

HEREWARD COLLEGE

**Report and Financial Statements
For the Year Ended 31 July 2023**

HEREWARD COLLEGE

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HEREWARD COLLEGE

REPORT OF THE GOVERNING BODY

For the year ended 31 July 2023

Objectives and Strategy

The members present their report and the audited financial statements for the year ended 31 July 2023.

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Hereward College. The College is an exempt charity for the purposes of part 3 of the Charities Act 2011.

Vision

The College's Vision is:

"Each learner's experience at Hereward College will prepare them for the next stage of their life, with outstanding employability skills and much greater control over their own future. Their growing independence and well-being will enable their talents to shine."

Public Benefit Statement

Hereward College is a national general Further Education College located in Coventry attracting residential learners from across England and Wales as well as day learners from the Midlands. The College offers inclusive provision for all learners, with specialist facilities for learners with a variety of special educational needs, including complex physical and sensory impairments, medical conditions, social, emotional and communication difficulties and learning difficulties and disabilities.

Hereward College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 13 to 15.

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

The College's mission statement is:

"Hereward helps learners to make progress and realise their potential and ambitions. The creativity and skills of staff, working in partnership with the community and employers, ensure learners develop skills for life and work, achieve appropriate qualifications and develop safe and healthy lifestyles that prepare them for the future."

Learners entering the College join a comprehensive range of academic, vocational and independence programmes designed to provide them with the necessary qualifications for progression to higher education, employment and independence. The College seeks to raise expectations and to empower individuals to achieve their goals in a high-quality environment that facilitates every learner to achieve their potential, with a particular focus on those learners with complex learning needs.

The provision has also been developed as a resource for employer training (Hereward Training) in skill areas associated with the core business of the College, particularly in relation to disability and support. Training opportunities are offered for staff in care homes and related services; assistive technology; and behaviour management for teachers and support staff. The College also provides study and assistive technology assessments for external clients to support access to study and employment opportunities.

The main purpose of the College provision is to enable learners to achieve their potential in terms of academic, vocational, independence and employability skills so that they are better equipped to make a successful transition to adult life:

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For the year ended 31 July 2023

- During the year the College provided study programmes for learners from pre-entry to level 3, via a range of subjects including art and design, creative media, sport, business studies, ICT, hospitality, performing arts and music. The curriculum places a major emphasis on learning through practical and functional learning. Learners have maths and English as part of their study programme, or where they have already achieved GCSE grade 4, it is embedded into their learning.
- Supporting learners to develop good employability and study skills and, where possible, raise aspirations to progress to employment, further study or independent living, the College has been successful in helping many learners progress into employment (including into Supported Internships) who would not previously have considered this to be an option. The increased confidence and skills of learners provide a sound basis to achieve future vocational aspirations and to plan for a successful transition to independence that may not have otherwise been within the reach of many. Learners themselves contribute to the development and identification of new opportunities ensuring the College is a vibrant and motivating learning community.

The most recent Ofsted inspection was in April 2023 when the College was judged to be 'Good' for Overall Effectiveness, with 'Outstanding' grades for the provision for learners with high needs and behaviour and attitudes, plus the highest possible judgement in the new enhanced inspection where the inspectors concluded that the 'College makes a strong contribution to meeting skills needs'. Inspectors recognised the strong leadership of the College and the effective arrangements for governance. The current strategic plan has creating outstanding provision as a major objective. Therefore the highly positive inspection result has confirmed that significant progress has been made during the present strategic planning cycle.

Strategic Intentions

The College's Strategic Intentions are:

- 1 Embed the person-centred destination-led structures and develop staff to focus support for learners to raise their aspirations and help them to prepare for adulthood and achieve their goals for health, employment, independent living and being part of the community.
- 2 Deliver exciting, innovative and effective learning, teaching and assessment that actively engages learners, develops their English and maths skills, helps them to make progress and enables them to achieve their goals and qualifications and move on to the next stage of their lives.
- 3 Be pro-active to benefit learners by collaborating and working with partners, including parents and carers, local authorities, health and care agencies, employers and funding agencies, to enable the learners' goals and ensure the SEND Code of Practice is delivered.
- 4 Maximise the effectiveness of all physical and staffing resources to improve the quality of provision, grow Hereward Training and new services, and maintain the College's financial health and viability while providing value for money.

Financial Objectives

The College's financial objectives are:

- To achieve an annual operating surplus
- To pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to its overall finances
- To generate sufficient levels of income to support the asset base of the College
- To further improve the College's shorter-term liquidity

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For the year ended 31 July 2023

- To fund continued capital investment
- The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date, the Income and Expenditure reserve stands at £8,154k (2022: £4,237k). This increase to reserves is due in part to the decrease in defined pension benefit obligations as detailed in the Balance Sheet and Notes to the Accounts. After excluding the effects of the defined pension benefit obligations, the income and expenditure reserve increased by £1,177k from the previous year. It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

A series of performance indicators has been agreed to monitor the successful implementation of the financial objectives.

Performance Indicators

The College has developed data dashboards that set and monitor KPIs that are linked with the Strategic Intentions and enable progress to be reviewed and monitored. These are reported to the Corporation using a RAG rating system, with a particular emphasis on action taken to address underperformance. They include the following:

KPI	Target	2021/22	2022/23	2022/23 v target
Financial Health	Good	Outstanding	Outstanding	Favourable
Current Ratio	1.40	1.85	2.48	Favourable
Performance Ratio	6.0%	10.83%	12.6%	Favourable
Gearing Ratio	30.0%	16.3%	13.0%	Favourable
Overall learner pass rates	98%	90%	96%	Adverse
Overall learner achievement rates excluding Functional Skills	90%	90%	93%	Favourable
Learner achievement for English and maths	73%	75%	74%	Favourable
Learner attendance rate	92%	89%	90%	Adverse
% retention rate for learners with mentor support	95%	93%	94%	Adverse
% of staff completed core training	85%	87%	95%	Favourable
Sickness absence rate (staff)	4.0%	4.5%	4.65%	Adverse
Inspection grade with Ofsted	Good (with Good High Needs)	Good (with Good High Needs)	Good (with Outstanding High Needs)	Favourable
Inspection grade with CQC	Outstanding	Requires Improvement	N/a	N/a

Each of the financial KPIs improved during the year, including the current ratio. Overall learner pass rates, learner attendance and retention rate for learners with mentor support were below target. However, a review of the targets which included external feedback, indicates that they were overly

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ambitious. This was confirmed during inspection when pass and retention rates were deemed a contributory factor towards the College's grade of outstanding for high needs provision. The reasons for the variances have been reviewed and the Corporation is satisfied that changes to the KPI targets are required for 2023/24. The last CQC inspection took place in September 2021 grading the College as 'Requires Improvement' overall but 'Good' for care. Action has been taken in relation to the highlighted issues, with the next inspection anticipated during 2023/24.

The College is committed to observing the importance of sector measures and indicators where this is possible. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The Finance Record produces a financial health grading. The current rating is Outstanding.

Financial Results

In order to ensure ongoing sustainability and the opportunity to develop new services, it is important for the College to be financially sound and effectively managed. The College generated an operating surplus for the year of £1,118k (2022: £645k) before FRS 102 adjustments. The impact of these adjustments was significant and the adjusted surplus for the year before other gains and losses was £466k surplus (2022: £939k deficit). Total income was £11.6 million (2022: £10.1 million).

Tuition fee income increased by £665k (11.4%) over the year driven by a small increase in the student number and an increase in the complexity of learner needs, in line with the College's strategic plan.

Pay costs were again affected by high agency staff costs, due to both staff sickness and a high number of vacancies at the start of the year due to an increase in the number of staff required to meet the additional complexity of learner needs. In September, staff received a tiered pay award of between 5% and 7%, with lower graded staff receiving an additional pay award in April.

Despite generating income from other sources, the College has significant reliance on the ESFA and Local Authorities as its principal funding sources. In the year ESFA and Local Authority funding accounted for 89.6% (2022: 92.9%) of the College's total income. Taken together, funding for total learners, whether residential, day provision or internships, accounts for 92.0% of College income in the year (2022: 95.0%).

The ESFA grant increased in line with learner numbers and reflects an increase in the national funding rate. The delivery of the College's Adult Education Budget (AEB) improved, exceeding ESFA funding allocations and delivering an improved performance against West Midlands Combined Authority (WMCA) funding allocations.

Income from student residences increased due to the embedding of the 49-week extended provision enabling a small number of residential students to remain on-site during college holidays. The provision of respite services was also cautiously re-introduced following closure of the service during the pandemic.

The Disability Support Assessment Centre (DSA) continued to perform strongly in the year due to the delayed announcement and roll out of the new procurement model. The full financial impact of the change to the national delivery model is anticipated during the next financial year.

Whilst the College has achieved a healthy surplus in the year, inflationary pressures including the rising cost of utilities and its subsequent effect on other sectors, and potential pay cost increases brought about by the cost-of-living crisis, continue to be of concern for 2023/24.

Pension costs driven by FRS 102 continue to have a noticeable financial impact. Whilst actual employer contributions rose slightly, the total pension cost for 2022/23 reduced by £628k compared to 2021/22. The Local Government Pension Scheme actuarial valuation as at 31 July 2023 reported a pension asset of £4.18mil (2022: £2.74mil liability). However, the College has taken the decision not to recognise the

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asset reported in the actuary's FRS 102 pension valuation due to the uncertain nature of its future benefit to the College.

Cash flows and liquidity

Cash generated from operations continues to be strong. There was a small decrease in cash balances held at the year-end due primarily to significant investment in fixed assets during 2022/23.

Pension Obligations

A key element of the overall financial position of the College is the long-term affordability of its pensions' obligations to its employees. FRS 102 calculations within the financial statements are based on an end of year actuarial valuation incorporating projections of future investment returns and demographic experience many years into the future. There is inevitably a great deal of uncertainty inherent in such projections which may change from year to year.

Treasury Policies and Objectives

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

The College has a separate Treasury Management Policy. Following reclassification of the FE College sector, by the Office of National Statistics, as a public body in November 2022, the policy has been updated to recognise the College is now subject to the framework for financial management set out in Managing Public Money.

Reserves

The College recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the college's core activities. In coming to this conclusion, the College has considered:

- The financial impacts of strategic risks
- The impact of working capital balances
- Long term plans and future commitments

The College reviews its reserves balances after excluding any liability related to the defined benefit pension schemes as they are not expected to lead to any short or medium-term cash outflows which cannot be covered from projected cash inflows. This is consistent with the Charity Commission's guidance. The College is committed to increasing the income and expenditure reserve over the life of the strategic plan through the delivery of annual operating surpluses before the adjustments required by FRS 102 and this has been achieved for 2022/23. The College group's reserves include £nil (2022: £nil) held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £8.2m (2022: £4.2m).

Five year highlights

	2018/19	2019/20	2020/21	2021/22	2022/23
Financial Performance					
Turnover (£000)	8,036	8,347	9,113	10,074	11,599
Operating (Deficit)/Surplus (£000)	(667)	(382)	(862)	(939)	466
Staff costs as % of income (%)	72.2	72.5	76.2	74.9	65.3
Interest payable (£000)	299	298	336	354	199

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Fixed Assets (£000)	10,821	10,435	10,258	10,166	10,239
Cash and investments (£000)	4,056	4,247	5,423	5,953	5,855
Net Current Assets (£000)	1,432	1,839	2,364	2,835	3,743
Debt (£000)	2,016	1,888	1,760	1,632	1,504
Cash Days	186.5	187.7	217.2	217.4	215.0

Current and future development and performance

Learner Numbers and Curriculum

In 2022/23 the College had learners comprising:

- 322 were ESFA and local authority or self-funded, both residential and day
- 634 were Hereward Training learners, both distance learning and employer based

The College curriculum continues to be responsive to learner needs, with provision ranging from pre-entry level to level 3. The focus is on supporting learners to gain the right balance of skills, experiences and qualifications with which to equip them for their future, be that in employment, further study or increased independence. The College curriculum is designed to meet the requirements of Study Programmes and learners' individual needs, through a strong vocational offer, with the following elements, based on the Preparing for Adulthood agenda:

- A substantial programme, which could be a qualification
- Work-related learning experience
- English and maths
- Enrichment activities
- Tutorial/Progress Coach support
- Personal learning and development
- Health and well-being
- Independent living

Care Quality Commission (CQC)

The College's residential provision is regulated by the Care Quality Commission (CQC) and is inspected every two years against key performance standards. The College was inspected under the revised inspection framework on the 30 September 2021. The final report concluded that the College was rated as 'Requires Improvement' overall, but 'Good' for care. An action plan to address the issues raised was developed, endorsed by the Board of Governors and implemented with the assistance of a consultant in care. The action plan was also submitted to CQC. This has not resulted in issues recruiting learners to the residential facility. The College anticipates re-inspection during 2023/24.

Future Developments

Following the successful Ofsted inspection in 2017, College leaders and governors developed a Strategic Plan covering the period 2018-2020. This set the direction of travel over those years and included a number of key strands including developing the provision to meet the needs of more complex learners, developing effective partnerships and creating a centre of excellence for the employment of learners with special needs.

The development of the 2021-2024 Strategic Plan began towards the end of 2020/21. Whilst the four strategic intentions of the College remain unchanged, the revised plan recognises the progress that the College has made and details plans to achieve further growth in learner numbers and further development to the College's provision for complex learners.

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The outstanding financial health and outstanding provision for learners with High needs, which is the vast majority of the College provision, has given the Corporation an excellent platform on which to build. The Governing body commissioned a feasibility study in 2022 to consider how the college campus could be enhanced to provide better quality physical environments for learners to help improve vocational learning and well-being. These plans also included better spaces for staff and a focus on the sensory environment of the campus. During 2022/23 these plans have been refined and during 2023/24 will be developed further to ensure that the College is ready to submit a “shovel ready” application to funders should appropriate pots of funding become available.

The relationship with Whitbread PLC continues to grow and develop with the College having the prestige of being named within the company’s strategic plan under the “Force for Good” section. During 2022/23 the College piloted a training session to be delivered to all UK based hotel managers within Whitbread. The pilot was successful and national roll out of the programme is expected to start in the autumn of 2023. The College is also exploring how it can assist Whitbread in the roll out of its supported internship ambitions across the UK.

The College recognises the importance of partnerships with major employers and especially how those partnerships enhance teaching, learning and assessment. Therefore, the College will be exploring new and innovative partnerships with employers during 2023/24.

Resources

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

The College is continuing to develop its estate to meet the changing needs of the learners that it serves and has a current and up to date Accommodation Strategy.

The value of fixed assets is shown in the balance sheet as £10.2 million.

Financial

The College has £10.0 million of net assets and long-term debt of £1.5 million.

People

The College employs an average of 229 people (expressed as headcount) during 2022/23 of which 42 are teaching staff.

Principal Risks and Uncertainties

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College’s assets and reputation. The Governing Body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

The College’s management undertakes a comprehensive review of the risks to which the College is exposed and identifies systems and procedures, including specific preventable actions which should mitigate any potential impact on the College.

The internal controls are then implemented and the subsequent year’s appraisal reviews their effectiveness and progress against risk mitigation actions. In addition to the annual review, the College’s management also considers any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the strategic level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood

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of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

In 2022/23, there were two risks identified as significant. These were:

- Failure to achieve learner numbers that secure income targets
Actions taken in mitigation include:
 - Regular open events and remote events and meetings were held throughout the year
 - Flexible and tailored transition and learning programmes were continued for learners who had barriers to participation
 - Further development of the remote and online learning programme. Attendance and engagement were closely monitored
 - School links programme was undertaken
 - Development of extended residential provision

- Failure to engage relevant LA Commissioners and Health and Social Care Agencies in delivering their responsibilities
Actions taken in mitigation include:
 - Senior College staff attend a range of regional groups including LA meetings, LEP and Combined Authority
 - Regular meetings are held with Commissioners
 - Relationship building with legal contacts

There were five risks identified as contingent. These were:

- Failure to increase the ability of teaching and support teams to manage more complex presentations
Actions taken in mitigation include:
 - Annual staff training plan
 - Detailed assessment process informing admissions process
 - Greater focus on annual appraisals
 - Specialist teaching qualification for teaching staff
 - Corporate staff induction

- Failure to ensure the ongoing financial viability of the College, leading to a failure to meet the requirements of the Bank and Local Government Pension Scheme and moving the College into the insolvency regime
Actions taken in mitigation include:
 - Rigorous budget setting procedures
 - Reports to the Corporation meetings on in-year budget monitoring
 - Quarterly reports to the Bank and regular meetings
 - Ongoing attendance at Combined Authority meetings and increased engagement with LA commissioners
 - Robust financial controls
 - Exploring ongoing procurement efficiencies

- Failure to diversify income from dependency on high levels of ESFA income
Actions taken in mitigation include:

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For the year ended 31 July 2023

- Income targets set within the budget to develop new income streams with monthly reporting to the Board
- Diverse use of the Estate
- AEB strategy in place
- Regular meetings with West Midlands Combined Authority
- Failure to provide fit for purpose IT systems and services, limiting College productivity and increasing risk of Cyber-attacks and data breaches
Activities taken in mitigation include:
 - Investment in upgrade of computer stock with shorter replacement cycle
 - Maintenance of software and peripheral hardware
 - Investment in new Human Resources System
 - Transfer of Management Information software to cloud based service
- Failure to ensure security and integrity of data leading to non-compliance with Data Protection requirements and an increase in the threat of hostile attacks
Activities taken in mitigation include:
 - Data Protection Group in operation with key actions reported to the Board
 - Investment in infrastructure including managed detection and response service
 - Cyber Essentials Plus re-accreditation achieved

External Relationships

In line with other colleges, Hereward has many stakeholders and partners. These include:

- Students
- Parents and carers
- Staff
- Employers
- Premier Inn
- Education and Skills Funding Agency
- West Midlands Combined Authority
- Local Authorities
- NATSPEC
- Association of Colleges
- Other FE Institutions
- Special Schools
- Local Enterprise Partnership (LEP)
- NHS
- Trade Unions
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through a variety of mechanisms.

Trade Union Facility Time

During the year two employees were relevant trade union officials. The employees spent between 1% and 50% of their working hours on facility time, which equates to 0.01% of the total pay bill. All of the facility time was paid time.

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For the year ended 31 July 2023

Equality

Hereward College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief, age, gender reassignment, marriage and civil partnerships and pregnancy and maternity, and strive vigorously to remove conditions which place people at a disadvantage.

The College monitors its performance against objectives and reviews its compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all policies and procedures.

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

The College has committed to the “Mindful Employer” initiative to assist the mental health and wellbeing of staff. The College also provides refresher training and training for new starters on Equality, Diversity and Inclusion on an ongoing basis.

Disability statement

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

- The structure of the College focusses resources on delivering personalised and learner-centred services
- Accommodation provides full access to all learners. Capital works are always planned to include considerations of access requirements for the spectrum of needs that learners have
- Residential accommodation includes a range of environmental controls, telecare and assistive technology that meet the needs of learners with complex disabilities
- A wide range of specialist aids and adaptations are available across the College, both in a classroom and a care setting that meet individual needs and support learners
- A target has been set for 100% of all teachers to achieve a specialist teaching qualification for complex needs. In addition, training and development is provided to all staff to ensure the provision of appropriate support for learners with learning difficulties and/or disabilities and physical disabilities
- Independence Learning Support staff are employed in the classroom, residences and care setting to provide a variety of support for learning that is tailored to meet learner needs in line with individual assessments
- There is a wide range of support staff with specialist skills including a clinical multi-disciplinary team consisting of a clinical psychologist, psychiatrist, educational psychologist in addition to a speech and language therapist, physiotherapists and mentors that support learners in every aspect of their College life
- Counselling and welfare services are described in the student handbook, which is issued to learners at induction

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For the year ended 31 July 2023

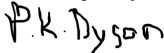
Going Concern

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


Disclosure of Information to Auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, all relevant audit information has been provided to the College auditors and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 7 December 2023, and signed on its behalf by:

DocuSigned by:

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Mrs P Dyson
Chair of Governors

DocuSigned by:

9B756D1F8D2C46F...

Mr P Cook MBE
Accounting Officer & Chief Executive

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For the year ended 31 July 2023

Key Management Personnel

Paul Cook MBE	Accounting Officer, Principal & Chief Executive
Rosie Herbert	Vice Principal Quality and Curriculum
Sophie Dent	Vice Principal Finance and Resources (Resigned September 2022)
Paula Powditch	Interim Vice Principal Finance and Resources (Appointed September 2022; Resigned June 2023)
Rachael Barnes	Vice Principal Finance and Resources (Appointed June 2023)
Simon Shackleton	Director of Technical, Estates and Facilities
Jane Ferguson	Vice Principal Safeguarding and Pastoral Care
Yvonne Doherty	Clerk to the Governors

Professional Advisers

Financial Statements Auditor:

Murray Smith LLP
Darland House
44 Winnington Street
Northwich
Cheshire
CW8 1AU

Internal Auditors:

ICCA Education Training and Skills Ltd
3rd Floor, Charles House
148-149 Great Charles Street
Birmingham
B3 3HT

Solicitors:

Gowling WLG
55 Colmore Row
Birmingham
B3 2AS

Bankers:

Barclays Bank Plc
PO Box 3333
1 Snow Hill
Snow Hill Queensway
Birmingham
B3 2WN

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2023

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2022 to 31 July 2023 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- In full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the Code”); and
- Whilst not having adopted the UK Corporate Governance Code 2018, the Corporation has due regard to its principles and guidance.

In the opinion of the Governors, the College meets the provisions of the Code, and it has complied throughout the year ended 31 July 2023. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges.

THE CORPORATION

The Governors (who are also trustees) who served on the Corporation during the year and up to the date of signature of this report were as listed below:

Name	Date of Appointment	Term of Office	Category	Corporation / Committee membership	Attendance 2022/23		
Mr S Brand	18.05.2017 Re-appointed 18.05.2021	4 years	Independent	Corporation	Corporation	7/7	100%
				Chair of Audit Committee from October 2018	Audit	4/4	100%
				Search & Governance	Search & Governance	6/6	100%
				Remuneration	Remuneration	-	-
Mr S Bray	29.06.2023	4 years	Independent	Corporation	Corporation	1/1	100%
				Quality & Standards from September 2023			
Ms K Carr-Fanning	15.05.2020 Resigned 17.02.23	4 years	Independent	Corporation	Corporation	0/7	0%
				Quality & Standards Committee from July 2020	Quality & Standards	1/2	50%

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2023

Name	Date of Appointment	Term of Office	Category	Corporation / Committee membership	Attendance 2022/23		
Mr P Cook MBE	01.08.2017	On ceasing as Principal	Staff Principal	Corporation	Corporation	7/7	100%
				Quality & Standards Committee	Quality & Standards	4/4	100%
				Search & Governance	Search & Governance	5/6	83%
				<i>In Attendance:</i> Remuneration Committee	Remuneration	-	-
Mr S Crick	15.05.2020	4 years	Independent	Corporation	Corporation	7/7	100%
				Audit Committee from July 2020	Audit	4/4	100%
				Search & Governance	Search & Governance	2/3	67%
Mr M Crook	15.05.2020 10.12.2020	4 years	Co-opted Independent	Corporation	Corporation	3/7	43%
				Audit Committee from July 2020	Audit	4/4	100%
Mr M Cumella	29.06.2023	4 years	Independent	Corporation Audit Committee from September 2023	Corporation	0/1	0%
Mrs P Dyson	29.06.2023	4 years	Independent	Chair of the Corporation from June 2023	Corporation	1/1	100%
				Search & Governance from June 2023	Search & Governance	1/1	100%
Dr H Friend	01.09.2021 Resigned 31.05.23	4 years	Independent	Corporation Safeguarding Governor	Corporation	3/5	60%
Ms H Hillyard	12.01.2012 Reappointed Co-opt 12.01.2015 12.01.2018 12.01.2022	3 years 3 years 4 years 4 years	Co-opted	Audit Committee	Audit	3/4	75%
Mr I Meaton	03.02.2022	4 years	Staff	Corporation	Corporation	7/7	100%

HEREWARD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2023

Name	Date of Appointment	Term of Office	Category	Corporation / Committee membership	Attendance 2022/23		
Ms L Miervaldis	09.02.2017 Resigned 15.10.2020 Reappointed 30.06.2022	4 years	Staff	Corporation	Corporation	4/7	57%
				Quality & Standards from March 2023	Quality & Standards	0/2	0%
Ms N Paterson	29.06.2023	4 years	Independent	Corporation	Corporation	1/1	100%
				Quality & Standards from September 2023			
Mr I Pursglove	13.12.2018 End of office 28.02.23	4 years	Independent	Chair of Corporation from July 2019	Corporation	4/4	100%
				Quality & Standards from March 2019	Quality & Standards	2/2	100%
				Chair of Search & Governance Committee from July 2019	Search & Governance	2/2	100%
				Chair of Remuneration Committee from July 2019	Remuneration	-	-
Mr K Sonecha	15.05.2020 14.10.2021	4 years	Co-opted Independent	Corporation from 14.10.2021	Corporation	2/7	29%
				Audit Committee from July 2020	Audit	2/4	50%
Mr C Todd	01.01.2018 Reappointed 01.01.2022	4 years	Independent	Vice Chair of Corporation from October 2018	Corporation	7/7	100%
				Quality & Standards from July 2020, Chair from November 2020	Quality & Standards	4/4	100%
				Search & Governance Committee	Search & Governance	4/4	100%
				Remuneration Committee	Remuneration	-	-
Ms N Williams	12.05.2022	4 years	Independent	Corporation Safeguarding Governor	Corporation	6/7	86%
				Quality & Standards from 16.06.2022	Quality & Standards	4/4	100%
				Search & Governance	Search & Governance	4/4	100%

HEREWARD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2023

Average attendance for 2022/23 was 75%.

Yvonne Doherty, Director of Governance, is the Clerk to the Corporation.

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation met seven times during 2022/23.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Quality and Standards, Audit, Remuneration and Search and Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Director of Governance at:

Hereward College
Bramston Crescent
Tile Hill Lane
Coventry
CV4 9SW

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Director of Governance who in the role of Clerk, is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Accounting Officer of the College are separate.

APPOINTMENTS TO THE CORPORATION

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

In June 2016 the Search and Governance Committee considered the term of appointment and best practice with regard to the number of terms of office. It recommended to the Corporation that new appointments and re-appointments be for a term of office not exceeding four years. Governors will also not normally serve more than two terms of office (8 years) except where subsequently undertaking a new and more senior role, for example as Chair. This was approved by the Corporation.

HEREWARD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2023

CORPORATION PERFORMANCE

In 2021/22, following the review of AoC Code of Good Governance, the Search and Governance Committee considered the various governance codes adopted within the Further Education (FE) sector. As a result, the Committee recommended that the Corporation adopt the AoC Code of Good Governance (2021), whilst acknowledging that a further review was anticipated in response to the implementation of the Skills Bill.

Furthermore, under the 2022/23 Funding Agreement the Corporation is required to *conduct an annual governance self-assessment (except in the year of an external governance review) and must have an external governance review at least once every three years, based on the governance code(s) used by the Governing Body.*

For 2022/23 an assessment was completed against the AoC Code of Good Governance (2021).

No external review was commissioned.

Newly appointed governors participate in an induction programme and receive an information pack providing detailed material on the College. An existing governor can act as a mentor to each newly appointed member, giving guidance and advice as required. Where available, governors are also invited to complete the induction programme for new governors facilitated by the AoC/ETF.

During 2022/23

- Members of the Corporation were specifically invited to take part in external Masterclasses facilitated by the AOC, and a regional governance conference of which three governors utilised this offer.
- The College registered governors with the Education and Training Foundation (ETF) to provide access to the ETF Governor Development Programme.

The provision of internal training, both online and face to face, was also maintained. This included:

- On-line Safeguarding
- On-line Prevent
- On-line GDPR
- On-line Equality and Diversity
- Face to face Safeguarding
- Governor Induction Programme (internal and external).

SEARCH AND GOVERNANCE

The Search and Governance Committee comprises a minimum of four members of the Board including the Accounting Officer. The Committee's responsibilities are to make recommendations to the Board, the appointment of new members and policies specific to the operation of college governance.

Average attendance for 2022/23 was 93%.

REMUNERATION COMMITTEE

The Remuneration Committee comprises four members of the Board with the Accounting Officer in attendance at Committee meetings. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of all staff including the Accounting Officer and other senior postholders, and to consider and approve any significant staffing changes.

Details of remuneration for the year ended 31 July 2023 are set out in note 8 to the financial statements.

The Committee did not meet in 2022/23.

AUDIT COMMITTEE

The Audit Committee comprises four members of the Board and a co-opted member (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the

HEREWARD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2023

Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management control and governance processes.

The Audit Committee met four times during 2022/23 and provides a forum for reporting by the College's internal and financial statement auditors who have access to the Committee for independent discussion without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business and from other bodies as appropriate.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

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

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

Average attendance for 2022/2023 was 85%.

QUALITY AND STANDARDS COMMITTEE

Over the year ending 31 July 2023, membership of the College's Quality and Standards Committee comprised six members of the Corporation (allowing for appointments and resignations). Its purpose is to monitor and review the educational character and quality of provision at the College by setting and monitoring key performance indicators and working with the Senior Leadership Team to drive up standards, actively promote equality and diversity, and narrow achievement gaps.

Average attendance for 2022/23 was 83%.

INTERNAL CONTROL

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The 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 Hereward College for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

HEREWARD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2023

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 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 Corporation
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate

Hereward 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 Internal Audit Service provider presents the Corporation with a report on internal audit activity in the College. The report includes their independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Responsibilities under funding agreements

The Corporation has met its contractual obligations under its funding agreements with the ESFA through its work in its sub-committees, reports from management, and reliance on the work of internal and external auditors.

The Department for Education (DfE) and Education and Skills Funding Agency (ESFA) 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 include:

- Maintaining the delivery of assurances over risk management and internal controls in light of the development, and delivery, of the agreed Strategic Plan for the College

HEREWARD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2023

- Policy review, approval and recommendation to the Corporation
- Provision of an annual opinion on adequacy and effectiveness of College audit arrangements and processes with regard to governance, risk management and control and for achieving economy, efficiency and effectiveness, the solvency of the College and safeguarding of its assets
- Review of the Strategic Risk Register and accompanying action list at each meeting
- Adoption of a process of 'Deep Dives' where specific risks are identified from the Strategic Risk Register with detail and assurance provided on the management of these risks. One Deep Dive was presented during the year
- Monitoring the work of both the internal and external audit providers against a range of KPI's
- A table summarising the work of the internal auditors is set out below, noting the Audit Committee receives regular updates on the implementation of recommendations:

Hereward College – Internal Audit Opinions and Recommendations 2022/23				No. of recommendations & priority		
Audit Title	Design	Application/ Compliance	Overall Assurance	H	M	L
ESFA Mock Funding Audit	Good	Adequate	Reasonable		2	3
Health and Safety	Good	Adequate	Substantial		1	1
Key Financial Controls	Good	Adequate	Substantial		1	1
HR Performance Management	Good	Adequate	Substantial		1	
Follow-up of Previous Internal Recommendations	N/A	N/A	Substantial			
Total number of recommendations					5	5

Review of effectiveness

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

- The work of the internal auditors and Audit Committee
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- Comments made by the College's financial statements auditors and regularity auditors in their audit findings report and other reports

The Accounting Officer has been advised on the implications of the result of the 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.

HEREWARD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2023

The Senior Leadership 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 Leadership 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.

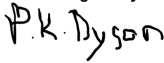
The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit Committee.

The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its meeting on 7 December 2023, the Corporation carried out the annual assessment for the year ended 31 July 2023, by considering reports from the Senior Leadership 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 the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its responsibility for *"the effective and efficient use of resources, the solvency of the institution and the corporate body and the safeguarding of their assets"*.

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 7 December 2023 and signed on its behalf by:

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Mrs P Dyson
Chair of Governors

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Mr P Cook MBE
Accounting Officer & Chief Executive

HEREWARD COLLEGE


GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

For the year ended 31 July 2023

As Accounting Officer, I confirm that the Corporation has had due regard to the framework of authorities governing regularity, propriety 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.

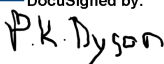
I confirm that no instances of material irregularity, impropriety or funding non-compliance, or non-compliance with the framework of authorities, have been discovered to date. If any instances are identified after the date of this statement, these will be notified to ESFA.

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Mr P Cook MBE
Accounting Officer & Chief Executive
7 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.

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Mrs P Dyson
Chair of Governors
7 December 2023

HEREWARD COLLEGE

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

For the year ended 31 July 2023

The members of the Corporation, as charity trustees, 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, 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
- 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 which 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; 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.

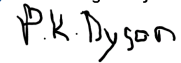
Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are 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.

HEREWARD COLLEGE

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

For the year ended 31 July 2023

Approved by order of the members of the Corporation on 7 December 2023 and signed on its behalf by:

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Mrs P Dyson
Chair of Governors

HEREWARD COLLEGE

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HEReward COLLEGE

For the year ended 31 July 2023

Opinion

We have audited the financial statements of Hereward College (the 'College') for the year ended 31 July 2023 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2022 to 2023 issued by the Education and Skills Funding Agency (ESFA).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Statement of Recommended Practice; Accounting for Further and Higher Education (the 2019 FE HE SORP) and the Accounts Direction 2022 to 2023 issued by the ESFA.

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 College 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 Corporation'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 doubt on the 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 Corporation, as a body, with respect to going concern are described in the relevant sections of this report.

Other information

The members of the Corporation are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Independent Auditor's Report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially

HEREWARD COLLEGE

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HEReward COLLEGE

For the year ended 31 July 2023

misstated. 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

In the light of the knowledge and understanding of the College and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Governing Body.

We have nothing to report in respect of the following matters prescribed by the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency which 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 of the information and explanations required for the audit were not received.

Responsibilities of the Corporation Body

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 23, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Independent 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 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:

The audit procedures designed to identify irregularities included:

- enquiry of management and those charged with governance around actual and potential litigation and claims
- enquiry of College staff with responsibilities for compliance matters to identify any instances of non-compliance with laws and regulations
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.

HEREWARD COLLEGE

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HEReward COLLEGE

For the year ended 31 July 2023

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, intentional misrepresentations or through collusion.

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

Use of our report

This report is made solely to the Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Murray Smith LLP

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Murray Smith LLP
Chartered Accountants and Statutory Auditor
Darland House
44 Winnington Hill
Northwich
Cheshire
CW8 1AU

7 December 2023

HEREWARD COLLEGE

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF HEReward COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 23 May 2023 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 Hereward 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 Hereward 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 Hereward 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 Hereward College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Hereward College and the reporting accountant

The Corporation of Hereward 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:

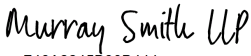
- review of evidence supporting the College's Regularity Self-Assessment; and
- review of the College's expenditure during the year

HEREWARD COLLEGE

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF HEREWARD COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY

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 which govern them.

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Murray Smith LLP
Chartered Accountants
Statutory Auditors
Darland House
44 Winnington Hill
Northwich
CW8 1AU

7 December 2023

HEREWARD COLLEGE**STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE**

For the year ended 31 July 2023

	Notes	2023 £'000	2022 £'000
INCOME			
Funding body grants	3	4,183	3,733
Other grants	4	77	4
Tuition fees	5	6,497	5,832
Other income	6	651	487
Investment income	7	191	18
TOTAL INCOME		<u>11,599</u>	<u>10,074</u>
EXPENDITURE			
Staff costs	8	7,578	7,544
Other operating expenses	9	2,791	2,636
Depreciation	11	565	479
Interest payable and other finance costs	10	199	354
TOTAL EXPENDITURE		<u>11,133</u>	<u>11,013</u>
Surplus/(deficit) before tax		466	(939)
Taxation		-	-
SURPLUS/(DEFICIT) FOR THE YEAR		<u>466</u>	<u>(939)</u>
Remeasurement of net defined benefit pension liability	16	3,393	14,618
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>3,859</u></u>	<u><u>13,679</u></u>

HEREWARD COLLEGE

STATEMENT OF CHANGES IN RESERVES

For the year ended 31 July 2023

	Income and Expenditure reserve £'000	Revaluation reserve £'000	Total £'000
TOTAL NET (LIABILITIES)/ASSETS AT 1 AUGUST 2021	(9,500)	2,013	(7,487)
Deficit for the year	(939)	-	(939)
Other Comprehensive Income	14,618	-	14,618
Transfers between Revaluation and Income and Expenditure Reserves	58	(58)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>13,737</u>	<u>(58)</u>	<u>13,679</u>
TOTAL NET ASSETS AT 31 JULY 2022	4,237	1,955	6,192
Surplus for the year	466	-	466
Other Comprehensive Income	3,393	-	3,393
Transfers between Revaluation and Income and Expenditure Reserves	58	(58)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>3,917</u>	<u>(58)</u>	<u>3,859</u>
TOTAL NET ASSETS AT 31 JULY 2023	<u><u>8,154</u></u>	<u><u>1,897</u></u>	<u><u>10,051</u></u>

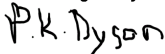
HEREWARD COLLEGE**BALANCE SHEET**

As at 31 July 2023

	Notes	2023 £'000	2022 £'000
FIXED ASSETS			
Tangible assets	11	10,239	10,166
TOTAL FIXED ASSETS		<u>10,239</u>	<u>10,166</u>
CURRENT ASSETS			
Debtors	12	407	215
Cash at bank and in hand		5,855	5,953
TOTAL CURRENT ASSETS		<u>6,262</u>	<u>6,168</u>
CREDITORS: amounts falling due within one year	13	(2,519)	(3,333)
NET CURRENT ASSETS		<u>3,743</u>	<u>2,835</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		13,982	13,001
CREDITORS: amounts falling due after more than one year	14	(3,898)	(4,031)
PROVISIONS FOR LIABILITIES			
Defined benefit pension scheme	16	-	(2,740)
Other provisions	16	(33)	(38)
TOTAL NET ASSETS		<u>10,051</u>	<u>6,192</u>
UNRESTRICTED RESERVES			
Income and expenditure reserve		8,154	4,237
Revaluation reserve		1,897	1,955
TOTAL RESERVES		<u>10,051</u>	<u>6,192</u>

The financial statements on pages 30 to 51 were approved by the governing body and authorised for issue on 7 December 2023 and were signed on its behalf by:

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Mrs P Dyson - Chair of Governors

DocuSigned by:



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Mr P Cook - Accounting Officer & Chief Executive

HEREWARD COLLEGE**STATEMENT OF CASH FLOWS**

For the year ended 31 July 2023

	Notes	2023 £'000	2022 £'000
OPERATING ACTIVITIES			
Cash generated from operations	17	570	1,117
Taxation paid		-	-
NET CASH FROM OPERATING ACTIVITIES		<u>570</u>	<u>1,117</u>
INVESTING ACTIVITIES			
Investment income	7	191	18
Payments made to acquire fixed assets	11	(638)	(387)
		<u>(447)</u>	<u>(369)</u>
FINANCING ACTIVITIES			
Interest paid	10	(93)	(90)
Repayments of amounts borrowed	15	(128)	(128)
		<u>(221)</u>	<u>(218)</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS IN THE YEAR		(98)	530
CASH AND CASH EQUIVALENTS AT 1 AUGUST 2022		5,953	5,423
CASH AND CASH EQUIVALENTS AT 31 JULY 2023		<u><u>5,855</u></u>	<u><u>5,953</u></u>

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

1 ACCOUNTING POLICIES

GENERAL INFORMATION

Hereward College is a Corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 16. The nature of the College's operations are set out in the Report of the Governing Body.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 (F&HE SORP 2019), the College Accounts Direction 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) and under the historical cost convention modified to include the revaluation of freehold property. 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.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated.

The financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

BASIS OF CONSOLIDATION

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

GOING CONCERN

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body.

At the time of approving the financial statements, the governors have a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future. Thus, the governors continue to adopt the going concern basis of accounting in preparing the financial statements. Management has assessed the going concern assumption and confirm that it remains appropriate based on the forecast performance over the next twelve months and a strong cash and net asset position which will enable it to continue to meet its liabilities as they fall due.

The College currently has £1.50m of loans outstanding with bankers on terms negotiated in 2007. The terms of the existing agreement are for another 12 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

1 ACCOUNTING POLICIES (*continued*)

The governors make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the College has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the College's ability to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

RECOGNITION OF INCOME

Grants – government and non-government

Government revenue grants are accounted for under the accrual model and are recognised where a reliable estimate of the fair value of the asset received or receivable can be made on a systematic basis over the periods in which the related costs for which the grant compensates are recognised.

Funding body recurrent grants are measured in line with best estimates for the year of what is receivable and depend on the particular income stream involved. Any under-achievement of the Adult Education 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. Where this process involves negotiations in respect of over-achievement or adjustment to claw back in respect of under-achievement, where negotiations are subsequent to the year end, they are not reflected in the income recognised.

16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments and is recognised when receivable.

Grants from non-government sources, including grants relating to assets, are recognised in income when the College has met the performance-related conditions and the grant will be received. Income received in advance of performance related conditions being met is recognised as a liability.

Government capital grants for assets, other than land, are accounted for under the accrual model. The grant income received or receivable will be recognised over the expected useful life of the asset, with any amount of the asset-related grant that is deferred being recognised as deferred income. The deferred income is allocated between creditors due within one year and those due after more than one year.

Other income

Income from Tuition Fees is recognised in the period for which it is earned and includes all fees payable by learners or their sponsors.

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

RETIREMENT BENEFITS

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS), which are multi-employer defined benefit plans.

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

1 ACCOUNTING POLICIES (*continued*)

The TPS is an unfunded scheme and the 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 the government actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. 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. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in 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.

ENHANCED PENSIONS

The actual cost of any enhanced on-going pension to former members of staff is paid by the College annually. An estimate of the expected future costs of any enhancement to the on-going pension of former members of staff is charged in full to the College's income and expenditure account in the year that the staff member retires. In subsequent years, a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

LAND AND BUILDINGS

Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

1 ACCOUNTING POLICIES *(continued)*

EQUIPMENT

Equipment costing less than £1,000 per individual item or set of items acquired together is recognised as expenditure in the period of acquisition. All other equipment is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

DEPRECIATION AND RESIDUAL VALUES

Freehold land is not depreciated. Depreciation on other assets is calculated, using the straight line basis, to write off the cost of each asset to its estimated residual value over its expected useful life, as follows:

▪ Freehold buildings	2% per year
▪ Building Improvements	10% per year
▪ Fixtures and fittings	20% per year
▪ Office equipment	15% per year
▪ Computers	33% per year

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal for the asset as if it were at the age and in the condition expected at the end of its useful life.

Subsequent costs, including replacement parts, are only capitalised when it is probable that such costs will generate future economic benefits. Any replaced parts are then derecognised. All other costs of repairs and maintenance are expensed as incurred.

IMPAIRMENTS OF FIXED ASSETS

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

LEASED ASSETS

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

FINANCIAL INSTRUMENTS

The College has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and financial liabilities are recognised when the College becomes a party to the contractual provisions of the instrument.

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.

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

1 ACCOUNTING POLICIES (*continued*)

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the income and expenditure account, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled, or expires.

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 receives no similar exemption in respect of Value Added Tax (VAT). For this reason, the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure and the cost of tangible fixed assets are therefore shown inclusive of VAT with any partial recovery netted off against these figures.

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 that reflects the risks specific to the liability. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

1 ACCOUNTING POLICIES *(continued)*

AGENCY ARRANGEMENTS

The College acts as an agent in distributing discretionary support funds from the funding bodies. Payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College does not have control of the economic benefit related to the transaction.

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

CRITICAL AREAS OF JUDGEMENT

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

- Determined 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.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

- *Tangible fixed assets*

Tangible fixed assets 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 reassessing asset lives, factors such as technological innovation, maintenance programmes, economic utilisation and physical condition of the assets are taken into account. Residual value assessments consider issues such as future market conditions and the remaining life of the asset.

- *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. The College has not recognised the asset that is reported in the actuary's FRS 102 pension calculations.

- *Impairment of fixed assets*

The College considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. These will require an estimation of the future cash flow and selection of appropriate discount rates in order to calculate the net present value of those cash flows.

HEREWARD COLLEGE**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 July 2023

3 FUNDING BODY GRANTS

	2023	2022
	£'000	£'000
ESFA - Recurrent grant - 16-18	3,626	3,263
ESFA - Adult Education Budget	222	182
Devolved authority - Adult Education Budget	138	74
ESFA - Non-recurrent grants	-	30
ESFA - Teachers' Pension grant	91	71
Release of government capital grants	106	113
	<u>4,183</u>	<u>3,733</u>

4 OTHER GRANTS

	2023	2022
	£'000	£'000
Other grant income	<u>77</u>	<u>4</u>

5 TUITION FEES

	2023	2022
	£'000	£'000
Tuition fees	<u>6,497</u>	<u>5,832</u>

6 OTHER INCOME

	2023	2022
	£'000	£'000
Residences	297	102
Other income generating activities	298	340
Miscellaneous income	56	45
	<u>651</u>	<u>487</u>

7 INVESTMENT INCOME

	2023	2022
	£'000	£'000
Other interest receivable	<u>191</u>	<u>18</u>

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

8 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION

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

	2023	2022
	Number	Number
Teaching staff	42	38
Non-teaching staff	187	183
	<u>229</u>	<u>221</u>
	2023	2022
	£'000	£'000
Staff costs for the above persons:		
Wages and salaries	5,403	4,800
Social security costs	473	414
Other pension costs	1,702	2,330
	<u>7,578</u>	<u>7,544</u>

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, the Vice-Principals, the Director of Technical, Estates and Facilities, and the Clerk to the Governors.

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

	2023	2022
	Number	Number
The number of key management personnel including the Accounting Officer was:	8	5

The number of key management personnel and other staff (over £60,000) who received emoluments, excluding employer pension contributions but including benefits in kind, in the following ranges was:

	2023	2022
	Number	Number
£5,001 to £10,000	1	-
£10,001 to £15,000	1	-
£40,001 to £45,000	1	1
£50,001 to £55,000	1	-
£65,001 to £70,000	1	3
£70,001 to £75,000	2	-
£100,001 to £105,000	-	1
£110,001 to £115,000	1	-
	<u>8</u>	<u>5</u>

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

8 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION *(continued)*

No other staff had remuneration over £60,000.

Key management personnel (including the Accounting Officer) compensation is as follows:

	2023	2022
	£'000	£'000
Salaries	436	346
Pension contributions	81	74
Total key management personnel compensation	<u>517</u>	<u>420</u>

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above compensation includes amounts payable to the Principal and Chief Executive who is the Accounting Officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	2023	2022
	£'000	£'000
Salary	110	102
Pension Contributions	24	21
Total	<u>134</u>	<u>123</u>

The pension contributions in respect of the Accounting Officer and key management personnel are in respect of employer's contributions to the Teachers' Pension Scheme and Local Government Pension Scheme and are paid at the same rate as for other employees.

The Corporation has not adopted the Senior Staff Remuneration code. It is however compliant with the minimum standards of the code. The remuneration package of key management staff, including the Principal and Chief Executive, is subject to review by the remuneration committee where a pay award is made that is not in line with the award given across the whole staff body. Due regard is given to expected performance and value for money. This includes benchmarking and comparison to the broader market.

The Principal and Chief Executive reports to the Chair of the Governing Body, who undertakes an annual review of performance against the College's overall objectives using both qualitative and quantitative measures of performance.

The relationship between the Accounting Officer's emoluments expressed as a multiple of all other employees based on full time equivalents is set out below for both basic salary and total remuneration:

	2023	2022
	£'000	£'000
Principal's basic salary as a multiple of the median basic salary of all staff	4.3	4.3
Principal's total remuneration as a multiple of the median total remuneration of all staff	4.3	4.4

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

8 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION *(continued)*

Governors' remuneration

The Accounting Officer and the staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the College in respect of their roles as governors.

During the year, total expenses of £355 (2022: £nil) were paid to or on behalf of one (2022: nil) governor in respect of travel and subsistence and other out of pocket expenses incurred in the course of their duties.

9 OTHER OPERATING EXPENSES

	2023	2022
	£'000	£'000
Teaching costs	355	175
Non-teaching costs	1,662	1,755
Premises costs	774	706
Total	<u>2,791</u>	<u>2,636</u>

Surplus/(deficit) before taxation is stated after charging/(crediting):

Auditor's remuneration – financial statements audit	24	29
Internal auditors' remuneration	12	11
Operating leases – equipment*	4	5

***Operating Lease commitments**

The total future minimum lease payments under non-cancellable operating leases is as follows:

Payments due

Not later than one year	1	1
Later than one year and not later than five years	-	-

10 INTEREST PAYABLE AND OTHER FINANCE COSTS

	2023	2022
	£'000	£'000
Interest on bank loans	93	90
Net interest on EPP pension liability (note 16)	1	1
Net interest on defined benefit pension liability (note 19)	105	263
Total	<u>199</u>	<u>354</u>

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

11 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Equipment £'000	Total £'000
Cost or Valuation			
At 1 August 2022	17,692	1,778	19,470
Additions	253	385	638
At 31 July 2023	<u>17,945</u>	<u>2,163</u>	<u>20,108</u>
Depreciation			
At 1 August 2022	7,735	1,569	9,304
Charge for year	390	175	565
At 31 July 2023	<u>8,125</u>	<u>1,744</u>	<u>9,869</u>
Net book value			
At 31 July 2023	<u>9,820</u>	<u>419</u>	<u>10,239</u>
Net book value			
At 1 August 2022	<u>9,957</u>	<u>209</u>	<u>10,166</u>

Inherited land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by a firm of independent Chartered Surveyors except for residential properties with a value of £130,000 where open market value was available.

Other tangible fixed assets inherited from the Local Education Authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

If inherited fixed assets had not been revalued they would have been included at the following historical cost amounts:

	Freehold land and buildings £'000	Equipment £'000	Total £'000
Cost	-	-	-
Aggregate depreciation based on cost	-	-	-
Net book value based on cost	<u>-</u>	<u>-</u>	<u>-</u>

HEREWARD COLLEGE**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 July 2023

12 DEBTORS

	2023	2022
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	115	106
Prepayments and accrued income	292	109
	<u>407</u>	<u>215</u>

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£'000	£'000
Bank loans	128	128
Trade creditors	252	579
Other taxation and social security	85	93
Accruals and deferred income	1,700	2,061
Deferred Income – government grants (capital)	115	101
Amounts owed to the ESFA	111	255
Pension contributions	128	116
	<u>2,519</u>	<u>3,333</u>

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2023	2022
	£'000	£'000
Bank loans	1,376	1,504
Deferred Income – government grants (capital)	2,522	2,527
	<u>3,898</u>	<u>4,031</u>

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

15 BORROWINGS

	2023	2022
	£'000	£'000
Bank loans		
Bank loans are repayable as follows:		
In one year or less (see note 13)	128	128
Between one and two years	128	128
Between two and five years	384	384
In five years or more	864	992
Total	<u>1,504</u>	<u>1,632</u>

The loans comprise an estate master plan loan for £3,200,000 with Barclays Bank. The loan is charged at a fixed interest rate of 5.95% and with quarterly capital repayments starting in June 2010 and finishing in March 2035. The loan is secured against the College's assets.

16 PROVISIONS FOR LIABILITIES

	Defined benefit obligations £'000	Enhanced Pensions £'000	Total £'000
At 1 August 2022	2,740	38	2,778
Payments in the year	-	(5)	(5)
Charged to income and expenditure in the year	652	1	653
Actuarial gains in the year	(3,392)	(1)	(3,393)
At 31 July 2023	<u>-</u>	<u>33</u>	<u>33</u>

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

The enhanced pension provision relates to the cost of staff who have already left the College's employment.

This provision has been recalculated in accordance with guidance issued by the funding bodies.

Principal assumptions for this calculation are:

	2023	2022
Interest Rate	5.0%	3.3%
Inflation Rate	2.8%	2.9%

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

17 NOTES TO STATEMENT OF CASHFLOWS

	2023	2022
	£'000	£'000
Surplus/(deficit) after tax for the year	466	(939)
Adjustment for:		
Depreciation	565	479
Pensions costs less contributions payable	542	1,312
Interest payable	199	354
Investment income	(191)	(18)
Operating cash flow before movements in working capital	<u>1,581</u>	<u>1,188</u>
(Decrease)/Increase in creditors	(819)	84
Increase in debtors	(192)	(155)
Cash generated from operations	<u><u>570</u></u>	<u><u>1,117</u></u>

18 ANALYSIS OF CHANGES IN NET FUNDS

	At		At
	1st August	Cashflow	31st July
	2022	£'000	2023
	£'000		£'000
Cash in hand and at bank	5,953	(98)	5,855
Bank loans	(1,632)	128	(1,504)
Net funds/(debt)	<u>4,321</u>	<u>30</u>	<u>4,351</u>

19 RETIREMENT BENEFITS

The College's employees belong to two principal pension schemes: The Teachers' Pension Scheme England and Wales (TPS) for academic and related staff and the Local Government Pension Scheme (LGPS) for non-teaching staff. Both are multi-employer defined-benefit schemes.

Total pension cost for the year

	2023	2022
	£'000	£'000
Local Government Pension Scheme:		
Employers contributions paid	719	674
FRS 102 charge	547	1,321
Charge to the Statement of Comprehensive Income	<u>1,266</u>	<u>1,995</u>
Enhanced pension charge to Statement of Comprehensive Income	-	-
Teachers' Pension Scheme: Employers contributions paid	310	278
All other employers contributions	126	57
Total pension cost for year within staff costs	<u><u>1,702</u></u>	<u><u>2,330</u></u>

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

19 RETIREMENT BENEFITS (*continued*)

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2020 and of the LGPS 31 March 2022.

Contributions amounting to £134,586 (2022: £116,703) were payable to the schemes at 31 July and are included within creditors.

TEACHERS' PENSION SCHEME

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014.

The TPS is an unfunded scheme and members contribute on a 'pay as-you-go' basis, and along with employers' contributions, are credited to the Exchequer.

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial valuation of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2020.

The valuation report was published by the Department for Education in October 2023. The key elements of the valuation and subsequent consultation are:

- Employer contribution rates from 1 April 2024 set at 28.68% of pensionable pay (including a 0.08% administration levy), compared to the current rate of 23.68%
- Total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262,000 million and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222,200 million, giving a notional past service deficit of £39,800 million
- The SCAPE discount rate, set by HMT, is used to determine the notional investment return. The current SCAPE rate is 1.7% above the rate of CPI, and is based on the Office for Budget Responsibility's forecast for long-term GDP growth.

The next valuation result is due to be implemented from 1 April 2027.

The employers pension costs paid to TPS in the period amounted to £310,000 (2022: £278,000).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website. (<https://www.teacherspensions.co.uk/news/employers/2023/10/valuation-result.aspx>)

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

19 RETIREMENT BENEFITS *(continued)*

LOCAL GOVERNMENT PENSION SCHEME

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2023 was £924,000 (2022: £948,000) of which employers contributions totalled £719,000 (2022: £674,000) and employees contributions totalled £205,000 (2022: £274,000).

The agreed contribution rates for 2023/24 fiscal year are 22.6% for employers (2022/23 fiscal year: 21.0%) and range from 5.5% to 12.5% for employees depending on salary (2022/23 fiscal year: from 5.5% to 12.5%).

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2022 updated to 31 July 2023 by a qualified independent actuary:

	2023	2022
Inflation assumption (CPI)	3.00%	2.75%
Rate of increase in salaries	4.00%	3.75%
Rate of increase for pensions	3.00%	2.75%
Discount rate for scheme liabilities	5.05%	3.50%

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	2023 Years	2022 Years
Retiring today		
Males	20.3	21.2
Females	23.5	23.6
Retiring in 20 years		
Males	20.9	22.9
Females	24.6	25.4

The College's share of the assets in the plan at the balance sheet date was:

	Fair value of assets at 2023 £'000	Fair value of assets at 2022 £'000
Equities	19,652	18,620
Bonds	6,069	6,588
Property	2,023	2,292
Cash/liquidity	1,156	1,146
Total fair value of Assets	<u>28,900</u>	<u>28,646</u>
Actual Return on plan assets	<u>954</u>	<u>659</u>

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

19 RETIREMENT BENEFITS (*continued*)

Analysis of the amount recognised in the Statement of Comprehensive Income

	2023	2022
	£'000	£'000
Current service cost	(1,266)	(1,995)
Past Service cost	-	(40)
	<u>(1,266)</u>	<u>(2,035)</u>
Amounts included in interest payable		
Net interest on the net defined benefit pension liability	(105)	(263)
Total operating charge	<u>(1,371)</u>	<u>(2,298)</u>

Amount recognised in Other Comprehensive Income

	2023	2022
	£'000	£'000
Return on pension plan assets	(1,091)	188
Past service costs, including curtailments	-	(40)
Changes in assumptions underlying the present value of plan liabilities	7,141	14,400
Changes in demographic assumptions	802	177
Experience gain/(loss) on defined benefit obligations	725	(105)
Other actuarial loss	(5)	-
Notional asset not being recognised	(4,180)	-
Amount recognised in Other Comprehensive Income	<u>3,392</u>	<u>14,620</u>

Changes in the present value of the defined benefit obligation are as follows:

	2023	2022
	£'000	£'000
Opening defined benefit obligation	31,386	43,497
Current Service cost	1,266	1,995
Interest cost	1,113	709
Contributions by scheme participants	205	274
Change in financial assumptions	(7,141)	(14,400)
Change in demographic assumptions	(802)	(177)
Experience (gain)/loss on defined benefit obligation	(725)	105
Past service costs, including curtailments	-	40
Benefits paid	(582)	(657)
Closing defined benefit obligation	<u>24,720</u>	<u>31,386</u>

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2023

19 RETIREMENT BENEFITS (*continued*)

Changes in the fair value of plan assets are as follows:

Fair value of plan assets at start of period	28,646	27,721
Interest on plan assets	1,008	446
Return on plan assets	(1,091)	188
Employer contributions	719	674
Contributions by scheme participants	205	274
Benefits paid	(582)	(657)
Other actuarial loss	(5)	-
Fair value of plan assets at end of period	<u>28,900</u>	<u>28,646</u>

The actuary reports a pension asset of £4,180k as at 31 July 2023. However this has not been recognised in the financial statements due to the uncertain nature of its future benefit to the College.

20 CAPITAL COMMITMENTS

	2023	2022
	£'000	£'000
Contracts for future capital expenditure not provided	-	-

21 RELATED PARTY TRANSACTIONS

Transactions with key management personnel are detailed in note 8. There have been no other related party transactions in the year (2022: none).

22 AMOUNTS DISBURSED AS AGENT

	2023	2022
	£'000	£'000
Discretionary support funds		
Funding Body Grants	47	39
Disbursed to learners	(59)	(50)
Administration costs	(3)	(2)
Use of prior year grants, offset against creditors	<u>(15)</u>	<u>(13)</u>

Funding body grants are available solely for learners. 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.

23 CONTINGENT LIABILITY

A former student has issued a claim against the College. The College is seeking legal advice but has not received information on the likely quantification of this claim.