REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

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 24 and 25.

KEY MANAGEMENT PERSONNEL

In 2022/23, these (all members of the Senior Management Team) were:

- Kit Davies, Group Chief Executive and Principal; Accounting Officer.
- Patricia Barnes, Interim Director, Hart Learning & Development (from 24 April 2023 to 23 August 2023).
- Paul Harte, Group Finance Director.
- Lizzie Jones, Corporate Services Director.
- Lorna McCallum, Executive Director- Apprenticeships and Partnerships (from 3 July 2023).
- Gary Phillips, Quality, Curriculum and Organisational Development Director (until 6 January 2023).
- Lindsey Sherring, Hart Learning & Development Director (until 29 April 2023).
- Skip Singleton, Director of Management Information Systems (MIS), Exams and Reporting.
- Keith Turner, Deputy Principal, Curriculum, Quality and Inclusion (from 1 March 2023).

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

Solicitors

Eversheds LLP

Kett House, 1 Station Road

Cambridge CB1 2JY

Howes Percival LLP

Flint Buildings,1 Bedding Lane

Norwich NR3 1RG

Internal auditors

RSM UK Risk Assurance Services LLP

6th Floor, 25 Farringdon Street

London EC4A 4AB

Financial statements auditors and reporting accountants

Buzzacott LLP

130 Wood Street

London EC2V 6DL

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 2023. Members of the Group Board, who are also Trustees of the charity, are listed on pages 24 and 25.

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 organisations 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.

- A wholly-owned subsidiary, **Hart Learning & Development Ltd** (Companies House Registration Number 02884833). Apprenticeships for which this company was responsible were transferred to the NHC contract during 2021/22. We expect that the subsidiary will take on the role intended to be played by HESL of providing staff during 2023/24.

- **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.

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.

2022/23 PERFORMANCE

The college had a livelier and more positive feel this year as life returned substantially to normal following two heavily disrupted years. Enrichment and extra curricula programmes increased again, and events such as the end of year Art show returned to their normal slots. Sporting, creative and other student activities started to return with the Student Council being active in promoting environmental, LGBTQ+ and community causes.

There were several successes for our students during the year through participation in external events and competitions:

- Health and Social Care students won a Stevenage Borough Council Dragons Den-style Young People's Healthy Hub competition pitching for funds to support 'Mental and Health Wellbeing' projects that they would run locally for 14-18 year olds.

- Childcare students won a Hertfordshire LEP competition to design a TikTok promotion for the LEP's careers advice and guidance service.

- Catering students represented the college at the finals of the National Zest Quest Asia competition, walking away with three prizes, including one of the main awards.

- Catering students went through to final of the Nestle Toque D'Or competition.

- A Catering student was the winner of the Riso Gallo UK & Ireland Young Risotto Chef of the Year competition.

- Students from Hair & Beauty, IT and Catering competed in UK regional WorldSkills heats, with two (Culinary Arts and Network Infrastructure Technician) going through to the UK finals later in 2023, making us one of a handful of colleges in this Region to have two young people representing us.

- One of our Lloyds Bank Apprentices was nominated for a national Multicultural Apprenticeship Award.

Successes were also achieved by our staff too: Anthony Gascoigne was shortlisted in this year's Craft Guild of Chefs Awards in the Chef Lecturer Award category, and we are now an Endorsed Provider with Skills for Care. This is a bespoke quality mark given to the best learning and development providers within the care sector.

We also planned for and completed capital works at our Stevenage campus in preparation for the launch of T-level programmes in September 2023 covering Health and Care, Science and IT courses. Strong links with local employers meant that we were able to design these facilities to reflect what students would see in the world of employment in that sector, and to secure employer placements for those opting for these new qualifications.

We were fortunate enough to secure a grant from the Savoy Trust to support the refurbishment of our training restaurant on our Hitchin campus, which also took place during summer 2023. The Meadows (as this new facility is named) better reflects what students might expect to see in a fine dining venue and will be open to the community in autumn 2023. The assistance and support of the Savoy Trust for this is gratefully acknowledged.

Student results in the summer were in line with forecasts and expectations. The continuing work to restore pre-2019/20 GCSE grade standards meant that English and Maths outcomes fell back slightly, as they did nationally, but vocational and apprenticeship results were good – in some cases very good. We materially improved the proportion of successful outcomes from our directly delivered on-line programmes, by improving the quality of our pre-application information, advice and guidance. This helped ensure that students taking this option understood better what was required of them and were able to make better judgements about whether the course was for them or not.

The after-effects of the COVID-19 emergency continued to be felt in the shape of continuing high levels of student anxiety, mental health needs and in some cases reduced levels of attendance. These were not improved by the cost of living crisis that worsened in autumn

2022 and continued throughout the rest of the academic year. Although the college year returned substantially to normal, in some cases, expectations and behaviours shaped during lockdowns continued to affect engagement and outcomes. The Student Services team continued to experience high levels of demand for their support across the whole year when historically, it had tended to decline steadily as the year went on.

The goal for the coming year is to build further on the strengths evident in 2022/23 and to eliminate the areas of stubborn under-performance.

Finances

The Group's financial objectives for 2022/23 were:

- To deliver our planned budget.

  In 2021/22, the college set a surplus budget for 2022/23. Within this budget, a 1% pay rise for all staff had been assumed. Acknowledging the high inflation experienced during the year and the impact this was having on staff, the college decided to award a pay increase of 2.5% in line with the Association of Colleges' (AoC) recommendation. This award contributed to the final 2022/23 deficit that arose as a result of a number of positive and negative variances against budget, including lower than expected revenue from apprenticeships, this higher pay award, and increased energy costs, partially offset by other pay and non-pay cost savings.

- To maintain a positive cash position throughout the year to ensure sufficient 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 64.1%.

- To exceed banking covenant measures.

  Two out of the three covenants set by Lloyds Bank were met in 2022/23, with Lloyds Bank confirming its willingness to waive the third covenant measure, with the college maintaining a healthy cash position at the end of each month from August.2022 through to July 2023.

  The college also deliberately paid down loans with Lloyds Bank in advance of the capital amounts falling due in order to reduce its interest rate risk.

RESOURCES

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

People

As at 31 July 2023, NHC and Hart L&D employed 456 people (378.59 FTE).

	2022/23			2021/22		
	Teaching Headcount	**Non-teaching Headcount**	**Total**	Teaching Headcount	Non-teaching Headcount	Total
Total	**236.00**	**220.00**	**456.00**	245.00	189.00	434.00
Total FTE	**202.89**	**175.08**	**378.59**	209.91	158.14	368.06

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 the vast majority of 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 then judged to be Outstanding. We are expecting to be inspected by Ofsted during 2023/24.

As noted above, the college has continued to showcase and celebrate our work, our staff and our students on regional and national stages.

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 nationally.

- Community partners in North Hertfordshire.
- The Hertfordshire LEP and LEPs in adjacent areas.
- 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.

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 2022/23.

Notable examples include the Group CEO sitting on the Stevenage Development Board, WENTA (a Hertfordshire based Social Enterprise company) and the Hertfordshire LEPs Skills Advisory Panel. Our Head of Sports sits on the Herts Sport Partnership Board; Our Director of Curriculum is a local governor for the Roebuck Academy and will take the Chair from 2023/24; 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 9,354 students in 2022/23 (2021/22 9,137).

The student population included 1,927 16-18 year-old students (2021/22: 1,880), 489 apprentices (2021/22: 1,311), 484 higher education students (2021/22: 596) and 6,454 adult funded learners (2021/22: 5,350).

STUDENT ACHIEVEMENTS

For the academic year 2022/23, 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.

Notable headlines this year include:

- In apprenticeships, achievement rates are at 60%, still well above the latest national average (+8%). A significant number of programmes have achievement rates above 95%. Progression is also excellent with 97% of Business & Management apprentices achieving a positive destination including promotion with their existing employers.
- Achievement on our sub-contracted adult provision remains strong at 93%.
- Our employability courses which deliver sector-based programmes and work skills delivered a 95% achievement rate in 2022/23.
- For young people, achievement rates continue to improve, and vocational achievement is now at the national average. The large majority of subject areas are above the national average with rates particularly high for Sport & Public Services at 93%, and Creative Arts at 91%.
- Achievement rates in Functional Skills English and Maths have improved markedly and are now well above the national averages.
- Adult achievement rates on ESOL programmes continue to improve (+5.5%) alongside our high performing sub-contracted programmes at 91%.
- The large majority of students and apprentices progress positively. Over 92% of apprentices and 94% of full-time students with a known destination access a positive destination including employment, higher education or further study.

Curriculum Development

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.

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 2022/23, 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, John Lewis and Hertfordshire County Council.

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

We successfully rolled out our first T-level programmes in Laboratory Sciences, Digital Production & Design, Education and Early Years and Healthcare/Adult Nursing in September 2023. We invested over £2m awarded through the ESFA T-Level capital process, into the redevelopment of facilities at Stevenage site in the sectors of Health Care and IT. The college now boasts a 4-bed hospital ward, complete with an independent living flat, simulated training mannequins, a health care laboratory and 6 new digital suites.

We are currently working towards the introduction of a further six T-levels in 2024 including Management & Administration (Team Leadership & Management), Digital (Data Technician), Health (Supporting the Therapy Teams), Education & Early Years (Assisting Teaching), Beauty Therapy and Electrical Engineering.

We continue to develop new and productive partnerships with relevant stakeholders that not only broaden our portfolio of courses to meet local and regional need but also help shape our curriculum to meet the changing needs of employers and partners. For example, ElectrAssure Ltd (Electric Vehicle Training Academy) is a new partner that has sponsored the college to install training rigs for Electric Vehicle charge points; the will deliver guest speaker and master class sessions, and collaborate with the college on the curriculum planning, design and delivery to ensure that electrical apprentices and motor vehicle students can access the training and skills that are urgently required the sector.

With the award of a LEP grant, we were also able to create the Stevenage Innovation and Technology Centre (SITEC). SITEC is created in partnership with NHC, Stevenage Borough Council, and Hertfordshire LEP and was officially opened by Stephen McPartland MP at NHC's Stevenage Campus on 9 March 2023. The project aims to capitalise on Stevenage's position in the Golden Triangle of Research and Development between Oxford, Cambridge and London. It provides a space for local people to build the skills required by science and technology businesses and industry within the area. Working with industry partners FourPlus, LifeArc, UCL Vax Hub, Autolus and the Cell and Gene Therapy Catapult, SITEC has seen the creation of a simulation life sciences laboratory, immersive technologies spaces, new digital training suite, and virtual reality training capabilities in a virtual environment. This will enable us to significantly develop our digital technologies capabilities and our Lifesciences curriculum. We officially launched SITEC in April 2023.

FUTURE PROSPECTS

Developments

In 2023/24, 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**

- Launching and delivering a new Sustainable Technology curriculum at the Engineering and Construction Campus.
- Increasing opportunities for students and apprentices to access enrichment and personal development opportunities across all provision types, in particular on our Apprenticeship programmes.
- Refining and standardising 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 – as identified in the Herts LSIP.
- Completing preparation and planning for delivery of our second group of T Levels to start in September 2024
    - Management & Administration (Team Leadership & Management).
    - Digital (Data Technician).
    - Health (Supporting the Therapy Teams).
    - Education & Early Years (Assisting Teaching).

- Beauty Therapy.
- Electrical Engineering.

- Continuing our development of a refreshed approach to the Maths & English curriculum, including integration with curriculum planning and earlier diagnostics.

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

- Reinforcing high professional standards through an enhanced observation and stronger student progress regime.
- Maintaining our whole-college Trauma-Informed Practice implementation plan.
- Further developing our application of ProMonitor and Cognassist to track progress and support students.
- Developing and implementing Standard Operating Processes (SOPs) and Manuals (SOMs) across our Hart L&D operation.

Theme 3: **Culture and people development**

- Delivering an LGBTQ+ programme of curriculum activity and student support in line with our 2023/24 EDI initiatives.
- Continuing our approach to broaden and improve our approaches to staff onboarding, wellbeing, recognition and voice.
- Monitoring the impact of the 'professionalism in teaching' agenda, continuing our focus on evidence-informed pedagogy through CPD and on underpinning 'must haves'.

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

- Further enhancing the balance sheet by repaying debt and holding a strong cash position.
- Launching the new T Level facilities at the Stevenage campus.
- Launching the new training restaurant (The Meadows) at our Hitchin Campus.
- Investing in more efficient heating systems at our Letchworth site.

Theme 5: **Local, regional and national engagement to build our reputation:** Work under way includes:

- Standardising our approach to 'industry & subject advisory boards' for each key sector.
- Securing employer sponsors for all new T Level routes for September 2024 delivery
- Successfully and creatively delivering against the pan-Hertfordshire, collaborative Local Skills Improvement Fund project outcomes.
- Delivering our Mission 44 projects (M44 STEM Bursary and the Life Science Academy Challenge) in partnership with Stevenage Borough Council, M44 and Industry Partner

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.

- The Group has cash reserves of £5.68m.
- Student numbers remain stable and are expected to rise modestly in future in line with demographic growth in the 16-19 age-group. This provides certainty for the largest source of income.
- The Group has £0.8m of borrowing 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 June 2026.
- During 2022/23, the College repaid £1.02m of borrowing from Lloyds Banking Group before it was due to minimise its exposure to interest rate risk.
- Remaining borrowing is secured on the College’s main building assets at Stevenage and Hitchin.
- The Group is dependent on Government funding for the sector to support its operations and fund its bank loan obligations. The bank loan has covenant conditions and the Group must ensure it operates within these for this financial support to continue in its current form.
- The Group’s ESFA financial health rating for 2022/23 was ‘Good’ (2021/22: ‘Outstanding’).

While the College returned a deficit in 2022/23, compared with the planned small surplus, this performance reflected continuing challenges in the business and economic environment, including the ongoing impact of higher energy costs, the UK’s stubborn cost of living crisis, little or no growth in funding for the further education sector, and the increased needs of learners still recovering from the impact of the COVID-19 emergency.

Many of these difficulties remain for 2023/24 and the latest budget plans face similar hurdles as in 2022/23, although the year has begun well.

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 risk themes we currently face are:

- Recruiting and retaining high quality staff in key sectors/corporate service areas to operate the business efficiently and effectively (‘Staffing’).
- Generating a sufficient level of financial contribution (‘Funding and Costs’).
- Responding quickly and effectively to policy changes (‘External Landscape’).
- Securing employer and stakeholder commitment (‘Employer Engagement’).
- Understanding and responding to the marketplace (‘Competition’).

Actions to mitigate quality and achievement risks include: a regular cycle of review meetings including by the Quality & Curriculum Committee, continuous monitoring of student attendance, lesson observations and work scrutinies, peer and external professional review, CPD for teachers and lecturers, governor learning walks and monitoring.

Actions to mitigate financial risks include: daily, weekly and monthly monitoring of cashflow, and ongoing scrutiny of management accounts by the lenders and governors and quarterly review of loan covenant, case conferences and early discussion of the potential need to extend borrowing terms with ESFA.

Actions to mitigate recruitment risks include: prudent target setting and continuous monitoring of progress against plans, targeted marketing including open days and evenings, on-line promotion and public relations activity, building and enhancing relationships with key clients and stakeholders, analysis of student satisfaction data to highlight areas for improvement, and a focus on student retention.

These risks are described in a detailed risk register, reviewed monthly by the 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.

We also consider areas of emerging risk (“new or unforeseen levels of uncertainty driven by external events the implications of which for Group operations (whether positive or negative) are not yet clear”).

KEY PERFORMANCE INDICATORS

Financial

Staff costs as a percentage of turnover before FRS pension adjustments were 64.1% (2020/21: 68.4%).

The Group had revenues of £25.9m (2021/22: £25.8m).

The Educational Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) measure was £1.01m (2021/22 £1.3m).

The financial health rating of the college for 2022/23 against ESFA measures exceeded the threshold for a 'Good' rating, compared with the 'Outstanding' rating from 2021/22.

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 2023 was a surplus of £5.4m (2021/22: surplus of £3.8m of assets against liabilities.

The total comprehensive deficit for 2022/23 was £(255)k (2021/22: Surplus of £15,254k).

The Group has £47.9m of net assets.

External debt was £0.8m (2021/22: £2.3m).

Cash and cash equivalents were £5.7m (2021/22: £6.7m).

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 2022/23, Hart Employment Services Ltd undertook no trading activity. Hart Learning & Development Limited generated a loss of £22,708 (2021/22: loss of £22,214).

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 2022/23 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 24 and 25.

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 the college's 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 its mission, the college provides identifiable public benefits through the advancement of education to approximately 9,400 students annually, including more than 160 students with high needs.

The college provides courses without charge to young people, to those who are unemployed and to adults taking English and Maths courses.

The college adjusts its courses to meet the needs of local employers and provides training to around 500 new apprentices annually.

The college is committed to providing information, advice and guidance to the students it enrols and to finding suitable courses for as many students as possible regardless of their educational background.

We have strong working relationships with local businesses, who actively support and engage with the courses we deliver for our students – including by helping us to develop curriculums and training programmes that suit their needs and providing high quality work experience placements and apprenticeship opportunities.

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 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled 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.

STREAMLINED ENERGY AND CARBON REPORT

During 2022/23, we developed our processes for reporting on greenhouse gas emissions and as this is the first such report included in our annual report, provide an additional comparison year, which shows the impact of capital investment in heating equipment at one of our campuses between 2020/21 and 2021/22.

We recognise that there is scope to extend this reporting further, to capture more data on Scope 2 and Scope 3 emissions such as employee and student commuting, and emissions from our supply chain and plan to do so in stages.

Future developments aimed at reducing Greenhouse Gas Emissions

The Group is committed to reducing its carbon emissions and has taken the following measures to improve energy efficiency.

- Following the significant capital investment in more efficient gas heating boilers at our Stevenage campus in summer 2021, and the installation of photovoltaic panels on our new Sports Centre at our Hitchin campus in 2022, the next stage of capital investment is expected to take place in summer 2023, when more efficient heating equipment will be installed at premises in Letchworth.

- We are also planning to obtain a Renewable Energy Guarantee of Origin (REGO) for our electricity supplies when the current contract expires in 2024. This will have a material impact on the Scope 2 data.

- Am Environmental Sustainability committee including governors, staff, students and stakeholders is to be created in 2023/24 to advise on and monitor progress with our sustainability strategy. As well as covering action to reduce energy consumption, water use, and waste, this will also consider action to raise awareness of the impact of climate change through the curriculum.

Quantification and Reporting Methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2022 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per staff member, the recommended ratio for the sector.

Streamlined Energy and Carbon Report 2022/23

Greenhouse gas emissions and energy use data for the period 1 August to 31 July	Current reporting year 2022/23	Comparison reporting year 2021/22	Previous reporting year 2020/21
Energy consumption used to calculate emissions (kWh)	5,021,266.72	5,226,905.90	6,497,296.75
Energy consumption break down (kWh) (optional):			
Gas	2,852,579.00	2,956,995.00	4,316,243.00
Electricity	2,122,992.77	2,226,836,49	2,181,053.75
Transport fuel	45,694.95	43,074.41	41,407.10
Scope 1 emissions in metric tonnes CO2e			
Gas consumption	513.46	532.26	790.56
Owned transport – mini-buses and vans	10.97	10.99	10.16
Total scope 1	**524.43**	**543.25**	800.72
Scope 2 emissions in metric tonnes CO2e			
Purchased electricity	439.62	430.63	463.10
Total scope 2	**439.62**	**430.63**	463.10
Scope 3 emissions in metric tonnes CO2e			
Losses from electricity transmission and distribution	37.56	39.39	40.98
Business travel in employee owned vehicles	20.42	18.98	8.33
Total scope 3	**57.98**	**58.37**	49.31
Total gross emissions in metric tonnes CO2e	**1,022.02**	**1,032.25**	1,313.14
Intensity ratio			
Tonnes CO2e per member of staff	**2.45**	2.47	3.34

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	£1,556.60 (August - May)
Provide the total pay bill	£16,213,000
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) × 100	0.009%

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 on the last day of the month following the month of invoice, provided that the College is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

With effect from 1 September 2016, the target set by HM Treasury for payment to suppliers within 30 days is 95%. The College's policy has been payment by the end of the month following the supply of goods and services.

During the accounting period 1 August 2021 to 31 July 2022, based on the number of invoices processed, the College paid 94% (2021/22: 92%) within these terms.

EVENTS AFTER THE REPORTING PERIOD

There are no events to report after 31 July 2023.

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 11 December 2023 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 2022 to 31 July 2023 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 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 2023.

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 36) confirms, the Board believes that it has met its obligations to conduct its business in 2022/23 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 sufficient 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 2022/23, the Board responded to both a range of external challenges, including the continuing cost of living crisis and the aftermath of the COVID-19 emergency affecting student well-being, anxiety and mental health needs, a changing external policy landscape and estate-related developments. While there was a somewhat more positive climate by the end of the year, the number of apprenticeship places declined again as major clients and their workforce were unable to commit to the development plans we had anticipated. It took considerable effort to maintain student attendance at full-time study programmes for some cohorts – a struggle reported nationally and across many educational settings.

The news early in the year that the Office for National Statistics (ONS) had decided to reclassify FE colleges into the public sector, changing a status that had prevailed for many years, introduced new regulatory requirement, but fortunately for North Hertfordshire College, it did not face the immediate restrictions placed on new commercial borrowing other colleges had to navigate and more positively, it benefited from a large capital funding allocation of £6.4m (over two years). The Board and its committees considered the implications of following obligations set out in guidance from ESFA and in documents such as Managing Public Money, and noted that Terms of Reference, policies and procedures had been amended to refer to them. A risk that HM Treasury might insist on changing the financial year end for all colleges was more concerning as it would dissociate the academic and financial year-ends, making budgeting, forecasting and monitoring considerably more difficult. Equality of treatment with other educational settings in respect of VAT was not part of the change, unfortunately.

High levels of inflation experienced in autumn 2022, declining gradually towards the end of the year, continued to put great pressure on costs, with a pay recommendation from the Association of Colleges (AoC) – itself well below the headline rate of inflation – only funded by increasing the forecast deficit for 2022/23. The big increases in energy costs were not repeated and this pressure eased somewhat.

Academic outcomes remained broadly in line with national averages with good performers including our Outstanding Supported Studies provision, Catering, Sport and Public Services, Creative Arts, Science and Childhood Studies. Apprenticeship outcomes were also strong in almost all programmes as was on-line delivery – greatly improved from 2021/22 as retention rates increased following better recruitment and induction practice. Delivery of Adult Education Budget (AEB) outcomes exceeded the clawback threshold of 97% again this year.

Following the redevelopment of sports facilities at the Hitchin campus last year, works were undertaken at our Stevenage campus to create facilities to support the T-level programmes launching in September 2023. These include an 'independent living centre' and a mock hospital ward, as well as new science laboratories. Coupled with the SITEC premises completed in 2021/22, North Hertfordshire College now has the best facilities for delivering science, IT and healthcare programmes in the region. This contributed to a new partnership with Mission 44, Sir Lewis Hamilton's charity which aims to increase opportunities in STEM subjects and employment for disadvantaged or under-served young people.

In summer 2023, we also received funding from the Savoy Trust to redevelop our training restaurant at the Hitchin campus, and this was launched later in the autumn with a range of high profile guests from the hospitality sector, who were very impressed with the quality of our students.

The Board and its committees continued to meet using video-conference arrangements, an approach which appeared to support participation – but also held '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 two strategic thinking sessions to ensure that it did not just consider immediate and urgent issues. These considered:

- The context for preparing accountability statements and material intended to make up a draft statement for later submission by the required deadline.
- The background to the development of a sustainability strategy including draft streamlined energy and carbon reporting for 2020/21 and 2021/22.
- Options for securing the future delivery of an engineering and construction curriculum after the lease on current premises expires in September 2025.

THE BOARD

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

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

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 2022/23 overall was 85.09% (2021/22: 85.49%) compared with a sector average for FE colleges of 82.68% (2021/22: 82.49%).

The Board met six times in 2022/23 (2021/22: 6) and in addition held two strategic thinking sessions at which the preparation of an Accountability Statement, the future delivery of an Engineering and Construction curriculum and the creation of a sustainability strategy were considered. Three meetings took place by videoconference and three in-person. Attendance for the year at the Board's business meetings was 81.94% (2021/22: 80.49%).

Board members are able to access training through the Education and Training Foundation as well as via topic briefings at strategic thinking sessions. All members are required to undertake Safeguarding and Prevent on appointment and every three years thereafter. Other training undertaken by individual governors during the year or up to the date of report included risk management, sustainability (NetZero), anti-bribery, anti-fraud, data protection, and understanding reasonable adjustments.

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	Board Meetings attended	Other committees supported
Kate Barclay	Health & Safety Governor (from 04/12/22)	12/04/21	4 years		6/6 (100%)	Audit
Toni Beck	Quality & Curriculum Chair; Remuneration 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 (n/a)	Quality & Curriculum
Liz Calver	Staff Governor	04/09/18	4 years		4/6 (67%)	Quality & Curriculum

Name	Role	Appointed	Term of office	Resigned	Board Meetings attended	Other committees supported
Lynne Ceeney	Quality & Curriculum Vice-chair (until 31/05/23)	20/04/19[1]	4 years	31/05/23	4/5 (80%)	Quality & Curriculum Search
Richard Cooksey	Stakeholder Engagement Governor	16/01/23	4 years		3/3 (100%)	
Kit Davies	Principal and Chief Executive	20/11/17	n/a		6/6 (100%)	Finance Quality & Curriculum
Robyn Fitzharris		12/04/21	4 years		2/6 (33%)	Quality & Curriculum Remuneration
Geoff Lambert	Audit Chair	01/08/19[2]	4 years		5/6 (83%)	
Mary Malcolm		16/01/23	4 years		2/3 (67%)	Audit
Vernon McClure	Health and Safety Governor (until 03/12/22)	04/12/18[3]	4 years	03/12/22	6/6 (100%)	Audit Quality & Curriculum Search
Philip Moore	Board Vice-Chair	01/09/19[4]	4 years		6/6 (100%)	Audit Finance
Andrew Simmons	Board Chair Chair, Hart Schools Trust	01/04/17[5]	4 years		6/6 (100%)	Finance Remuneration Search
David Stern	Finance Chair	26/11/18	4 years	25/11/22	3/6 (50%)	
Bryce Vorster	Student Governor	01/01/23	2 years		1/3 (33%)	Quality & Curriculum
Richard Wilson	Quality & Curriculum Vice-chair (from 21/09/23)	01/06/21	4 years		5/6 83%	Quality & Curriculum

Robert Dale GradCG acted as Company Secretary from 1 August 2022 until 31 July 2023.

[1] Reappointed for a second term.
[2] Reappointed for a second term with effect from 1 August 2023.
[3] Reappointed for a second term.
[4] Reappointed for a second term with effect from 1 September 2023.
[5] Reappointed for a second term.

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.

Two members (David Stern and Vernon McClure) stepped down at the ends of their terms of office in November and December 2022 respectively, David at the end of his first term as he was taking up another non-executive role and Vernon at the end of his second term.

A new student governor (Cerys-Kate Brown) was elected to serve from 1 August 2022, but for medical reasons had to step down early in September 2022. A further appointment was subsequently made and Bryce Vorster started his term on 1 January 2023. It is expected that he will continue in this role in 2023/24.

Two other appointments were made to the Board during the year ended 31 July 2023. These were:

- Richard Cooksey.
- Mary Malcolm.

Two re-appointments for second (and final) four year terms were made at the start of the new academic year in 2023/24 of governors whose first terms of office came to an end just after the end of the 2022/23 academic year. These were:

- Geoff Lambert (reappointed from 1 August 2023).
- Philip Moore (reappointed from 1 September 2023).

With the exception of 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.

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 provided by 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 2022/23. This showed generally high levels of satisfaction with the overall effectiveness of the Board, the quality of Board papers and their ability to facilitate discussion and challenge. The Board was satisfied with meeting arrangements and did not feel that their ability to challenge was materially affected by the mixture of in-person and on-line meetings.

The detailed feedback included suggestions about how to improve the coverage of critical issues (eg by the development of a Balanced Scorecard) and enhancing the ability of governors to triangulate through more regular visits on campus, or by considering link or lead governors for specific curriculum areas.

The Board reflected upon the need to widen its diversity and about the balance of discussion and challenge at Board and Committee meetings. They also questioned whether they set aside enough time to resolve issues which were difficult and whether Board members 'followed-up' issues and challenges strongly enough.

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 around stakeholder engagement during the year enabled increased understanding 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 endorsed an Accountability Statement aligned with the LSIP published in summer 2023.

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. Several strands of work have been taken forward as a result of this: considering a refreshed construction and motor vehicle curriculum focusing on sustainable technologies and retrofit skills: and investigating options for alternative delivery locations in Stevenage.

The Board also agreed that widening diversity around the Board table was a priority and recruitment activity has sought to make progress in this regard.

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.

During the year, one member stepped down at the end of his term of office on the Board and two members were appointed. Vernon McClure reached the end of eight years service including a period in the Chair of the Audit Committee. Kate Barclay and Mary Malcolm joined the committee on 1 September 2022 and 16 January 2023 respectively.

The Committee met four times in 2022/23 (2021/22: 4). Attendance for the year was 81.25% (2021/22: 91.67%).

Name	Role	Audit Committee Meetings attended
Kate Barclay		3/4 (75%)
Geoff Lambert	Audit Chair	4/4 (100%)
Mary Malcolm (from 16 January 2023		2/2 (100%)
Philip Moore	Board Vice-chair	2/4 (50%)
Vernon McClure (until 3 December 2022)		2/2 (100%)

FINANCE COMMITTEE

The Finance Committee is chaired by a non-executive Board member and includes two more non-executives, 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 additional assurance about the financial sustainability of the organisation.

In 2022/23, 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.

During the year, the Chair stepped down at the end of his term of office on the Board and Philip Moore (a Board member with financial skills and experience) took over.

The Committee met seven times in 2022/23 (2021/22: 10). Attendance for the year was 96.55% (2021/22: 96%).

Name	Role	Finance Committee Meetings attended
David Stern	Finance Chair (until 25 November 2022)	1/1 (100%)
Philip Moore	Finance Chair (from 26 November 2022) Board Vice-chair	7/7 (100%)
Andrew Simmons	Board Chair	6/7 (86%)
Kit Davies	Chief Executive	7/7 (100%)
Paul Harte	Group Finance Director	7/7 (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.

In addition to the regular quality processes such as the Self-assessment Review (SAR) report, the Curriculum and Quality Risk Register and Quality Improvement Plan (QIP) actions - which were all kept under review during the year - the committee considered:

- student satisfaction data and analysis;
- new funding and accountability rules and Ofsted inspection framework elements for FE colleges;
- Maths and English teaching delivery;
- the Equality, Diversity and Inclusion (EDI) plan;
- improvements in on-line delivery;
- preparations for the launch of a T-level offer in September 2023;
- how the college approached staff development;
- work to extend trauma-informed practice;
- a review of Special Educational Needs and Disability (SEND) undertaken with Weston College;
- student attendance.

The Committee continued to challenge teams to strengthen Maths & English outcomes but were pleased with the progress made to improve the on-line achievement rate and with the continued focus on support for student well-being and mental health needs.

Three committee members stepped down in 2022/23 and three were appointed. The student governor elected to the Board in summer 2022 unfortunately had to step down unexpectedly for medical reasons in September 2022, and was replaced at the start of 2023 by a successor, who joined in January 2023. Vernon McClure, who had chaired the Committee for some years before the current Chair's appointment came to the end of his eight years' service on the Board and retired with the thanks of the members. Likewise, Lynne Ceeney (another former committee Chair) also reached the end of her eight years' service and retired. Robyn Fitzharris (a former NHC student, now working in the HE sector) and Richard Wilson (Chief Executive of the trade association for the video games sector) joined the Committee.

The Committee met six times in 2022/23 (2021/22: 6). Attendance for the year was 81.58% (2021/22: 77.50%).

Name	Role	Q&C Committee Meetings attended
Toni Beck	Q&C Chair	6/6 (100%)
Cerys-Kay Brown (until 11 September 2023)	Student Governor	0/0 (n/a)
Liz Calver	Staff Governor	4/6 (67%)
Lynne Ceeney (until 31 May 2023)	Q&C Vice-chair	4/5 (80%)
Kit Davies	Chief Executive	6/6 (100%)
Robyn Fitzharris		4/6 (67%)
Vernon McClure (until 3 December 2022)		5/6 (83%)
Bryce Vorster (from 1 January 2023)	Student Governor	2/3 (67%)
Richard Wilson	Q&C Vice-chair (from 21 September 2023)	5/6 (83%

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 organisation as a whole.

In 2022/23, the Committee discussed proposals for a pay award for all staff including the SMT. The context was headline inflation figures of c10% and a recommendation from the Association of Colleges (AoC) that a pay award of c2.5% plus non-consolidated payments for lower paid staff should be made – recognising that not all colleges would be able to afford this. A proposal that broadly matched the AoC's recommendation was put to the Boar. The committee also reviewed the draft Remuneration Report subsequently presented to the Board in December 2022 and assessed the performance of the CEO in 2021/22 (which had been outstanding) and reviewed benchmarking for senior remuneration. 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. The committee also discussed the implications arising from the Office for National Statistic' (ONS) to reclassify FE colleges into the public sector, including the application of public sector pay controls on senior remuneration. There were no affected roles in the year and no changes or approvals required.

Details of remuneration for the year ended 31 July 2023 are set out in Note 6 to the financial statements.

One member had stepped down at the end of 2021/22 and one appointment was made to replace them. Toni Beck took the Chair.

The Committee met twice in 2022/23 (2021/22: 2). Attendance for the year was 100% (2021/22: 100%).

Name	Role	Q&C Committee Meetings attended
Toni Beck	Chair	2/2 (100%)
Robyn Fitzharris (from 1 August 2022)		2/2 (100%)
Andrew Simmons		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 2022/23 although members participated in considering and interviewing candidates for Board and committee appointments as described above.

INTERNAL CONTROL

SCOPE OF RESPONSIBILITY

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

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

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in North Hertfordshire College for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

CAPACITY TO HANDLE RISK

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2023 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

THE RISK AND CONTROL FRAMEWORK

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates 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 College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the corporation on the recommendation of the audit committee.

At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College, includes an independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

In 2022/23, 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".

RISKS FACED BY THE CORPORATION

The Corporation manages risk through a Risk Register, which is reviewed monthly by the senior management team and is presented at each meeting of the Audit Committee and Board. This register uses a 4x4 risk scoring matrix and standard descriptors to assess the probability and impact of gross and net risks, and identifies four levels of defence, including policies, procedures and inbuilt system controls, management oversight and regular monitoring against KPIs, internal and external audit services, and ultimately in some cases oversight by external regulators. The register also includes a description of 'emerging risks' – "new or unforeseen levels of uncertainty driven by external events the implications of which for Group operations (whether positive or negative) are not yet clear."

As described in the Members Report, the principal risk themes during the reporting period related to finances, the ability to recruit and retain staff, the impact of changes in the external policy landscape, the effectiveness of engagement with employers and the effects of competition.

CONTROL WEAKNESSES IDENTIFIED

One High priority recommendation was made in an Assurance report, which related to the retention of recruitment documentation created in support of recruitment decisions in line with recruitment and retention processes. This work was expected to be completed during 2023/24.

RESPONSIBILITIES UNDER FUNDING AGREEMENTS

The Department for Education and Education and Skills Funding Agency introduced new controls for the college on 29 November 2022 on the day that the Office for National Statistics reclassified colleges as public sector organisations in the national accounts. The ESFA chief executive communicated these changes to all college accounting officers and explained plans to introduce a college financial handbook in 2024. The college has reviewed its policies, procedures and approval processes in line with these new requirements to ensure there are systems in place to identify and handle any transactions for which DfE approval is required.

STATEMENT FROM THE AUDIT COMMITTEE

The Audit Committee has advised the board of governors that the Corporation has an effective framework for governance and risk management in place. The Audit Committee believes the Corporation has effective internal controls in place.

The specific areas of work undertaken by the Audit Committee in 2022/23 and up to the date of the approval of the financial statements were:

- Estates - Reasonable Assurance
- Safeguarding - Substantial Assurance
- Payroll - Substantial Assurance
- Key Financial Controls - Reasonable Assurance
- Timeliness of Recruitment - Reasonable Assurance

These are part of a cycle of assurance reviews, covering a range of operational areas, informed by the Committee's oversight of the Risk Register.

In addition, a further Internal Audit report considered what progress had been made in addressing recommendations made in previous Assurance reports, making a finding of 'Reasonable Progress'.

Two other reviews (in respect of the Provider Data Self-assessment Tool (DSAT) and Learner Number systems) made a small number of recommendations for improvement which the Committee noted were being addressed.

REVIEW OF EFFECTIVENESS

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

- the work of the internal auditors (RSM UK Risk Assurance Services LLP).
- the work of the executive managers within the college who have responsibility for the development and maintenance of the internal control framework.
- comments made by the college's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

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

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

Approved by order of the members of the Corporation on 11 December 2023 and signed on its behalf by:

Kit Davies

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 framework of authorities governing regularity, priority and compliance, and 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 those authorities and 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 framework of authorities and the terms and conditions of funding under the Corporation's grant funding agreements and contracts with ESFA, or any other public funder. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

I confirm that no instances of material irregularity, impropriety, funding non-compliance, or non-compliance with the framework of authorities 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

11 December 2023

STATEMENT OF THE CHAIR OF GOVERNORS

On behalf of the Corporation, I confirm that the Accounting Officer has discussed their statement of regularity, propriety and compliance with the Board and that I am content that it is materially accurate.

Andrew Simmons, Chair of governors

11 December 2023

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 ESFA and any other relevant funding bodies, 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 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, including that any transactions entered into by the corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. 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 11 December 2023 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 2023 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 2023 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 and parent college 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 Office for Students (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

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

19 December 2023

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 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 2022 to 31 July 2023 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Corporation of North Hertfordshire College and 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 which govern them.

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

Approach

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

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

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

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

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 2022 to 31 July 2023 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

19 December 2023

STATEMENTS OF COMPREHENSIVE INCOME AND EXPENDITURE

		Year ended		Year ended	
INCOME	Note	31-Jul-23		31-Jul-22	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Funding body grants	2	17,459	17,459	16,504	16,504
Tuition fees and education contracts	3	6,626	6,626	6,352	6,352
Other grants and contracts	4	524	524	773	773
Other income	5	983	972	784	775
Total Income		25,592	25,581	24,413	24,404
EXPENDITURE					
Staff costs	6	16,131	16,144	15,765	15,774
Other operating expenses	7	8,362	8,315	7,910	7,876
Depreciation	9	1,492	1,492	1,703	1,703
Interest and other finance costs	8	(52)	(52)	451	451
Total Expenditure		25,933	25,899	25,829	25,804
Deficit before other gains and losses		(341)	(318)	(1,416)	(1,400)
Loss on sale of fixed assets		-	-	(17)	(17)
Deficit for the year before taxation		(341)	(318)	(1,433)	(1,417)
Taxation		-	-	-	-
Deficit for the year		(341)	(318)	(1,433)	(1,417)
Actuarial gain in respect of pensions schemes	18	86	86	16,687	16,687
Total comprehensive (expenditure)/income for the year		(255)	(232)	15,254	15,270
Represented by:					
Unrestricted comprehensive income for the Group and College		(255)	(232)	15,254	15,270

All items of income and expenditure relate to continuing activities.

STATEMENT OF CHANGES IN RESERVES

Group	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 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**
Deficit from the income and expenditure account	(341)	-	(341)
Actuarial gain in respect of pension scheme	86	-	86
Comprehensive (expenditure)/income for the year	(255)	-	(255)
Transfers between revaluation and income and expenditure reserves	28	(28)	-
Total comprehensive (expenditure)/income for the year	**(227)**	**(28)**	**(255)**
Balance at 31 July 2023	**35,949**	**1,626**	**37,575**

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES (CONTINUED)

College	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 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**
Deficit) from the income and expenditure account	(318)	-	(318)
Actuarial gain in respect of pension scheme	86	-	86
Comprehensive expenditure for the year	(232)	-	(232)
Transfers between revaluation and income and expenditure reserves	28	(28)	-
Total comprehensive expenditure for the year	(204)	(28)	(232)
Balance at 31 July 2023	**36,081**	**1,626**	**37,707**

BALANCE SHEETS AS AT 31 JULY

	Notes	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
Non current assets					
Tangible fixed assets	9	44,348	44,348	42,170	42,170
Investments	10	-	90	-	90
		44,348	44,438	42,170	42,260
Current assets					
Trade and other receivables	11	1,480	1,473	1,118	2,403
Cash and cash equivalents		5,677	5,677	6,716	6,656
		7,157	7,150	7,834	9,059
Less: Creditors – amounts falling due within one year	12	(3,606)	(3,557)	(4,165)	(5,371)
Net current assets		3,551	3,593	3,669	3,688
Total assets less current liabilities		47,899	48,031	45,839	45,948
Creditors – amounts falling due after more than one year	13	(10,324)	(10,324)	(8,009)	(8,009)
Defined benefit obligations	15 and 19	-	-	-	-
Total net assets		37,575	37,707	37,830	37,939
Unrestricted Reserves					
Income and expenditure account		35,949	36,081	36,176	36,285
Revaluation reserve		1,626	1,626	1,654	1,654
Total unrestricted reserves		37,575	37,707	37,830	37,939

The financial statements on pages 45 to 73 were approved and authorised for issue by the corporation on 11 December 2023 and were signed on its behalf on that date by:

Andrew Simmons	Kit Davies
Chair	Accounting Officer

CASH FLOW STATEMENTS

	2023	2022
	£'000	£'000
Cash flow from operating activities		
Deficit for the year	(341)	(1,433)
Adjustment for non-cash items		
Depreciation	1,492	1,703
(Increase)/decrease in debtors	(362)	3,161
Decrease in creditors due within one year	(559)	(2,192)
Pensions costs less contributions payable	215	815
Deferred capital grants released to profit and loss	(390)	(276)
Interest payable	(52)	451
Loss on sale of fixed assets	-	17
Net cash flow from operating activities	3	2,246
Cash flows from investing activities		
Payments made to acquire fixed assets	(3,670)	(9,600)
Capital grants received	3,726	3,214
Proceeds from sale of fixed assets (net of selling expenses)	-	7,363
	56	977
Cash flows from financing activities		
Interest paid	(77)	(195)
Repayments of amounts borrowed	(1,021)	(6,258)
	(1,098)	(6,453)
Decrease in cash and cash equivalents in the year	(1,039)	(3,230)
Cash and cash equivalents at beginning of the year	6,716	9,946
Cash and cash equivalents at end of the year	5,677	6,716

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 2022/23* 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 2023.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the 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 £0.8m 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 2022 has been used by the actuary in valuing the pensions liability at 31 July 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. Funding body grants

	Year ended 31-Jul-23		Year ended 31-Jul-22	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Education and Skills Funding Agency – adult education budget	4,255	4,255	4,159	4,159
Adult Education Budget Devolved Funding	379	379	419	419
Others	-	-	-	-
Education and Skills Funding Agency – 16-18	12,158	12,158	11,324	11,324
Office for Students	117	117	144	144
Teacher Pension Scheme contribution grant	365	365	290	290
Releases of government capital grants	185	185	168	168
	17,459	17,459	16,504	16,504

3. Tuition fees and education contracts

	Year ended 31-Jul-23		Year ended 31-Jul-22	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	428	428	278	278
Apprenticeship Contracts	3,000	3,000	2,938	2,938
Fees for FE loan supported courses	255	255	300	300
Fees for HE loan supported courses	331	331	329	329
Total tuition fees	4,014	4,014	3,845	3,845
Education contracts	2,612	2,612	2,507	2,507
	6,626	6,626	6,352	6,352
Income in Notes 2 and 3 above includes:				
Grant Income from the office for Students	117	117	144	144
ESFA Grants for apprenticeships at level 4 or above	920	920	689	689
Fee income for taught awards at level 4 or above	564	564	893	893
	1,601	1,601	1,726	1,726

4. Other grants and contracts

	Year ended 31-Jul-23		Year ended 31-Jul-22	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grant income	432	432	688	688
Non-government capital grants	92	92	85	85
Coronavirus Job Retention Scheme grant	-	-	-	-
	524	524	773	773

5. Other income

	Year ended 31-Jul-23		Year ended 31-Jul-22	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	45	45	10	10
Other income generating activities	938	927	774	765
	983	972	784	775

6. Staff costs

The average number of persons (including key management personnel) employed by the College during the year was:

	2023	2022
	No.	No.
Teaching staff	288	262
Non-teaching staff	173	156
	461	418
Staff costs for the above persons		
Wages and salaries	12,318	11,290
Social security costs	1,137	1,051
Other pension costs	1,731	2,233
Payroll sub total	15,186	14,574
Contracted out staffing services	945	1,191
Total staff costs	16,131	15,765

Severance Payments

The college/college group paid three severance payments in the year (in total, less than £25,000) disclosed in the following bands:

0 - £25,000	3
£25,001 - £50,000	0
£50,001 - £100,000	0
£100,001 - £150,000	0
£150,000+	0

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal & CEO, Deputy Principal, Curriculum, Quality and Inclusion, Director of Hart Learning & Development, Executive Director of Corporate Services, Director of Management Information Systems (MIS), Exams and Reporting and Group Finance Director.

	2023	2022
	No.	No.
The number of key management personnel including the Accounting Officer during the year was:	7	6

6. Staff costs (continued)

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

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

	Key management personnel		Other staff	
	2023	2022	2023	2022
	No.	No.	No.	No.
£60,001 to £65,000 p.a.	1	1	1	1
£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
£80,001 to £85,000	1	-		
£85,001 to £90,000 p.a.	2	1	-	-
£90,001 to £95,000 p.a.	-	1	-	-
£95,001 to £100,000 p.a.	1	-	-	-
£145,001 to £150,000 p.a.	1	-	-	-
£160,001 to £165,000 p.a.	-	1	-	-
	7.	6	5	5

Including three Key Management Personnel whose salaries have been grossed up to full time equivalent and included in £75,001 to £80,000 and £80,001 to £85,000 bands. (2022: two).

6. Staff costs (continued)

Key management personnel emoluments comprise the following:

	2023	2022
	£'000	£'000
Salaries	551	541
Employers National Insurance	70	69
Benefits in kind	7	7
	628	617
Pension contributions	81	82
Total emoluments	709	699

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:

	2023	2022
	£'000	£'000
Salary	148	144
Performance bonus	-	16
Benefits in kind	1	1
	149	161
Pension Contributions	35	34
	184	195

In 2023, the Principal and CEO's total remuneration as a multiple of the median of all staff remuneration was 5.26 (2022: 5.74).

In 2023, the Principal and CEO's basic salary as a multiple of the median of all staff remuneration was 5.08 (2022: 5.12).

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

7. Other operating expenses

	Year ended 31-Jul-23		Year ended 31-Jul-22	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Teaching costs	3,503	3,503	3,189	3,189
Non-teaching costs	2,160	2,113	2,355	2,321
Premises costs	2,699	2,699	2,366	2,366
Total	8,362	8,315	7,910	7,876

Other operating expenses include:	**2023**	**2022**
	£'000	**£'000**
Auditors' remuneration:		
– Financial statements audit	36	38
– Pension certification by statutory auditor	1	1
– Internal audit	37	49
– Other tax advisory by internal auditor	-	-
Hire of assets under operating leases	964	998

Learner Support Fund expenditure is excluded from the above and is shown separately in note 20.

8. Interest and other finance costs

	Year ended 31-Jul-23		Year ended 31-Jul-22	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans	77	77	195	195
Pension finance costs (note 19)	(129)	(129)	256	256
Total	(52)	(52)	451	451

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 2022	42,496	4,276	10,375	9,402	66,549
Additions	1,181	-	724	1,765	3,670
Disposals	-	-	-	-	-
Transfers	9,395	-	7	(9,402)	-
At 31 July 2023	**53,072**	**4,276**	**11,106**	**1,765**	**70,219**
Depreciation					
At 1 August 2022	12,812	2,878	8,689	-	24,379
Charge for the year	782	201	509	-	1,492
Disposals	-	-	-	-	-
At 31 July 2023	**13,594**	**3,079**	**9,198**	**-**	**25,871**
Net book value at 31 July 2023	**39,478**	**1,197**	**1,908**	**1,765**	**44,348**
Net book value at 31 July 2022	29,684	1,398	1,686	9,402	42,170

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 2022	42,496	4,276	10,375	9,402	66,549
Additions	1,181	-	724	1,765	3,670
Disposals	-	-	-	-	-
Transfers	9,395	-	7	(9,402)	-
At 31 July 2023	**53,072**	**4,276**	**11,106**	**1,765**	**70,219**
Depreciation					
At 1 August 2022	12,812	2,878	8,689	-	24,379
Charge for the year	782	201	509	-	1,492
Disposals	-	-	-	-	-
At 31 July 2023	**13,594**	**3,079**	**9,198**	**-**	**25,871**
Net book value at 31 July 2023	**39,478**	**1,197**	**1,908**	**1,765**	**44,348**
Net book value at 31 July 2022	29,684	1,398	1,686	9,402	42,170

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 £1,487,566 (2022: £1,653,811) 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 2023 £'000	College 2022 £'000
Investments in subsidiary companies	90	90
	90	90

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 (Dormant)	England and Wales	Provision of training	100%

11. Trade and other receivables

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
Amounts falling due within one year:				
Trade receivables	245	238	402	395
Subsidiary undertakings	-	-	-	1,293
Prepayments and accrued income	1,235	1,235	716	715
Total	1,480	1,473	1,118	2,403

12. Creditors: amounts falling due within one year

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
Bank loans and overdrafts (note 14)	271	271	758	758
Trade payables	161	161	299	299
Subsidiary undertakings	-	97	-	-
Other taxation and social security	500	367	422	304
Accruals and deferred income	2,032	2,019	2,081	3,405
Deferred income - government capital grants	390	390	276	276
Deferred income - government revenue grants	188	188	249	249
Other creditors	64	64	80	80
Total	3,606	3,557	4,165	5,371

13. Creditors: amounts falling due after one year

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
Bank loans (note 14)	538	538	1,559	1,559
Deferred income - government capital grants	9,786	9,786	6,450	6,450
Total	10,324	10,324	8,009	8,009

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 2022	3,259	3,467	6,726
Capital Grant received during the year	3,101	625	3,726
Released to profit and loss	(185)	(91)	(276)
At 31 July 2023	6,175	4,001	10,176

14. Maturity of debt

Bank loans and Overdrafts

Bank loans and overdrafts are repayable as follows:

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
In one year or less	271	271	758	758
Between one and two years	271	271	271	271
Between two and five years	267	267	814	814
In five years or more	-	-	474	474
Total	809	809	2,317	2,317

The college fully repaid one loan by the due date of 31 March 2023 and has one outstanding loan with Lloyds Bank. It matures on 30 June 2026 and attracts a variable interest rate of 1.95% plus SONIA.

The loan is repayable in quarterly instalments and is secured on the College's freehold estate at Stevenage and Hitchin.

15. Provisions

	2023	2022
	Group and College	
	£'000	£'000
At 1 August 2022	-	15,616
Service cost	569	1,201
Employer contributions	(354)	(386)
Net interest	(129)	256
Changes in actuarial assumptions	(3,979)	(18,202)
Surplus restriction	3,893	1,515
At 31 July 2023	-	-

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 2022	Cashflows	At 31 July 2023
	£'000	£'000	£'000
Cash	6,716	(1,039)	5,677
Loans falling due within one year	(758)	487	(271)
Loans falling due after more than one year	(1,559)	1,021	(538)
Total	4,399	469	4,868

17. Capital and other commitments

	Group and College	
	2023	2022
	£'000	£'000
Commitments contracted for at 31 July	1,181	501
	1,181	501

18. Lease obligations

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

	Group and College	
	2023	2022
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	892	884
Later than one year and not later than five years	3,569	2,861
Later than five years	776	891
	5,237	4,636
Other		
Not later than one year	40	46
Later than one year and not later than five years	162	47
	202	93

19. Defined benefit obligations

	Group and College	
	2023	2022
	£'000	£'000
Total pension cost for the year		
Teachers' Pension Scheme: contributions paid	1,057	942
NEST Pension Scheme contributions	105	90
Local Government Pension Scheme:		
- Contributions paid	354	386
- Additional service cost (FRS102 (28))	215	815
- obligations net of interest income on plan assets	(129)	256
Charge to the Statement of Comprehensive Income and Expenditure	1,602	2,489
Total Pension Cost for Year within staff costs	1,731	2,233

Local Government Pension Scheme

	2023	2022
Rate of increase in salaries	3.5%	3.1%
Future pensions increases	3.0%	2.7%
Discount rate for scheme liabilities	5.1%	3.5%
Inflation assumption (CPI)	3.0%	2.7%
Commutation of pensions to lump sums:		
- pre April 2008 service	45%	50%
- post April 2008	45%	75%

19. Defined Benefit Obligations (continued)

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

	2023	2022
	Years	**Years**
Retiring today		
Males	21.2	21.9
Females	24.6	24.4
Future pensioners		
Males	22.1	22.9
Females	25.5	26.0

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

		Fair value at 31-Jul-23		**Fair value at 31-Jul-22**
		£'000		**£'000**
Equities	53%	20,542	48%	19,821
Bonds	20%	7,752	25%	10,324
Property	14%	5,426	15%	6,194
Cash	13%	5,038	12%	4,955
Share of total fair value of plan assets		38,758		41,294
Actual return on plan assets		(3,040)		(1,395)

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

	2023	**2022**
	£'000	**£'000**
Fair value of plan assets	38,758	41,294
Present value of plan liabilities	(33,350)	(39,779)
Surplus restriction	(5,408)	(1,515)
Net pensions liability (note 15)	-	-

As the LGPS surplus is irrecoverable, recognition of the surplus on the balance sheet has been restricted to £nil. The adjustment of £5,408k has been offset against the overall actuarial gain for the year.

19. Defined Benefit Obligations (continued)

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

	2023	2022
	£'000	£'000
Amounts included in staff costs		
Current service cost	569	1,201
Past service cost	-	-
Effect of settlements	-	-
Total	**569**	**1,201**
Amounts included in investment income		
Net interest income/(cost)	129	(256)
	129	**(256)**

Movement in net defined benefit liability during the year

	2023	2022
	£'000	£'000
Net defined benefit liability in scheme at 1 August	-	(15,616)
Movement in year:		
Current service cost	(569)	(1,201)
Employer contributions	354	386
Net interest on the defined liability	129	(256)
Actuarial gain	3,979	18,202
Surplus restriction	(3,893)	(1,515)
Net defined benefit liability at 31 July	-	-

Changes in the present value of defined benefit obligations

	2023	2022
	£'000	£'000
Defined benefit obligations at start of period	39,779	58,013
Current service cost	569	1,201
Interest cost	1,305	931
Contributions by Scheme participants	131	138
Remeasurements	(7,365)	(19,597)
Estimated benefits paid	(1,069)	(907)
Defined benefit obligations at end of period	**33,350**	**39,779**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Defined Benefit Obligations (continued)

Changes in fair value of plan assets

	2023	2022
	£'000	£'000
Fair value of plan assets at start of period	41,294	42,397
Interest on plan assets	1,434	675
Return on plan assets	(3,040)	(1,395)
Remeasurements	(346)	-
Employee contributions	131	138
Employer contributions	354	386
Estimated benefits paid	(1,069)	(907)
Fair value of plan assets at end of period	**38,758**	**41,294**

20. Related party transactions

Related party	**Purchases**	**Sales**	**Amounts owing from College**
	£'000	**£'000**	**£'000**
Hart Learning & Development Ltd - subsidiary of College	7,589	-	97
Hart Schools Trust Limited (Sponsored by the College)	-	257	(2)
At 31 July 2023	**7,589**	**257**	**95**

21. Amounts disbursed as agent - Learner Support funds

	2023	2022
	£'000	£'000
Balance unspent carried over from prior year	239	228
Funding body grants - bursary support received	261	429
Funding body clawbacks relating to prior year	(44)	(76)
Funding body grants - residential bursaries	456	581
Disbursed to students		
Hardship and bursary	250	272
Childcare	27	57
Administration costs	9	13
Balance unspent as at 31 July, included in creditors	170	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.