in a challenging economic climate.

- Our curriculum framework includes an impressive range of opportunities for our students to become involved in Youth Social Action projects, fundraising and volunteering through our work through our #iwill campaign.

- Our Supported Studies provision is 'Outstanding' and we are proud that we are growing this provision to meet rising demand in North Hertfordshire. We continue to develop these programmes so that each student has a bespoke offer that allows genuine pathways to further study, employment opportunities and/or and independent living. Our Supported Internship programme is a shining light in this regard.

- We continue to develop new and productive partnerships with relevant stakeholders that broaden our portfolio to meet local and regional need and add value to our work on quality, teaching and learning.

- Hart L&D continues to develop a well-defined proposition for Apprenticeship delivery and programme design, allowing for focussed planning of provision to meet employer needs. In 2021/22, we continued to build on our productive relationships with a mixture of local SME businesses and high-profile national clients such as Lloyds, Co-op, Ocado, Worldpay, Capita and John Lewis Partnerships.

- Preparation activities for successful T-level industrial placements continues and various curriculum departments are gearing up for T-Level delivery in 2023 and beyond. We are also pleased to have been awarded capital money through the ESFA T- Level capital process for the redevelopment of facilities at Stevenage site in the sectors of Health Care and IT. Work starts on this in 2022/23.

- The Hertfordshire Construction Hub, the partnership between NHC, CITB and Stevenage Borough Council was successfully and officially launched in 2021/22.

- The Creative department has worked extensively with the Royal Opera House (ROH), becoming a flagship centre for their Design Challenge Programme (a National competition judged by professionals). In 2022, we had two student winners in the National Design Challenge.

- A reinvigorated marketing campaign showcased our student and external facing marketing collateral. This included launching a new website and developing a range of video material to reach out virtually to prospective students and parents.

- Further development of our STEM discovery Centre, a partnership with Airbus Industries, where we were able to secure UK Community Renewal Fund (UKCRF) funding to support the development and delivery of new products and an exciting exhibit refresh.

- With successful award of a LEP grant, we were able to kickstart estate works to create the Stevenage Innovation and Technology Centre (SITEC). This exciting facility will be launched in 2022/23, with a focus on our digital technologies and Lifesciences curriculum.

FUTURE PROSPECTS

Developments

In 2022/23, we will continue to focus on and prioritise the delivery of our Five-Year Strategic objectives. Key priority projects against our strategic objectives include:

Theme 1: **A responsive and destination focused curriculum**

- Implementing our new Personal and Academic Development curriculum across full time Study Programmes.

- Increasing opportunities for students and apprentices to access enrichment and personal development opportunities across all provision types.

- Implementing the 'top 10 skills and behaviour' model on all full-time programmes, increasing the focus on the development of skills and behaviours beyond the qualification.

- Completing the preparation and planning for delivery of our first T Levels (Science, Health, Digital and Management) for September 2023 delivery.

- Implementing a refreshed approach to the Maths & English curriculum, including a GCSE+1 programme in Maths and increased focus on coaching.

Theme 2: **Consistently exceptional teaching and learning across all areas of curriculum**

- Completing the next phase of our whole-college Trauma-Informed Practice implementation plan.

- Completing the roll-out of ProMonitor and Cognassist to track progress and support students.

Theme 3: **Culture and people development**

- Completing our externally supported project on anti-racism and EDI initiatives.
- Continuing our approach to broaden and improve our approaches to staff wellbeing, recognition and voice.
- Completing the roll-out of the 'professionalism in teaching' agenda, with the adoption of the Professional Standards and continued focus on evidence-informed pedagogy through CPD.

Theme 4: **Strengthened financial resilience and Investment in our estate and resources**

- Launching the new NHC Sport Hub at Hitchin Campus and secure corporate sponsorship.
- Completing the T Level refurbishment of the Stevenage campus.
- Launching the new catering hub at our Hitchin Campus.
- Launching the new Stevenage Innovation and Technology Centre (SITEC) at our Stevenage Campus.

Theme 5: **Local, regional and national engagement to build our reputation** – work underway includes:

- Standardising our approach to 'industry & subject advisory boards' for each key sector area.
- Securing employer sponsors for all T Level routes for September 2023 delivery (Health, Science, Digital and Management).
- Successfully and creatively delivering against the pan-Hertfordshire Strategic Development Fund project outcomes.

Financial plan

In June 2019, the Board approved a financial plan covering the three years 2019/20 to 2021/22 which had previously been independently reviewed by BDO. BDO concluded that the plan was well-evidenced and stated that 'whilst the level of assumed growth does not appear unreasonable, income targets are not guaranteed.'

In 2021/22, although the original budget surplus of £99k was not reached, the effective break-even result still represented success during a very challenging year, in which the pressures of the ongoing cost of living crisis and global uncertainty contributed to a reduction in the number of apprenticeships in the sectors in which key clients operate. Careful attention to cost control and some one-off upside improvements mitigated most of the impact of lower apprenticeship revenues. The 2022/23 budget plan also faces serious economic headwinds, including energy costs, upward pressure on staff pay and the potential for an economic recession in the UK but the Board is confident that the Group will continue to make headway during the year.

Treasury policies and objectives

Treasury management is the management of our cash flows, 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.

All borrowing undertaken has been authorised by the Group Board.

Reserves Policy

The Group Board recognises the importance of managing its financial resources to ensure the ongoing sustainability of its activity in support of education and training, and its obligations to its workforce. The Group Board currently manages its resources with this priority in mind and is not planning to develop material levels of unspent reserves. This policy is kept under review to reflect the changing needs of its business.

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

Going Concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

- As at 31 July 2022, the College has £2.317m of borrowing in two parts from its bankers (Lloyds Bank plc) on terms negotiated in March 2013 which is being repaid on a capital and interest basis and which will be fully repaid in 2023 and 2028.

- The College repaid £5.5m of borrowing from the Department for Education on 1 July 2022 and a £0.5m loan from the Hertfordshire Local Enterprise Partnership (LEP) significantly reducing its borrowing costs.

- Remaining borrowing is secured on the College's main building assets at Stevenage and Hitchin.

- In addition to repaying this borrowing, the College's overdraft facility from Lloyds Bank plc (unused throughout 2020/21) of £1.3m expired on 31 July 2021 and was not required thereafter.

- The Group is dependent on Government funding for the sector to support its operations and fund its bank loan obligations. The bank and Department for Education loans have covenant conditions and the Group must ensure it operates within these covenants for this financial support to continue in its current form.

- In 2021/22, the Group successfully met the covenant measures at the quarterly measurement points. Agreement with Lloyds Bank was reached to replace the 2021/22 covenant measures with new measures which apply with effect from 31 July 2022 and are expected to remain in place until 2027/28.

- The conditional sale agreement reached in October 2018 with CALA Homes completed in June 2021 following a successful planning application and fulfillment of pre-commencement planning conditions, and the second tranche payment of the sale proceeds was received in June 2022 as provided for in the contract. This allowed the College to repay financial support it received from the Department for Education, and the £0.5m loan from the LEP, with modest cash reserves for the College remaining.

- The Group's ESFA financial health rating for 2021/22 has improved to 'Outstanding'.

PRINCIPAL RISKS AND UNCERTAINTIES

In the context of our five-year strategy, with active participation and oversight from the main Board and Audit Committee, SMT has continued to keep under review the key corporate risks to which we are exposed. We have identified systems and procedures including specific preventive actions that should mitigate the potential impact of our identified risks.

In addition to ongoing review, the Board and SMT also consider any risks that may arise because of a new area of work being undertaken.

The principal areas of risk we currently face are:

- Recruiting and retaining high quality staff in key sectors/corporate service areas to operate the business efficiently and effectively.
- Generating a sufficient level of financial contribution.
- Responding quickly and effectively to policy changes.
- Securing employer and stakeholder commitment
- Understanding and responding to the marketplace.
- Reacting effectively to unforeseen challenges.

The way these risks are manifested operationally is described in a detailed risk register, reviewed weekly by SMT and by the Audit Committee at each of its meetings, and more frequently where necessary. This identifies the key risks, the likelihood of them occurring, their potential impact on the Group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

KEY PERFORMANCE INDICATORS

Financial

The Group had revenues of £24.4m (2020/21 £23.3m).

The Educational Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) measure was £1.3m (2020/21 £1.8m).

The financial health rating of the college for 2021/22 against ESFA measures exceeded the threshold for an ‘Outstanding’ rating, compared with the ‘Good’ rating from 2020/21.

Statutory Financial Results

NHC also must include in its published results pension gains or losses each year based on the actuarial valuation of its pension liabilities in respect of pensioners and members of the Local Government Pension Scheme (LGPS). Although there is an annual valuation for reporting purposes (under Financial Reporting Standard 102), the LGPS carries out a triennial valuation which informs decisions about the setting of employer and employee contribution rates.

The actuarial pension valuation at 31 July 2022 was a surplus of £1.5m (2020/21: deficit of (£15,616k) of assets against liabilities.

The total comprehensive surplus for 2021/22 was £15,254k (2020/21: Surplus of £13,373k).

The Group has £37,830k of net assets.

External debt was £2,317k (2020/21: £8,737k).

Cash and cash equivalents were £6,716k (2020/21: £9,946k).

The College has two subsidiaries, Hart Employment Services Ltd and Hart Learning & Development Ltd. The principal activity of Hart Employment Services Ltd is the provision of temporary staff, and the principal activity of Hart Learning & Development Ltd is the provision of training.

In 2021/22, Hart Employment Services Ltd was set up and undertook little trading activity. Hart Learning & Development Limited generated a loss of £22,214 (2020/21: loss of £24,724).

The Group has a 32% interest in Hertvec LLC, a consortium with Hertford Regional College and the Samama Holdings Group, a major Saudi Arabian company specialising in construction and facilities management, which is delivering vocational education in the Kingdom of Saudi Arabia. The value of this investment was written off in 2014/15.

The contract ended as planned on 31 July 2019 and because of a change in Saudi government policy, was not renewed.

Winding up activity has continued during 2021/22 and any final return of value is not yet known, although this is unlikely to be material.

Public Benefit

North Hertfordshire College is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Group Board, who are Trustees of the charity, are disclosed on pages 22 and 23.

In setting and reviewing the College's strategic objectives, the Trustees have paid due regard to the Charity Commission's guidance on public benefit and particularly to its supplementary guidance on the advancement of education.

The Trustees believe our mission is consistent with the guidance on providing public benefit. Students are drawn from the local community and provision is made to support those who are disadvantaged (through bursaries and grants to enable individuals to access resources and equipment). In delivering this mission, the College provides the following identifiable public benefits through the advancement of education:

- A diverse local, occupationally-relevant training offer, including but not limited to apprenticeships, for businesses of all sizes locally, regionally and nationally.

- Teaching, learning and assessment for young people and adults, through full-time, part-time and work-based courses in a wide range of sector and occupational areas.

- Strong working relationships with local businesses, who actively support and engage with the courses we deliver for our students – including by providing high quality work experience placements.

- Support and independent advice and guidance to help students consider and secure progression opportunities.

- Wider pastoral care for students, underpinned by strong working relationships with relevant partner organizations across the public sector.

The way in which we deliver such benefits is described throughout this report.

EQUALITY

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 including gender reassignment, relationship status including civil partnerships, 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. Our Single Equality Policy is resourced, implemented and monitored on a planned basis and is published on our website.

NHC publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. We undertake equality impact assessments on all new policies and procedures and do the same for existing policies and procedures on a prioritised basis.

NHC is a ‘Disability Confident’ employer and has committed to the principles and objectives of the Disability Confident standard. We consider all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantee 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 can continue. Our 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.

It has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is ongoing.

DISABILITY STATEMENT

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

- NHC has an Additional Learning Support (ALS) Manager who gives information, advice and arranges specialist support where necessary for mainstream students, apprentices and trainees with disabilities to enable equal access to learning.

- NHC has a SEND Partnership Manager who works with local authorities to manage all statutory processes for students with Education Health and Care Plans (EHCPs).

- NHC has a Disabled Students Allowance (DSA) Assessment Centre and undertakes assessments for students progressing to Higher Education. A comprehensive range of assistive technology is demonstrated for Higher Education (HE) students during their assessment for their DSA. This determines the most appropriate equipment needed to address individual learning needs.

- NHC makes specialist resources available for use by students. All reasonable adjustments are always put in place for students whenever necessary.

- The Admissions Policy for all students is described in the NHC prospectus and website. Appeals against a decision not to offer a place are dealt with under the Compliments, Feedback and Complaints Policy.

- We have invested in the appointment of specialist staff to support students with learning difficulties and/or disabilities. We employ 9 permanent and 13 Agency Inclusion Assistants to help mainstream students with specific learning difficulties, sensory impairments, general learning difficulties, physical disabilities and personal care. Support can be given within the classroom and in the workplace setting.

- Springboard is specialist provision dedicated to students with Autism which is based at two self-contained offsite centres in Letchworth and Watford. Within our discrete SEND provision (Supported Studies and Springboard) a team with a breadth of skills and experience enables us to fully meet the needs of all the individuals we work with, and ensure an outstanding student experience, as assessed by Ofsted.

- There is a continuing programme of staff development to ensure a high level of support for students who have learning difficulties and/or disabilities can be given.

- The College has a detailed SEND Policy which covers all students with SEND, with or without an EHCP. The College is fully compliant with statutory processes regarding EHCP consultations and annual reviews.

- Where students have complex learning support needs, a detailed assessment is undertaken and an application made for Higher Needs Funding (HNF) from the relevant local authority.

- Specialist programmes are described in prospectuses and on the website; achievements/destinations are recorded and published in the standard NHC format.

- Information about Counselling, welfare services, complaints and disciplinary procedures is made available to all students during induction. Additional details can be found on our website, in the prospectus and leaflets.

TRADE UNION FACILITY TIME

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the publication of data on facility time arrangements for trade union officials at the college.

Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
2	1.2

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	
1%-50%	2 (3 hours between 2 individuals)
51%-99%	
100%	

Percentage of pay bill spent on facility time

Provide the total cost of facility time	£760.63 (June - August)
Provide the total pay bill	£15,765,000
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) × 100	0.005%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) × 100	0%

PAYMENT PERFORMANCE

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organizations to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received.

It is the College's policy to pay most of its suppliers according to suppliers' payment terms which is usually 30 days from the invoice date provided that the College is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

With effect from 1 September 2016, the target set by HM Treasury for payment to suppliers within 30 days is 95%.

During the accounting period 1 August 2021 to 31 July 2022, based on the number of invoices processed, the College paid 92% (2020/21: 90%) within these terms.

EVENTS AFTER THE REPORTING PERIOD

On 29 November 2022, the Office for National Statistics (ONS) reclassified all college corporations to the Central Government sector with immediate effect. This will mean that colleges will now be subject to the framework for financial management set out in Managing Public Money (MPM) and the Department for Education will introduce new rules for colleges, some of which will take effect immediately.

There are no other events to report after 31 July 2022.

DISCLOSURE OF INFORMATION TO AUDITOR

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 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 auditors are aware of that information.

Approved by order of the members of Group Board on 7 December 2022 and signed on its behalf by:

Andrew Simmons

Chair

STATEMENT ON CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the Annual Report and Financial Statements to obtain a better understanding of the Group's governance and legal structure. It covers the period from 1 August 2021 to 31 July 2022 and up to the date of approval of the Annual Report and Financial Statements.

The Board 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 and so endeavours to conduct its business in accordance with:

- the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code").
- In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 22 June 2015. It subsequently (2019) considered and adopted the revision which incorporated the Senior Staff Remuneration Code published by the Association of Colleges in December 2018. In February 2022, it considered and adopted the September 2021 edition which will be reported against in 2022/23.

In the opinion of the Governors, the College complies with all the currently applicable provisions of the Code, and it has complied throughout the year ended 31 July 2022.

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

REGULARITY AND PROPRIETY

As the Statement on Regularity, Propriety and Compliance (page 30) confirms, the Board believes that it has met its obligations to conduct its business in 2021/22 with regularity (that is, in accordance with its statutory powers and legal obligations) and propriety (that is, meeting high standards of public conduct including robust governance).

Systems and processes to support the Board in achieving this include:

- A qualified and experienced governance professional appointed as a Senior Post-holder to advise the Board.
- A suite of policies covering key areas of conduct, including Financial Regulations, which are kept under review and adherence to sectoral standards.
- Controls built into business applications that limit the risk of inappropriate decision-making.
- A Board with the right diversity and depth of skills and expertise to provide effective challenge to the executive leadership.

- Regular and detailed reports to the Board and its Committees about quality, student progress and performance, student satisfaction, staff development, risks and financial performance.

- Values that encourage openness, transparency and honesty from staff and learners.

- Independent scrutiny from auditors, regulators and other advisers.

THE GROUP BOARD

The Board is responsible for setting policy and providing strategic direction to the business, and for monitoring and seeking assurance about progress and achievement.

As a body mainly composed of independent non-executive members, it is well-placed to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. To help it do so, the Board receives regular and timely information about performance including regular reports on: quality assurance and improvement; student attendance, retention and attainment; safeguarding; student and business feedback; financial performance; people-related matters; and health, safety and environmental issues.

During 2021/22, the Board's focus moved from managing the ongoing impact of the COVID-19 emergency to endeavouring to recover learning lost by particular cohorts of students – primarily those from more disadvantaged backgrounds. Making as much use of government support as possible, this included addressing higher levels of mental health and anxiety than hitherto, in some cases overcoming reluctance to attend in person and preparing students for their first set of public examinations (for some programmes) since 2018/19. As the year progressed, the impact of higher energy costs began to be seen before the Russian invasion of Ukraine in February 2022 kicked off a further wave of economic uncertainty. Not only was this expected to impact operational costs – if not in-year, then certainly in 2022/23 and beyond - it was also expected to further challenge family budgets and the ability of employers to offer workplace experiences.

Academic outcomes for the year were good in most areas; strong performers included our Outstanding Supported Studies provision, Catering – in which the TES FE Lecturer of the year 2021 works, Sport and Public Services, Creative Arts, Science and Childhood Studies. Maths and English GCSE performed well compared with last year and the 2018/19 national average for the FE sector. Apprenticeship outcomes were also strong in almost all programmes.

Apprenticeship numbers did not reach the level forecast before the start of the year, when a sharper recovery from the pandemic was anticipated; while SMEs came forward with approximately the expected number of vacancies, larger employers – from the retail and healthcare sectors primarily – were less successful in finding employees able to take on the extra commitment needed to develop their skills and a number of programmes were delayed or reduced in scale. This meant that considerable efforts continued to go into bearing down on costs across the business, which successfully offset much of the reduction in revenue. There were also some areas where we were able to build on quality delivery in 2020/21 and increase delivery in 2021/22. Overall, achieving a surplus in 2021/22 – even a very small one – is a considerable achievement given the exceptionally choppy waters navigated during the year. The growing cost-of-living crisis will make this far more difficult in 2022/23.

A major success for the Group was the completion of the redevelopment of its sports facilities at the Hitchin campus. Following the completion of the sale contract in June 2021, demolition of the old buildings started in August 2021 and the new pitch, gym and sports hall were completed in time for the new academic year in 2022/23. We are delighted with the results which mean that our students and the local community can now use high quality facilities for a range of physical activities. The all-weather pitch was fully booked for 2022/23 within hours of bookings opening. Members of the local community are very welcome to join our Gym or book to use the Sports Hall.

We also completed a smaller scale refurbishment of facilities on our Stevenage campus to create the Stevenage Innovation and Technology Centre (SITEC). This now incorporates a state-ot-the-art specialist science laboratory to support skills development around cell and gene therapy and an immersive IT space including virtual reality facilities.

The Board and its committees continued to meet using video-conference arrangements, an approach which appeared to increase participation – but also held three ‘in person’ meetings, during the year, for which most members were physically present and incorporating separate strategic thinking sessions. It plans to continue this mixed model in future years, with some meetings held in person and some on-line.

During the year, the Board also successfully held three strategic thinking sessions to ensure that it did not just consider immediate and urgent issues. These considered:

- Progress with themes from the Group’s development plan including the impact of the Skills for Jobs White paper and the (then) Skills Bill.
- How the Group should engage with employers to ensure that its provision best met local skills needs.
- Progress with the development of the T-level offer, including a capital investment bid for development at the Stevenage campus.
- Development Priorities for 2021 to 2025.

THE BOARD

Minutes of all Board meetings, except those deemed confidential by the Board, are published on our website. Copies are also available from Robert Dale, Company Secretary at:

North Hertfordshire College
Cambridge Road
Hitchin SG4 0JD

The Company Secretary maintains a register of financial and personal interests of the governors which is available for inspection at the above address and published on the Group website together with the attendance records of governors.

All governors can take independent professional advice about their duties at the Group’s expense and have access to the Company Secretary, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Company Secretary are matters for the Board as a whole.

Agendas, papers and reports are issued in good time before Board meetings. Briefings are also given on an ad-hoc basis. The Board has a strong and independent non-executive majority and no individual or group dominates decision-making. The Board 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. Finally, there is a clear division of responsibility between the roles of the Chair of the Board and the Accounting Officer.

The Board is supported by five Committees (Audit, Finance, Quality & Curriculum, Remuneration and Search). Each has Terms of Reference and meets as required.

Attendance records for the Board and its individual committees are reported below. Attendance at Board and committee meetings in 2021/22 overall was 85.49% (2020/21: 90.09%) compared with a sector average for FE colleges of 82.49% (2020/21: 87.56%).

The Board met six times in 2021/22 (2020/21: 7) and in addition held three strategic thinking sessions at which the development of the Group's T-level offer, engagement with employers and future development plan priorities were considered and endorsed. Three meetings took place by videoconference (the continuing COVID-19 emergency made a return to exclusively face-to-face meetings less desirable) and three in-person. Attendance for the year at the Board's business meetings was 80.49% (2020/21: 90.6%).

The members who served on the Board during the year and up to the date of signature of this report are listed in the table below.

Name	Role	Appointed	Term of office	Resigned/ Stepped down	Board Meetings attended	Other committees supported
Kate Barclay		12/04/21	4 years		5/6 (83%)	Audit (2022/23)
Toni Beck	Quality & Curriculum Chair; Safeguarding Governor	27/04/20	4 years		6/6 (100%)	Remuneration
Cerys-Kay Brown	Student Governor	01/08/22	1 year	11/09/22	0/0	Quality & Curriculum
Liz Calver	Staff Governor	04/09/18	4 years		2/6 (33%)	Quality & Curriculum
Lynne Ceeney	Quality & Curriculum Vice-chair	20/04/19[1]	4 years		6/6 (100%)	Quality & Curriculum Search
Kit Davies	Principal and Chief Executive	20/11/17	n/a		6/6 (100%)	Finance Quality & Curriculum
Robyn Fitzharris		12/04/21	4 years		5/6 (83%)	Quality & Curriculum (2022/23)
Geoff Lambert	Audit Chair	01/08/19	4 years		4/6 (67%)	
Vernon McClure	Health and Safety Governor	04/12/18[2]	4 years	03/12/22	6/6 (100%)	Audit Quality & Curriculum Search

[1] Reappointed for a second term.
[2] Reappointed for a second term.

Name	Role	Appointed	Term of office	Resigned/ Stepped down	Board Meetings attended	Other committees supported
Elizabeth Mitchell		12/09/18	4 years	11/09/22	4/6 (67%)	Quality & Curriculum Remuneration
Philip Moore	Board Vice-Chair	01/09/19	4 years		6/6 (100%)	Audit Finance
Andrew Simmons	Board Chair Chair, Hart Schools Trust	01/04/17[3]	4 years		6/6 (100%)	Finance Remuneration Search
David Stern	Finance Chair	26/11/18	4 years	25/11/22	3/6 (50%)	
Sebastian Sabine	Student Governor	19/11/21	1 year	31/07/22	2/4 (50%)	Quality & Curriculum
Richard Wilson		01/06/21			5/6 83%	Quality & Curriculum (2022/23)

Robert Dale GradCG acted as Company Secretary from 1 August 2021 until 31 July 2022.

APPOINTMENTS TO THE BOARD

Any new appointments to the Board are a matter for consideration by the Board as a whole. The Board has a Search Committee comprising up to five members responsible for selecting candidates for the Board's consideration. The Board is responsible for ensuring that appropriate training is provided for Governors.

One appointment and one re-appointment was made to the Board during the year ended 31 July 2022 following election as Student or Staff Governor. These were:

- Liz Calver (Staff governor).
- Sebastian Sabine, elected Student Governor by the student body.

Two members (Liz Mitchell and Sebastian Sabine, the student governor) stepped down at the end of their terms of office and in practice with effect from 31 July 2022. Two more governors (Vernon McClure and David Stern) expressed their intentions to step down at the ends of their terms of office in November and December 2022.

An election for the student governor role in 2022/23 took place in June 2022 and the following member was elected:

- Cerys-Kay Brown.

Except for the Student Member, Members of the Board are appointed for a term of office not exceeding four years but are eligible for one re-appointment.

[3] Reappointed for a second term.

Regrettably, for personal reasons, the student governor resigned prior to the first meeting of the Board in 2022/23 and a new appointment was sought during the autumn term.

BOARD PERFORMANCE

Consistent with UK Corporate Governance Code best practice, the Board engaged with an externally-facilitated review of board effectiveness between May and July 2021. The review was conducted by Shirley Collier, MBE, an experienced Board Chair, and was facilitated by the Education and Training Foundation, with funding from the Department for Education (DfE). The framework used to undertake the review required analysis of Board Composition, Board Structures and Board Interaction. It also includes an examination of the extent to which these key areas have contributed to the board's effectiveness as measured against the Association of Colleges (AoC) Code of Good Governance for English Colleges.

The Board had actively sought this review and was very satisfied with the findings, which concluded that the Board "consistently positively impacts the college's outcomes and … is highly proficient in most of the key effectiveness features" described by the AoC. The Board was considered to have a "breadth of skill(s) encompassing finance, education (both FE and HE), business and sustainability" with "a mix of people with public and private sector experience". The report found that "papers for meetings are well written and shared in advance of meetings. The Principal is open and willingly shares information, including about risks and downside opportunities". Other senior and middle managers have a chance to communicate with the Board and its Committees.

Following the external review of Board effectiveness which reported in July 2021, the Board undertook a self-evaluation in 2021/22. A review of skills confirmed that there was a breadth of relevant skills represented at the Board with the main areas for improvement relating to digital delivery, premises management, procurement and law. There would also be a forthcoming need to maintain the financial skills base, on the retirement of the current Finance Committee Chair. The Board also placed a high priority on ensuring that there was a diversity of viewpoints present and expected future recruitment plans to take this into account. Key Board Committees had also undertaken their own effectiveness reviews and agreed actions for 2022/23.

A development plan to further enhance Board performance was agreed at the end of 2020/21 with three priority areas:

- Enhance Board contribution to the strategic development of Partnerships.
- Better communicate link between operational performance and strategic direction.
- Agree framework for enhancing Board effectiveness.

Board discussions about stakeholder engagement during the year improved awareness of the expectation that college provision should be directed by the needs of local employers as expressed through a Local Skills Improvement Plan (LSIP). Several Board members have been in a position to contribute to thinking about skills needs with a range of stakeholders and the CEO has engaged with the Hertfordshire Chamber of Commerce on this as well.

The Board has also taken a longer term look at future provision including T-level development and the direction of its Engineering and Construction provision; this is likely to culminate during 2022/23 in a decision about the current leased campus in Stevenage.

AUDIT COMMITTEE

The Audit Committee advises the Board on the adequacy and effectiveness of the system of internal control and its arrangements for risk management, control and governance processes by monitoring the Corporate Risk Register, considering and challenging reports from staff and from internal and external auditors and by examining financial and other benchmarking data and any other relevant information.

It also advises the Board on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Board. It is made up of up to five non-executive members of the Board (neither the Chair nor Accounting Officer are members) and it operates in accordance with written terms of reference approved by the Committee and the Board.

It meets at least termly and provides a forum for reporting by the internal and financial statements auditors, who have access to the Committee for independent discussion, without the presence of management. The Committee also receives and considers reports from the main FE funding bodies as they affect the Group's business. It considers reports about cases of whistleblowing and any reports of fraud. It is also the overseeing body for data protection and cyber security issues.

Internal auditors review 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; internal audit undertake periodic follow-up reviews to ensure recommendations have been implemented.

The Committee met four times in 2021/22 (2020/21: 4). Attendance for the year was 91.67% (2020/21: 100%).

Name	Role	Audit Committee Meetings attended
Geoff Lambert	Audit Chair	4/4 (100%)
Philip Moore	Board Vice-chair	3/4 (75%)
Vernon McClure		4/4 (100%)

FINANCE COMMITTEE

The Finance Committee is chaired by a non-executive Board member and includes two more non-executive members, the CEO/Principal and Group Finance Director. Its role is to scrutinise financial plans and assumptions, to monitor cash flow and working capital and provide the Board with assurance about the financial sustainability of the organisation.

In 2021/22, the committee continued to scrutinise cash and revenue forecasting and cost control, monitoring performance against the cash and EBITDA banking covenant measures, which were exceeded throughout the year. It also considered and approved proposals from Lloyds Bank for fresh covenant measures from 1 August 2022.

The Committee met ten times in 2021/22 (2020/21: 10). Attendance for the year was 96% (2020/21: 90%).

Name	Role	Finance Committee Meetings attended
David Stern	Finance Chair	10/10 (100%)
Philip Moore	Board Vice-chair	10/10 (100%)
Andrew Simmons	Board Chair	9/10 (90%)
Kit Davies	Chief Executive	9/10 (90%)
Paul Harte	Group Finance Director	10/10 (100%)

QUALITY & CURRICULUM COMMITTEE

The Quality & Curriculum (Q&C) Committee is made up of five non-executive members of the Board, together with the Principal and two Executive Directors.

The Committee operates in accordance with written terms of reference approved by the Committee and the Board and is responsible for reviewing the shape and structure of the curriculum, NHC and Hart L&D's quality assurance practices and the impact of its work to raise teaching and learning standards.

As well as keeping the regular quality processes such as the Self-assessment Review (SAR) report and the Quality Improvement Plan (QIP) under review during the year, the committee considered: how Additional Learning Support was provided to learners; how on-line learning was improving its performance based on experience during 2020/21; the new Ofsted inspection framework elements for FE colleges; Maths and English teaching delivery; work to extend trauma-informed practice; achievement gaps between student cohorts and actions to address them; the progress of the anti-racism project and the outcome of a care leavers audit. T0he committee was pleased to see continuing progress across curriculum areas, despite the challenges presented by aftermath of the COVID-19 emergency, and the return to public examinations, including materially improved outcomes for apprenticeship programmes.

The Committee met six times in 2021/22 (202/21: 6). Attendance for the year was 77.50% (2019/20: 91%).

Name	Role	Q&C Committee Meetings attended
Toni Beck	Q&C Chair	6/6 (100%)
Liz Calver	Staff Governor	6/6 (100%)
Lynne Ceeney	Q&C Vice-chair	5/6 (83%)
Kit Davies	Chief Executive	6/6 (100%)
Vernon McClure		5/6 (83%)
Elizabeth Mitchell		3/6 (50%)
Sebastian Sabine	Student Governor	1/5 (20%)

REMUNERATION COMMITTEE

The Remuneration Committee is made up of up to four non-executive members of the Board and is responsible for approving reward arrangements for the Accounting Officer, for determining whether or not conditions for the receipt of performance-related pay by the Accounting Officer have been met, and for considering the affordability and balance of annual reward proposals for the organization.

In 2021/22, the Committee discussed proposals for a pay award for all staff including the SMT, agreeing that a 1% award could be made in line with the Association of Colleges (AoC) recommendation. It also reviewed the draft Remuneration Report presented to the Board in December 2021 and assessed the performance of the CEO. It considered the latest Gender Pay-gap Report, which was similar to the national average position, and discussed progress in developing a new competency framework for considering job roles across the Group. A historic payment to the CEO in respect of his previous role was also agreed (see Note 6).

Details of remuneration for the year ended 31 July 2022 are set out in Note 6 to the financial statements.

The Committee met twice in 2021/22 (2020/21: 3). Attendance for the year was 100% (2020/21: 100%).

Name	Role	Q&C Committee Meetings attended
Andrew Simmons	Chair	2/2 (100%)
Toni Beck		2/2 (100%)
Elizabeth Mitchell		2/2 (100%)

SEARCH COMMITTEE

The Search Committee is made up of four non-executive members of the Board and is responsible for making recommendations to the Board in respect of governor appointments, and approving processes for reviewing individual and collective effectiveness.

The Committee did not meet in 2021/22 although members participated in considering and interviewing candidates for Board and committee appointments as described above.

INTERNAL CONTROL

SCOPE OF RESPONSIBILITY

The Board is ultimately responsible for the 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 Board has delegated to the CEO, as Accounting Officer, day-to-day responsibility for maintaining a sound system of internal control that supports the achievement of the Group's policies, aims and objectives whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with responsibilities assigned to him in the Financial

Memorandum between NHC, Hart L&D and funding bodies. He is also responsible for reporting any material weaknesses or breakdowns in internal control to the Board.

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 Group 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 for the whole of the year ended 31 July 2022 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The Board has reviewed key risks to which the Group is exposed together with the operating, financial and compliance controls that mitigate them. The Board is of the view that there is a formal ongoing process for identifying, evaluating and managing the Group's significant risks that has been in place for the period ending 31 July 2022 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board.

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:

- A robust approach to setting revenue and cost budgets for the forthcoming year, with final budgets agreed by Board.
- Ten Finance Committee meetings in a year, which consider monthly management accounts and identify risks and opportunities.
- Regular finance reports at Board meetings, detailing year-to-date performance, and forecast outturn for the year plus any upside opportunities and downside risks.
- A link between finance and individual performance management, with clear finance objectives embedded in individual budget holders' personal objectives for the year.
- The increased deployment of formal project management approaches.
- Clearly defined capital investment guidance and controls.

We have an internal audit service (delivered by RSM UK Audit LLP) working in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the Group 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 Board on the recommendation of the Audit Committee.

As a minimum, the Internal Audit service provides the Board with an annual report on internal audit activity in NHC and Hart L&D. This includes an independent opinion on the adequacy and effectiveness of the system of risk management, controls and governance processes. In 2021/22, RSM UK Risk Assurance Services LLP reported that the Group has "an adequate and effective framework for risk management, governance and internal control". It added that “our work has identified further enhancements to the framework for risk management, governance and internal control to ensure that it remains adequate and effective”.

REVIEW OF EFFECTIVENESS

As Accounting Officer, the Principal/CEO is responsible 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 (RSM UK Audit LLP).
- The work of managers within the Group who have responsibility for the development and maintenance of the internal control framework including self-assessment against the Post 16 Audit Code of Practice (ACoP).
- Comments made by the College’s financial statements auditors, reporting accountant for the regularity assurance, and the appointed funding auditors in their management letters and other reports.

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee’s role in this area is confined to a high-level review of the arrangements for internal control. The Board’s business agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

Approved by order of the members of the Board on 7 December 2022 and signed on its behalf by:

Andrew Simmons — Kit Davies

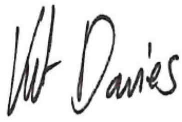
Chair — Accounting Officer

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer, I confirm that the Corporation has had due regard to the requirements of grant funding agreements and contracts with ESFA and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding.

I confirm on behalf of the Corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the terms and conditions of funding, under the corporation's grant funding agreements and contracts with the ESFA, or any other public funder.

I confirm that no instances of material irregularity, impropriety or funding noncompliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to ESFA.

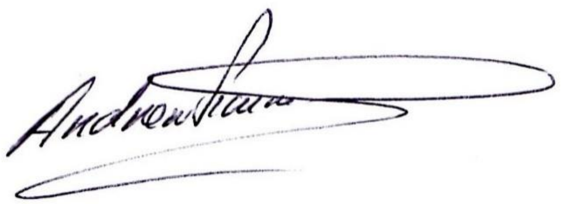


Kit Davies, Accounting officer

7 December 2022

STATEMENT OF THE CHAIR OF GOVERNORS

On behalf of the Corporation, I confirm that the accounting officer has discussed his Statement of Regularity, Propriety and Compliance with the Board and that I am content that it is materially accurate.



Andrew Simmons, Chair of governors

7 December 2022

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The members of the Corporation are required to present audited financial statements for each financial year.

Within the terms and conditions of the corporation's grant funding agreements and contracts with the Education and Skills Funding Agency (ESFA), the Corporation is required to prepare financial statements which give a true and fair view of the financial performance and position of the Corporation for the relevant period.

Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the *Statement of Recommended Practice – Accounting for Further and Higher Education*, ESFA's *College Accounts Direction* and the UK's *Generally Accepted Accounting Practice*.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report);
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the corporation will continue in operation.

The Corporation is also required to prepare a strategic report, in accordance with paragraphs 3.23 to 3.27 of the FE and HE Statement of Recommended Practice (SORP) that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the Corporation.

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

The Corporation is responsible for the maintenance and integrity of its website(s); the work carried out by auditors does not involve consideration of these matters and, accordingly, 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 and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder.

Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economic, efficient and effective management of the Corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 7 December 2022 and signed on its behalf by:

Andrew Simmons, Chair of Governors

INDEPENDENT AUDITOR'S REPORT TO THE GROUP BOARD OF NORTH HERTFORDSHIRE COLLEGE

OPINION

We have audited the financial statements of North Hertfordshire College (the 'parent college') and its subsidiaries (the 'group') for the year ended 31 July 2022 which comprise the group and parent college statements of comprehensive income and expenditure, the group and parent college statements of changes in reserves, the group and parent college balance sheet, the group statement of cash flows and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

- In our opinion, the financial statements:
- give a true and fair view of the state of the group's and parent college's affairs as at 31 July 2022 and of the group's and parent college's deficit of expenditure over income for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- In all material respects, funds from whatever source administered by the group for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- in all material respects, funds provided by the OfS, the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of OfS's accounts direction have been met.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

OTHER INFORMATION

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

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

We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for the audit were not received.

We have nothing to report in respect of the following matters in relation to which the Office for Students requires us to report to you if, in our opinion:

- the group's and parent college's grant and fee income, as disclosed in notes 2 and 3 to these financial statements has been materially misstated.

RESPONSIBILITIES OF THE GROUP BOARD

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

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

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the group and parent college through discussions with management, and from our knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the group and parent college, including the Further and Higher Education Act 1992, funding agreements with the ESFA and associated funding rules, ESFA regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the group’s and parent college’s financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and

- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias;

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of Group Board meetings; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the members of the Group Board and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

USE OF OUR REPORT

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

Buzzacott LLP

20 December 2022
Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY

To: The Corporation of North Hertfordshire College and Secretary of State for Education, acting through Education and Skills Funding Agency (the ESFA)

In accordance with the terms of our engagement letter dated 26 May 2021 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by North Hertfordshire College during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

RESPECTIVE RESPONSIBILITIES OF NORTH HERTFORDSHIRE COLLEGE AND THE REPORTING ACCOUNTANT

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 expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them. Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2021 to 31 July 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

APPROACH

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework. The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;

- Further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and

- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

CONCLUSION

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2021 to 31 July 2022 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.

Buzzacott LLP

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

20 December 2022

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND EXPENDITURE

INCOME	**Note**	**Year ended 31-Jul-22**		**Year ended 31-Jul-21**	
		Group	**College**	Group	College
		£'000	**£'000**	£'000	£'000
Funding body grants	2	16,504	16,504	17,049	17,049
Tuition fees and education contracts	3	6,352	6,352	6,018	6,018
Other grants and contracts	4	773	773	282	282
Other income	5	784	775	570	564
Total Income		24,413	24,404	23,919	23,913
EXPENDITURE					
Staff costs	6	15,765	15,774	14,657	14,668
Other operating expenses	7	7,910	7,876	7,898	7,854
Depreciation	9	1,703	1,703	1,744	1,744
Interest and other finance costs	8	451	451	426	426
Total Expenditure		25,829	25,804	24,725	24,692
(Deficit) before other gains and losses		(1,416)	(1,400)	(806)	(779)
(Loss) profit on sale of fixed assets		(17)	(17)	16,721	16,721
(Deficit) surplus for the year before taxation		(1,433)	(1,417)	15,915	15,942
Taxation		-	-	-	-
(Deficit) surplus for the year		(1,433)	(1,417)	15,915	15,942
Actuarial gain/(loss) in respect of pensions schemes	19	16,687	16,687	(2,542)	(2,542)
Total comprehensive income for the year		15,254	15,270	13,373	13,400
Represented by:					
Unrestricted comprehensive income for the Group and College		15,254	15,270	13,373	13,400

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES

Group	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2020	**7,356**	**2,686**	**10,042**
Surplus from the income and expenditure account	15,915	-	15,915
Actuarial loss in respect of pension scheme	(2,542)	-	(2,542)
Comprehensive income for the year	13,373	-	13,373
Release of Revaluation reserve on sale of land	-	(839)	(839)
Total comprehensive income/(expenditure) for the year	**13,373**	**(839)**	**12,534**
Balance at 31 July 2021	**20,729**	**1,847**	**22,576**
Deficit from the income and expenditure account	(1,433)	-	(1,433)
Actuarial gain in respect of pension scheme	16,687	-	16,687
Comprehensive income for the year	15,254	-	15,254
Transfers between revaluation and income and expenditure reserves	193	(193)	-
Total comprehensive income/(expenditure) for the year	**15,447**	**(193)**	**15,254**
Balance at 31 July 2022	**36,176**	**1,654**	**37,830**

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES (CONTINUED)

College	**Income and expenditure account**	**Revaluation reserve**	**Total**
	£'000	**£'000**	**£'000**
Balance at 1 August 2020	**7,422**	**2,686**	**10,108**
Surplus from the income and expenditure account	15,942	-	15,942
Actuarial loss in respect of pension scheme	(2,542)	-	(2,542)
Comprehensive income for the year	13,400	-	13,400
Release of Revaluation reserve on sale of land	-	(839)	(839)
Total comprehensive income/(expenditure) for the year	**13,400**	**(839)**	**12,561**
Balance at 31 July 2021	**20,822**	**1,847**	**22,669**
Deficit from the income and expenditure account	(1,417)	-	(1,417)
Actuarial gain in respect of pension scheme	16,687	-	16,687
Comprehensive income for the year	15,270	-	15,270
Transfers between revaluation and income and expenditure reserves	193	(193)	-
Total comprehensive income/(expenditure) for the year	15,463	(193)	15,270
Balance at 31 July 2022	**36,285**	**1,654**	**37,939**

BALANCE SHEETS AS AT 31 JULY 2022

	Notes	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Non current assets					
Tangible fixed assets	9	42,170	42,170	34,289	34,289
Investments	10	-	90	-	91
		42,170	42,260	34,289	34,380
Current assets					
Trade and other receivables	11	1,118	2,403	11,643	11,905
Cash and cash equivalents		6,716	6,656	9,946	9,930
		7,834	9,059	21,589	21,835
Less: Creditors – amounts falling due within one year	12	(4,165)	(5,371)	(6,357)	(6,601)
Net current assets		3,669	3,688	15,232	15,234
Total assets less current liabilities		45,839	45,948	49,521	49,614
Creditors – amounts falling due after more than one year	13	(8,009)	(8,009)	(11,329)	(11,329)
Defined benefit obligations	15	-	-	(15,616)	(15,616)
Total net assets		37,830	37,939	22,576	22,669
Unrestricted Reserves					
Income and expenditure account		36,176	36,285	20,729	20,822
Revaluation reserve		1,654	1,654	1,847	1,847
Total unrestricted reserves		37,830	37,939	22,576	22,669

The financial statements from pages 39 to 63 were approved and authorized for issue by the Corporation on 7 December 2022 and were signed on its behalf on that date by:

Andrew Simmons

Chair

Kit Davies

Accounting Officer

GROUP STATEMENT OF CASH FLOWS

	2022 £'000	2021 £'000
Cash flow from operating activities		
(Deficit)/surplus for the year	(1,433)	15,915
Adjustment for non-cash items		
Depreciation	1,703	1,744
Decrease/(Increase) in debtors	3,161	(2,911)
(Decrease)/Increase in creditors due within one year	(2,192)	3,139
Pensions costs less contributions payable	815	653
Deferred capital grants released to profit and loss	(276)	(213)
Interest payable	451	426
Loss/(profit) on sale of fixed assets	17	(16,721)
Net cash flow from operating activities	2,246	2,032
Cash flows from investing activities		
Payments made to acquire fixed assets	(9,600)	(1,782)
Capital grants received	3,214	896
Proceeds from sale of fixed assets (net of selling expenses)	7,363	9,357
	977	8,471
Cash flows from financing activities		
Interest paid	(195)	(250)
Repayments of amounts borrowed	(6,258)	(1,759)
	(6,453)	(2,009)
(Decrease)/increase in cash and cash equivalents in the year	(3,230)	8,494
Cash and cash equivalents at beginning of the year	9,946	1,452
Cash and cash equivalents at end of the year	6,716	9,946

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2021/22* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Hart Learning and Development Ltd and Hart Employment Services Limited, both of which are controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation.

In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities.

All financial statements are made up to 31 July 2022.

Going concern

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

The College currently has £2.317m of loans outstanding with bankers. These borrowings are secured on the College's assets.

The College is dependent on Government funding for the sector to support its operations and fund its bank loan obligations. The bank loans have covenant conditions and the College must ensure it operates within these covenants in order for this financial support to continue in its current form.

The College's forecasts and financial projections, including the sale of surplus property, indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

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

The recurrent grant from OFS represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

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

Income from tuition fees and education contracts is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Donated facilities are recognised as income when the College has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the College of the item is probable and that economic benefit can be measured reliably.

Other income is recognised when the College has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received, and the amount can be measured reliably.

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

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability is also recognised in the Statement of Comprehensive Income and Expenditure and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and finance cost.

The LGPS surplus is not carried on the balance sheet in accordance with the requirements of FRS 102. Accordingly, a corresponding adjustment against the actuarial gain has been made to bring the net LGPS position to £nil on the balance sheet.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income.

Short term employment benefits

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Depreciation charges to the Statement of Comprehensive Income and Expenditure commence in the year following acquisition.

Land and buildings

Freehold buildings are depreciated on a straight-line basis over their expected useful lives as follows:

- 50 years
- Refurbishments – Over the remaining life of the asset (of up to 50 years).

Freehold land is not depreciated as it is considered to have an infinite useful life.

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 income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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 may not be recoverable.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £2,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life ranging between 3 to 10 years.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1 August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets, depreciated, and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

INVESTMENTS

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short-term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost. However, the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign currency translation

The Group financial statements are presented in pounds sterling. The Company's functional and presentational currency is pounds sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary measured at fair-value are measured using the exchange rate when fair-value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of Comprehensive Income and Expenditure.

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 sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College and subsidiaries are partially exempt in respect of Value Added Tax, so that it can only recover approximately 1.3% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

PROVISIONS AND CONTINGENT LIABILITIES

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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income and expenditure in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

AGENCY ARRANGEMENTS

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

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

- Determine whether there are indicators of impairment of the group's investments and any potential liability to meet future operating expenses.

OTHER KEY SOURCES OF ESTIMATION UNCERTAINTY

Tangible fixed assets

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

Local Government Pension Scheme

- The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability.

- Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31-Jul-22		Year ended 31-Jul-21	
	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Education and Skills Funding Agency – Adult Education Budget	4,159	4,159	4,554	4,554
Adult Education Budget Devolved Funding	419	419	933	933
Others	-	-	305	305
Education and Skills Funding Agency – 16 - 18	11,324	11,324	10,835	10,835
Office for Students	144	144	6	6
Teacher Pension Scheme contribution grant	290	290	319	319
Releases of government capital grants	168	168	97	97
	16,504	16,504	17,049	17,049

3 Tuition fees and education contracts

	Year ended 31-Jul-22		Year ended 31-Jul-21	
	Group £'000	College £'000	Group £'000	College £'000
Adult education fees	278	278	259	259
Apprenticeship Contracts	2,938	2,938	3,191	3,191
Fees for FE loan supported courses	300	300	282	282
Fees for HE loan supported courses	329	329	192	192
Total tuition fees	3,845	3,845	3,924	3,924
Education contracts	2,507	2,507	2,094	2,094
	6,352	6,352	6,018	6,018
Income in Schedule 2 and 3 above includes:				
Grant Income from the Office for Students	144	144	6	6
ESFA Grants for apprenticeships at level 4 or above	689	689	844	844
Fee income for taught awards at level 4 or above	893	893	1,014	1,014
	1,726	1,726	1,864	1,864

4 Other grants and contracts

	Year ended 31-Jul-22		Year ended 31-Jul-21	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grant income	688	688	127	127
	85	85	116	116
Coronavirus Job Retention Scheme grant	-	-	39	39
	-	-		
	773	773	282	282

5 Other income

	Year ended 31-Jul-22		Year ended 31-Jul-21	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	10	10	15	15
Other income generating activities	774	765	555	549
	784	775	570	564

6 Staff costs

	Group 2022 No.	Group 2021 No.
Teaching staff	262	247
Non-teaching staff	156	152
	418	399

Staff costs for the above persons

	2022 Group £'000	2021 Group £'000
Wages and salaries	11,290	10,774
Social security costs	1,051	990
Other pension costs	2,233	2,076
Payroll sub total	14,574	13,840
Contracted out staffing services	1,191	817
Total staff costs	15,765	14,657

6 Staff costs (continued)

Key management personnel

	2022 No.	2021 No.
The number of key management personnel including the Accounting Officer during the year was:	6	5

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

	Key management personnel		Other staff	
	2022 No.	2021 No.	2022 No.	2021 No.
£60,001 to £65,000 p.a.	1	-	1	2
£65,001 to £70,000 p.a.	1	-	1	1
£70,001 to £75,000 p.a.	-	1	2	2
£75,001 to £80,000 p.a.	1	1	1	1
£80,001 to £85,000 p.a	-	1	-	-
£85,001 to £90,000 p.a	1	-	-	-
£90,001 to £95,000 p.a	1	1	-	-
£140,001 to £145,000 p.a.	-	1	-	-
£160,001 to £165,000 p.a.	1	-	-	-
	6	5	5	6

Including two Key Management Personnel whose salaries have been grossed up to full time equivalent and included in £60,000 to £65,000 and £65,000 to £75,000 bands (2021: Two).

Key management personnel emoluments comprise the following:

	2022 £'000	2021 £'000
Salaries	541	459
Employers National Insurance	69	56
Benefits in kind	7	7
	617	522
Pension contributions	82	81
Total emoluments	699	603

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place. The above emoluments include the amounts payable to the Accounting Officer (who was the highest paid member of staff).

The CEO is the Accounting Officer and his pay and remuneration details are as follows:

	2022 £'000	2021 £'000
Salary	144	142
Performance Bonus[4]	16	-
Benefits in kind	1	1
	161	143
Pension Contributions	34	34
	195	177

In 2021/22, the Principal and CEO's total remuneration as a multiple of the median of all staff remuneration was **5.74** (2020/21: 5.55).

In 2021/22, the Principal and CEO's basic salary as a multiple of the median of all staff remuneration was **5.12** (2020/21: 5.04).

Pension contributions in respect of the Accounting Officer and senior post-holders 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 Accounting Officer and the staff member did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

7 Other operating expenses

	Year ended 31-Jul-22		Year ended 31-Jul-21	
	Group £'000	College £'000	Group £'000	College £'000
Teaching costs	3,189	3,189	3,346	3,346
Non-teaching costs	2,355	2,321	2,202	2,159
Premises costs	2,366	2,366	2,350	2,349
Total	7,910	7,876	7,898	7,854

Other operating expenses include:	2022 £'000	2021 £'000
Auditors' remuneration:		
- Financial statements audit	38	34
- Pension certification by statutory auditor	1	1
- Internal audit	49	33
- Other Tax advisory by Internal auditor	-	4
Hire of assets under operating leases	998	884

[4] This reflected a contractual payment relating to historic performance which the CEO had deferred in 2019/20 and 2020/21, but which was settled in 2021/22.

8 Interest and other finance costs

	Year ended 31-Jul-22		Year ended 31-Jul-21	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans	195	195	250	250
Pension finance costs (note 19)	256	256	176	176
Total	451	451	426	426

9 Tangible fixed assets (Group)

	Land and buildings		Equipment	Assets under construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2021	42,193	4,277	10,001	790	57,261
Additions	303	-	685	8,612	9,600
Disposals	-	(1)	(311)	-	(312)
At 31 July 2022	**42,496**	**4,276**	**10,375**	**9,402**	**66,549**
Depreciation					
At 1 August 2021	11,876	2,780	8,316	-	22,972
Charge for the year	936	98	669	-	1,703
Disposals	-	-	(296)	-	(296)
At 31 July 2022	**12,812**	**2,878**	**8,689**	**-**	**24,379**
Net book value at 31 July 2022	**29,684**	**1,398**	**1,686**	**9,402**	**42,170**
Net book value at 31 July 2021	30,317	1,497	1,685	790	34,289

9 Tangible fixed assets (College)

	Land and buildings		Equipment	Assets under construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2021	42,193	4,276	9,717	790	56,976
Additions	303	-	685	8,612	9,600
Disposals	-	-	(27)	-	(27)
At 31 July 2022	**42,496**	**4,276**	**10,375**	**9,402**	**66,549**
Depreciation					
At 1 August 2021	11,876	2,780	8,031	-	22,687
Charge for the year	936	98	669	-	1,703
Disposals	-	-	(11)	-	(11)
At 31 July 2022	**12,812**	**2,878**	**8,689**	**-**	**24,379**
Net book value at 31 July 2022	**29,684**	**1,398**	**1,686**	**9,402**	**42,170**
Net book value at 31 July 2021	30,317	1,496	1,686	790	34,289

The transitional rules set out in FRS 102 'The Financial Reporting Standard' are applicable in the UK and the Republic of Ireland. Accordingly, the base values at the date of transition have been retained, including the revaluation as at that date where applicable.

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 £1,653,811 (2021: £1,681,390) 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 ESFA or use them in accordance with the financial memorandum with the funding agencies. 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.

10 Non-current investments

	College 2022	College 2021
	£'000	£'000
Investments in subsidiary companies	90	91
	90	91

The College's subsidiary undertakings are as follows:

Subsidiary Company	Country of Incorporation	Principal Activity	Holding
Hart Learning & Development Ltd	England and Wales	Provision of training	100%
Hart Employment Services Ltd	England and Wales	Provision of education support services	100%

11 Trade and other receivables

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Amounts falling due within one year:				
Trade receivables	402	395	149	149
Subsidiary undertakings	-	1,293	-	262
Prepayments and accrued income	716	715	11,494	11,494
Total	1,118	2,403	11,643	11,905

12 Creditors: amounts falling due within one year

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Bank loans and overdrafts (note 14)	758	758	920	920
Trade payables	299	299	649	649
Other taxation and social security	422	304	388	281
Accruals and deferred income	2,081	3,405	3,969	4,320
Deferred income - government capital grants	276	276	253	253
Deferred income - government revenue grants	249	249	76	76
Other creditors	80	80	102	102
Total	4,165	5,371	6,357	6,601

13 Creditors: amounts falling due after one year

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Bank loans (note 14)	1,559	1,559	7,817	7,817
Deferred income - government capital grants	6,450	6,450	3,512	3,512
Total	8,009	8,009	11,329	11,329

Deferred income comprises the amount of capital grants received from Government applicable to future periods. The deferred grants comprise:

	ESFA £'000	Other £'000	Total £'000
At 1 August 2021	3,427	338	3,765
Capital Grant received during the year	-	3,214	3,214
Released to profit and loss	(168)	(85)	(253)
At 31 July 2022	3,259	3,467	6,726

14 Maturity of debt

Bank loans and Overdrafts

Bank loans and overdrafts are repayable as follows:

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
In one year or less	758	758	920	920
Between one and two years	271	271	6,566	6,566
Between two and five years	814	814	814	814
In five years or more	474	474	437	437
Total	2,317	2,317	8,737	8,737

The college has two outstanding loans with Lloyds Bank. One matures on 31 March 2023 and the second loan matures on 31 March 2028. Both attract a variable interest rate of 1.95% plus SONIA.

Bank Loans are repayable in quarterly instalments. A further £5.5m loan from ESFA was repaid in full in June 2022. All the borrowing is secured on the College's freehold estate at Stevenage and Hitchin.

15 Provisions

	2022	2021
	Group and College	
	£'000	£'000
At 1 August 2021	15,616	12,245
Service cost	1,201	1,059
Employer contributions	(386)	(406)
Net interest	256	176
Changes in actuarial assumptions	(18,202)	2,542
Surplus restriction	1,515	-
At 31 July 2022	-	15,616

All provisions are defined benefit obligations that relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in note 19.

16 Analysis of changes in net debt

	At 1 August 2021 £'000	Cashflows £'000	At 31 July 2022 £'000
Cash	9,946	(3,230)	6,716
Loans falling due within one year	(920)	162	(758)
Loans falling due after more than one year	(7,817)	6,258	(1,559)
Total	1,209	3,190	4,399

17 Capital and other commitments

	Group and College	
	2022	2021
	£'000	£'000
Commitments contracted for at 31 July	501	529
	501	529

18 Lease obligations

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

	Group and College	
	2022	2021
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	884	884
Later than one year and not later than five years	2,861	2,880
Later than five years	891	891
	4,636	4,655
Other		
Not later than one year	46	40
Later than one year and not later than five years	47	44
	93	84

19. Defined benefit obligations

Each year NHC receives an actuarial report for the Local Government Pension Scheme (LGPS) pension at 31 July 2022.

The initial valuation of the pension at 31 July 2022 showed a gain of £3,812k.

We asked the actuary to revisit some of the 2021/22 assumptions and the following is an extract from the adjusted report.

2023 Pension Increase (PI) order

The 2023 PI Order is used to set the level of pension increases, deferred revaluation and CARE revaluation with effect from 1 April 2023. This is expected to be significantly higher than the Consumer Price Index (CPI) assumption set by the Employer as at 31 July 2022.

The PI Order is typically set with reference to the change in CPI inflation over the 12 months to the previous September (announced in October) so the 2023 PI Order is expected to be set with reference to the September 2022 CPI. The change in CPI over the 12 months to August 2022 was 9.9% and so a similar increase over the 12 months to September 2022 is expected (i.e. pensions are expected to increase by c. 9.9% in April 2023).

The actual 2023 PI Order is not automatically set with reference to the September CPI. This is only known with certainty in March, once this has been approved by Parliament. It is possible that the actual PI Order will be lower than the change in CPI over the 12 months to September 2022.

It is due to this uncertainty that our standard assumptions and approach as at 31 July 2022 make no allowance for a 2023 PI Order of the order of 9.9%. It is common practice for pensions disclosures to recognise experience as and when this materialises, and so recognition of the 2023 PI Order would ordinarily be made when this is known with certainty, i.e. when preparing pensions disclosures as at 31 July 2023.

The revised revaluation increased pension liabilities from £37,482k to £39,779k reducing the 2021/22 Net Asset position to £1,515k from £3,812k.

Under FRS 102, a surplus on a defined benefit pension scheme can only be recognised as an asset on the balance sheet where the entity has the right to recover that surplus either through a refund, or reduced future contributions.

Given the uncertainty regarding recoverability, the pension asset has been restricted to £nil at 31 July 2022.

	Group and College	
	2022	**2021**
	£'000	**£'000**
Total pension cost for the year		
Teachers' Pension Scheme: contributions paid	942	939
NEST pension Scheme contributions	90	79
Local Government Pension Scheme:		
- Contributions paid	386	406
- Additional service cost (FRS102 (28))	815	653
obligations net of interest income on plan assets	256	176
Charge to the Statement of Comprehensive Income and Expenditure	2,489	2,253
Total Pension Cost for Year within staff costs	2,233	2,077

Local Government Pension Scheme

	2022	**2021**
Rate of increase in salaries	3.1%	3.2%
Future pensions increases	2.7%	2.8%
Discount rate for scheme liabilities	3.5%	1.6%
Inflation assumption (CPI)	2.7%	2.8%
Commutation of pensions to lump sums:		
- pre April 2008 service	50%	50%
- post April 2008	75%	75%

19 Defined benefit obligations

	2022	**2021**
	Years	Years
Retiring today		
Males	21.9	22.1
Females	24.4	24.5
Future pensioners		
Males	22.9	23.2
Females	26.0	26.2

The College's share of assets in the scheme at the Balance Sheet date were:

		Fair value at 31-Jul-22 £'000		Fair value at 31-Jul-21 £'000
Equities	48%	19,821	52%	22,046
Bonds	25%	10,324	30%	12,719
Property	15%	6,194	11%	4,664
Cash	12%	4,955	7%	2,968
Share of total fair value of plan assets		41,294		42,397
Actual return on plan assets		(1,395)		4,944

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

	2022 £'000	2021 £'000
Fair value of plan assets	41,294	42,397
Present value of plan liabilities	(39,779)	(58,013)
Surplus restriction	**(1,515)**	(15,616)
Net pensions liability (note 15)	-	42,397

Under FRS 102, a surplus on a defined benefit pension scheme can only be recognised as an asset on the balance sheet where the entity has the right to recover that surplus either through a refund, or reduced future contributions. Given the uncertainty regarding recoverability, the pension asset has been restricted to £nil at 31 July 2022.

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

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current service cost	1,201	1,059
Past service cost	-	-
Effect of settlements	-	-
Total	**1,201**	**1,059**
Amounts included in investment income		
Net interest income/(cost)	(256)	(176)
	(256)	**(176)**

19 Defined benefit obligations (continued)

Movement in net defined benefit liability during the year

	2022 £'000	2021 £'000
Net defined benefit liability in scheme at 1 August	(15,616)	(12,245)
Movement in year:		
Current service cost	(1,201)	(1,059)
Employer contributions	386	406
Net interest on the defined liability	(256)	(176)
Actuarial gain/(loss)	18,202	(2,542)
Surplus restriction	(1,515)	-
Net defined benefit liability at 31 July	**-**	**(15,616)**

Changes in the present value of defined benefit obligations

	2022 £'000	2021 £'000
Defined benefit obligations at start of period	58,013	49,499
Current service cost	1,201	1,059
Interest cost	931	695
Contributions by Scheme participants	138	144
Remeasurements	(21,894)	7,486
Experience loss on defined benefit obligation	2,297	-
Estimated benefits paid	(907)	(870)
Defined benefit obligations at end of period	**39,779**	**58,013**

Changes in fair value of plan assets

	2022 £'000	2021 £'000
Fair value of plan assets at start of period	42,397	37,254
Interest on plan assets	675	519
Return on plan assets	(1,395)	4,944
Employee contributions	138	144
Employer contributions	386	406
Estimated benefits paid	(907)	(870)
Fair value of plan assets at end of period	**41,294**	**42,397**

20 Related party transactions

Related party	Purchases	Sales	Amounts owing (to)/from College
	£'000	£'000	£'000
Hart Learning & Development Ltd - subsidiary of College	4,451	-	1,293
Hart Schools Trust Limited (Sponsored by the College)	-	305	11
At 31 July 2022	4,451	305	1,304

21 Amounts disbursed as agent - Learner Support funds

	2022	2021
	£'000	£'000
Balance unspent carried over from prior year	228	67
Funding body grants - bursary support received	429	396
Funding body clawbacks relating to prior year	(76)	-
Funding body grants - residential bursaries	581	463
Disbursed to students		
Hardship and bursary	272	189
Childcare	57	37
Administration costs	13	9
Balance unspent as at 31 July, included in creditors	228	239

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