

HEREWARD COLLEGE

**Report and Financial Statements
For the Year Ended 31 July 2022**

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REPORT OF THE GOVERNING BODY

For the year ended 31 July 2022

Objectives and Strategy

The members present their report and the audited financial statements for the year ended 31 July 2022.

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 West and East Midlands. The College offers inclusive provision for all learners, with specialist facilities for learners with broad spectrum needs, including physical and sensory impairments, medical conditions, social, emotional and communication difficulties, acquired head injury and associated learning difficulties.

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 14 to 16.

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 and vocational 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 and independence skills so that they are better equipped to make a successful transition to adult life:

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Enabling learners to achieve their potential in terms of vocational, independence and employability skills so that they are prepared for adulthood. 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. All 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 November 2017 when the College was judged to be grade 2 and “Good” in all aspects of its provision. Inspectors recognised the organisation’s key strengths which included effective governance and leadership which has addressed all of the key weaknesses identified in the previous inspection report and that leaders and managers had taken swift and effective action to ensure that the culture of Safeguarding, that protects vulnerable learners, identifies and manages risk and has resulted in an increase in the confidence and skills of staff. The positive inspection result enabled the College to focus on developing a robust strategy that delivers long-term financial viability. A new strategic plan to cover the period 2021-2024 was adopted in December 2021.

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.

Impact of COVID 19 on the strategic plan

In July 2020 the strategic plan was expanded in response to the COVID 19 pandemic.

This addendum to the strategic plan recognised the effect that the COVID 19 pandemic has had on the academic year 2019/20 and would have on the academic year 2020/21. The Plan detailed the changes that needed to be in place to create a provision that is safe and responsive to changes in COVID 19 threat levels and it addressed the following actions:

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- Creation of a safe campus-based provision
- Updates and changes to strategic priorities
- Summary of the adjustments needed to the strategic priorities
- Assessment of the financial risks associated with the pandemic

These remained relevant for the academic year 2021/22. The College is committed to providing a safe environment for its employees, learners and stakeholders, and implemented a number of COVID 19 mitigation and social distancing procedures to reduce the risk of transmission. These included the use of zoning to reduce mixing amongst students, as well as hygiene measures and an increased frequency of cleaning. Furthermore, at the start of the second term the College was responsible for setting up an on-site Lateral Flow Testing Centre, with online training and guidance provided by the Department for Education and the NHS.

The pandemic introduced a number of potential risks that could have had a financial impact. These continued to be closely monitored throughout the year and mitigating action was taken where appropriate. These risks reduced towards the end of the financial year and, despite an increase in agency staff costs due to the pandemic, the College finished the year ahead of forecast.

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
- 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 £4,237,000 (2021: (£9,500,000)). This increase to a positive reserve is a consequence of the decrease in the defined pension benefit obligations as detailed in the Balance Sheet and Notes to the Accounts. It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses. After excluding the effects of the defined pension benefit obligations, the income and expenditure reserve increased by £703k 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	2020/21	2021/22	2021/22 v target
Financial Health	Good	Good	Outstanding	Favourable
Current Ratio	1.36	1.80	1.85	Favourable

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KPI	Target	2020/21	2021/22	2021/22 v target
Performance Ratio	6.61%	10.39%	10.83%	Favourable
Gearing Ratio	24.9%	19.6%	16.3%	Favourable
Overall learner pass rates	98%	93%	90%	Adverse
Overall learner achievement rates	90%	90%	84%	Adverse
Learner achievement for English and maths functional skills	80%	58%	59%	Adverse
Learner attendance rate	92%	87%	89%	Adverse
% retention rate for learners with mentor support	95%	96%	93%	Adverse
% of staff completed core training	85%	88%	87%	Favourable
Sickness absence rate (staff)	5.0%	3.5%	4.5%	Favourable
Inspection grade with Ofsted	Good	Good	Good	Favourable
Inspection grade with CQC	Outstanding	Good	Requires Improvement	Adverse

Most of the financial KPIs improved during the year, including the current ratio. The number of staff completing core training fell slightly but was still above the target. A 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. Functional skills in English and Maths, learner attendance and retention rate for learners with mentor support were below target. The reasons for the variances, including the impact of the pandemic and the consequent struggle to re-engage with face-to-face learning by some students, have been reviewed and the Corporation is satisfied that there are sufficient robust plans in place to address underperformance.

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 £707,000 (2021: £462,000) before FRS 102 adjustments. The impact of these adjustments was significant and the adjusted deficit for the year before other gains and losses was £939,000 deficit (2021: £862,000 deficit). Total income was £10.1 million (2021: £9.1 million).

Tuition fee income increased by £777k (15.4%) over the year driven by a small increase in the student number and an increase in the complexity of needs of the learners in line with the College's strategic plan.

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Pay costs were again affected by high agency staff costs as a result of both high sickness rates and a high number of vacancies at the start of the year due to the ongoing Covid pandemic. The college made pay awards of 1.5% in September and 1.25% in April.

Considerable measures were taken to minimise the risk of Covid-19 transmission on site, including zoning of students, social distancing, masks, homeworking, increased cleaning and hygiene, handwashing points and hand sanitiser. These measures remained in place for the academic year. The financial impact of these measures was absorbed in the general overhead.

There was uncertainty throughout the year as to the ongoing level of lockdowns or restrictions, and this led to a number of financial risks which were regularly reported to the board. The students on the internship programme were unable to commence their work placements at the start of the year, and so commenced the academic programme in the first term. It was uncertain whether their placements would be possible during the year, which introduced significant uncertainty over this funding stream from the Department for Work and Pensions. By the end of the year all students had commenced external or internal placements and this funding was secured.

During the January 2021 lockdown the College introduced a hybrid model of remote and on-site learning, whilst closely monitoring attendance and engagement. The College also set up an on-site lateral flow testing centre, which enabled staff and students to be tested twice on the return to College and weekly thereafter. All of these efforts contributed to a successful return to campus with good attendance and engagement, and no cases of transmission on site. The ongoing student engagement meant that the potential risk of significant tuition fee clawbacks or withdrawals were not realised. Overall, tuition fee income increased versus 2021/22, driven by increased day learner numbers and the offering of residential places to learners with more complex needs. Extended provision in residential accommodation was offered for the first time in summer 2022.

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 the ESFA and Local Authority funding accounted for 92.9% (2021: 92.3%) of the College's total income. Taken together, funding for total learners, whether residential, day provision or internships, accounts for 95.0% of College income in the year (2021: 94.2%).

The ESFA grant increased in line with the increase in learner numbers. The delivery of the College's AEB budget recovered significantly but was still impacted by the ongoing restrictions. Whilst the ESFA element of the funding was fully delivered, the WMCA funding will be subject to a £15,000, clawback payable in 2022/23. This was due to the under-delivery of courses to learners who live in the WMCA funded areas. The significant impact of the pandemic on care homes has impacted the delivery of courses relevant to this sector.

Sports centre lettings recovered during the year, as did other on-site lettings both performing above budget. The respite service, which was curtailed due to the potential risks of Covid-19 transmission in 2020/21, resumed.

The Disability Support Assessment Centre (DSA) performed strongly in the year, with income £89,000 over budget. The DSA Sector is under governmental review and there is a proposed tender to implement a new procurement model. Hereward has signed up to be part of a tender bid with the National Network of Assessment Centres (NNAC), which are included in a sector working group. The outcome of this tender could significantly impact this income stream. The announcement was originally scheduled for August 2021, with implementation in April 2022, but has been delayed.

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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 costs increases brought about by the cost of living crisis, are of particular concern for 2022/23.

Pension costs driven by FRS 102 continue to have a noticeable financial impact. Reported expenditure was £179k higher in 2021/22 compared to 2020/21 (see note 19). The provision fell sharply by £13,036k to a negative reserve of £2.8m as a result of prevailing market conditions at the date of valuation. This is not expected to continue.

Cash flows and liquidity

Cash generated from operations was strong as the underlying surplus, before FRS 102 adjustments, was improved over the prior year operating surplus. However, movements in working capital were not as favourable with an increase in both trade debtors (as a result of the new summer provision) and prepayments.

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 returns on Government gilt-edged stock (gilts). This market is currently very volatile. The pension charge calculations within the accounts are based on this. FRS 102 is based on taking the current rate of return, whatever that is, and assuming it will be maintained for thirty years. In a down-turn this can produce what could be an overly pessimistic forecast of pension fund returns and potentially an overstated estimate of pension fund liabilities within the statutory accounts. The opposite being true when the gilt market funds borrowing at a lower cost.

Compared to this the West Midland's pension fund actuary calculates employer contribution rates, the calculation using a wider range of assets that better reflect current and future market conditions. These calculations are therefore much more driven by the overall long-term state of the market and the result is that they assume lower levels of contribution from Hereward College are needed to meet the pension fund obligations.

Treasury policies and objectives

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

The College has a separate Treasury Management Policy in place.

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

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

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The College reviews its reserves balances after excluding the liability related to the defined benefit pension scheme 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 FRS102 and this has been achieved for 2021/22. The College group's reserves include £nil (2021: £nil) held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £4.2m (2021: (£9.5m)). This includes the deficit £2.7m reserve relating to the LGPS pension scheme.

Five year highlights

	2017/18	2018/19	2019/20	2020/21	2021/22
Financial Performance					
Turnover (£000)	8,295	8,036	8,347	9,113	10,074
Operating (Deficit)/Surplus (£000)	(802)	(667)	(382)	(862)	(939)
Staff costs as % of income (%)	72.9	72.2	72.5	76.2	74.9
Interest payable (£000)	356	299	298	336	354
 Fixed Assets (£000)	 10,987	 10,821	 10,435	 10,258	 10,166
Cash and investments (£000)	3,675	4,056	4,247	5,423	5,953
Net Current Assets (£000)	1,383	1,432	1,839	2,364	2,835
Debt (£000)	2,144	2,016	1,888	1,760	1,632
Cash Days	164.8	186.5	187.7	217.2	217.4

Current and future development and performance

Learner numbers and Curriculum

In 2021/22 the College had learners comprising

- 322 were ESFA and local authority or self-funded, both residential and day
- 535 were Hereward Training learners, both distance learning and employer based
- 1 was an AEB funded classroom learner

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:

- 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
- Independent living

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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 30th 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. The College is awaiting re-inspection. This has not resulted in issues recruiting learners to the residential facility.

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. At its meeting on 9 December 2021 the Corporation approved the 2021-2024 Strategic Plan.

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 is currently working on an Accommodation Strategy.

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

Financial

The College has £8.9 million of net assets (excluding £2.8 million pension liability) and long term debt of £4.0 million.

People

The College employs an average of 221 people (expressed as head-count) during 2021/22 of which 38 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 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.

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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 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 2021/22, 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
 - 14-16 provision was piloted
- 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
 - Continuous monitoring of the additional financial risks presented by COVID 19
 - Review of funding applications and standards

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 deliver good or outstanding learning, teaching and assessment leading to poor outcomes
Actions taken in mitigation include:
 - Specialised training and a CPD programme are in place. Tailored support for distance learning was implemented
 - The Internal Quality Review (IQR) process scrutinises all aspects of teaching, learning and assessment

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- Failure to engage relevant LA Commissioners, Health and Social Care Agencies, LEP and Combined Authority 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
- Failure to diversify income from dependency on high levels of ESFA income
- Actions taken in mitigation include:*
- Income targets have been 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 maintain the profile and reputation of the College
- Actions taken in mitigation include:*
- Regular communications to parents and staff
 - The Corporation receives regular updates on complaints and compliments
 - Membership of local representative bodies
 - Management development programme

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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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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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 8 December 2022, and signed on its behalf by:



Mr I Pursglove
Chairman



Mr P Cook MBE
Accounting Officer & Chief Executive

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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)
Simon Shackleton	Technical, Facilities and Estates Manager
Jane Ferguson	Vice Principal Safeguarding and Pastoral Care
Yvonne Doherty	Clerk to the Governors

Professional Advisers

Financial Statements Auditor:
RSM UK Audit LLP
103 Colmore Row
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B3 3AG

Solicitors:
Gowling WLG
55 Colmore Row
Birmingham
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Internal Auditors:
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B3 3HT

Bankers:
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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2022

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 2021 to 31 July 2022 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 exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2021. 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 in March 2015.

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	Committee membership	Attendance 2021/22		
Mr S Brand	18.05.2017 Re-appointed 18.05.2021	4 years	Independent	Chair of Audit Committee from October 2018 Search & Governance Remuneration	Corporation	8/8	100%
					Audit	4/4	100%
					Search & Governance	3/4	75%
					Remuneration	-	-
Ms K Carr-Fanning	15.05.2020	4 years	Independent	Quality & Standards Committee from July 2020	Corporation	1/8	12.5%
					Quality & Standards	0/4	0%
Mr P Cook MBE	01.08.2017	On ceasing as Principal	Staff Principal	Search & Governance Quality & Standards Committee <i>In Attendance:</i> Remuneration Committee	Corporation	8/8	100%
					Quality & Standards	4/4	100%
					Search & Governance	4/4	100%
					Remuneration	-	-

HEReward COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2022

Name	Date of Appointment	Term of Office	Category	Committee membership	Attendance 2021/22		
Mr S Crick	15.05.2020	4 years	Independent	Audit Committee from July 2020	Corporation	7/8	87.5%
					Audit	4/4	100%
Mr M Crook	15.05.2020 10.12.2020	4 years	Co-opted Independent	Audit Committee from July 2020	Corporation	5/8	62.5%
					Audit	2/4	50%
Dr H Friend	01.09.2021	4 years	Independent	None Safeguarding Governor		6/8	75%
Ms H Hillyard	12.01.2012 Reappointed Co-opt	3 years	Co-opted	Audit Committee	Audit	3/4	75%
	12.01.2015	3 years					
	12.01.2018	4 years					
Mr R Jones	01.01.2018 End of office Dec 2021	4 years	Independent	Quality & Standards Committee	Corporation	3/3	100%
					Quality & Standards	1/2	50%
Ms J Lewis-Bell	01.08.2018 End of office July 2021	4 years	Independent	Quality and Standards Committee Search & Governance Remuneration	Corporation	5/8	62.5%
					Quality & Standards	4/4	100%
					Search & Governance	4/4	100%
					Remuneration	-	-
Mr I Meaton	03.02.2022	4 years	Staff	None	Corporation	5/5	100%
Ms L Miervaldis	09.02.2017 Resigned 15.10.2020 Reappointed 30.06.2022	4 years	Staff	None	Corporation	1/2	50%

HEREWARD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2022

Name	Date of Appointment	Term of Office	Category	Committee membership	Attendance 2021/22		
Mr I Pursglove	13.12.2018	4 years	Independent	Chair of Corporation from July 2019	Corporation	8/8	100%
				Quality and Standards from March 2019	Quality & Standards	2/4	50%
				Chair of Search and Governance Committee from July 2019	Search & Governance	4/4	100%
				Chair of Remuneration Committee from July 2019	Remuneration	-	-
Mr D Skinner	01.08.2018 Resigned 15.09.2021	4 years	Independent	None	Corporation	1/1	100%
Mr K Sonecha	15.05.2020 14.10.2021	4 years	Co-opted Independent	Corporation from 14.10.2021	Corporation	4/7	57%
				Audit Committee from July 2020	Audit	1/4	25%
Mr C Todd	01.01.2018 Reappointed 01.01.2022	4 years	Independent	Vice Chair from October 2018	Corporation	7/8	87.5%
				Quality and Standards from July 2020, Chair from November 2020	Quality & Standards	4/4	100%
				Search and Governance Committee	Search & Governance	4/4	100%
				Remuneration Committee	Remuneration	-	-
Ms N Williams	12.05.2022	4 years	Independent	Corporation	Corporation	3/3	100%
				Quality and Standards from 16.06.2022	Quality & Standards	1/1	100%

Average attendance for 2021/22 was 77%.

Yvonne Doherty 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 eight times during 2021/22.

HEREWARD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2022

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 Clerk to the Corporation 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 Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

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

There is a clear division of responsibility in that the roles of the 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 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.

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 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 2021/22 Funding Agreement the Corporation is required *to conduct an annual governance self-assessment 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 2021/22 an assessment was completed against the AoC Code of Good Governance (2021)

No external review was commissioned.

HEREWARD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2022

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 2021/22

- Members of the Corporation were specifically invited to take part in external Masterclasses facilitated by the AOC, 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, online training was also maintained. This included:

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

SEARCH AND GOVERNANCE

The Search and Governance Committee comprises 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 2021/22 was 95%.

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 2022 are set out in note 8 to the financial statements.

The Committee did not meet in 2021/22.

AUDIT COMMITTEE

The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management control and governance processes.

The Audit Committee met four times during 2021/22 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 such 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.

HEREWARD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2022

Average attendance for 2021/2022 was 70%.

QUALITY AND STANDARDS COMMITTEE

Over the year ending 31 July 2022, membership of the College's Quality and Standards Committee comprised seven 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 2021/22 was 70%.

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 2022 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2022 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

HEREWARD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2022

- 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.

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
- 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.

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 8 December 2022, the Corporation carried out the annual assessment for the year ended 31 July 2022, by considering reports from the Senior Leadership Team and Internal Audit and taking account of events since 31 July 2022.

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 body and the safeguarding of their assets"*.

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 2021/22 and up to the date of the approval of the financial statements are:

HEREWARD COLLEGE

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

For the year ended 31 July 2022

- The Committee has received a copy of the strategic risk register and accompanying action list at each meeting
- In addition, the Committee has separately reviewed the response of the college to the Covid-19 pandemic
- The Committee has adopted a process of 'Deep Dives' where specific risks are identified from the Strategic Risk Register and detail provided on the management of these risks. Three were presented during the year
- The Audit Committee has monitored 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

Hereward College – Internal Audit Opinions and Recommendations 2021/22				No. of recommendations & priority		
Audit Title	Design	Application/ Compliance	Overall Assurance	H	M	L
ESFA Mock Funding	Good	Adequate	Substantial			4
IT Data Security	Good	Adequate	Substantial		1	2
Curriculum Planning	Good	Good	Substantial			
Safeguarding, inc. The Prevent Duty	Good	Adequate	Substantial		1	2
Follow-up of Previous Internal Recommendations	N/A	N/A	Substantial		2	
Total number of recommendations					4	8

- The Audit Committee received regular updates on progress with implementing these recommendations

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 8 December 2022 and signed on its behalf by:


Mr I Pursglove
Chair of governors


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 2022

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

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

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



Mr P Cook MBE

Accounting Officer & Chief Executive
8 December 2022

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.



Mr I Pursglove
Chair of governors

8 December 2022

HEREWARD COLLEGE

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION for the year ended 31 July 2022

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

Within the terms and conditions of the corporation's grant funding agreements and contracts with ESFA, the corporation is required to prepare financial statements which give a true and fair view of the financial performance and position of the corporation for the relevant period. Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice. In preparing the financial statements, the corporation is required to:

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

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

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

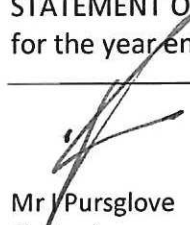
The corporation is responsible for the maintenance and integrity of its website(s); the work carried out by auditors does not involve consideration of these matters and, accordingly, auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the corporation on 8 December 2022 and signed on its behalf by:

HEREWARD COLLEGE

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION
for the year ended 31 July 2022



Mr J Pursglove
Chair of governors

HEREWARD COLLEGE

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HEReward COLLEGE

For the year ended 31 July 2022

Opinion

We have audited the financial statements of Hereward College (the "College") for the year ended 31 July 2022 which comprise the college statement of comprehensive income, the college balance sheet, the college statement of changes in reserves, the college statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is 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 2021 to 2022 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2022 and of the College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Accounts Direction 2021 to 2022 issued by the Education and Skills Funding Agency.

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 governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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 governors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information contained within the Annual Report and Financial Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

HEREWARD COLLEGE

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HEReward COLLEGE

For the year ended 31 July 2022

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2021 to 2022 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation Body of Hereward College

As explained more fully in the Statement of the Corporation's Responsibilities set out on pages 23 to 24, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

HEREWARD COLLEGE

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HEReward COLLEGE

For the year ended 31 July 2022

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the College operate in and how the college are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Further and Higher Education SORP, the College Accounts Direction published by the Education and Skills Funding Agency, and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those which are in relation to the Education Inspection Framework under the Education and Inspections Act 2006, Keeping Children Safe in Education under the Education Act 2002 and the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018. We performed audit procedures to inquire of management and those charged with governance whether the college is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

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

HEREWARD COLLEGE

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HEReward COLLEGE

For the year ended 31 July 2022

Use of our report

This report is made solely to the Corporation as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 2 November 2021. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
103 Colmore Row
Birmingham
B3 3AG

16 December 2022

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

We have carried out an engagement, in accordance with the terms of our engagement letter dated 2 November 2021 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA") or those of any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by Hereward College during the period 1 August 2021 to 31 July 2022 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Basis for conclusion

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.

We are independent of the Hereward College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

Responsibilities of Corporation of Hereward College for regularity

The Corporation of Hereward College is responsible, under the grant funding agreements and contracts with the ESFA and 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. The Corporation of Hereward College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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 [insert the start date of the period for which the annual accounts have been prepared] to 31 July 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and those of any other public funder and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report

This report is made solely to the Corporation of Hereward College and the Secretary of State for Education acting through the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Hereward College and the Secretary of State for Education acting through 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 Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP

Chartered Accountants
103 Colmore Row
Birmingham
B3 3AG

16 December 2022

HEREWARD COLLEGE

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

For the year ended 31 July 2022

	Notes	2022 £'000	2021 £'000
INCOME			
Funding body grants	3	3,733	3,532
Other grants	4	4	5
Tuition fees	5	5,832	5,055
Other income	6	487	520
Investment income	7	18	1
TOTAL INCOME		<u>10,074</u>	<u>9,113</u>
EXPENDITURE			
Staff costs	8	7,544	6,941
Other operating expenses	9	2,636	2,185
Depreciation	11	479	513
Interest payable and other finance costs	10	354	336
TOTAL EXPENDITURE		<u>11,013</u>	<u>9,975</u>
Deficit before tax		(939)	(862)
Taxation		-	-
DEFICIT FOR THE YEAR		<u>(939)</u>	<u>(862)</u>
Remeasurement of net defined benefit pension liability	19	14,618	2,520
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>13,679</u></u>	<u><u>1,658</u></u>

HEREWARD COLLEGE

STATEMENT OF CHANGES IN RESERVES

For the year ended 31 July 2022

	Income and Expenditure reserve £'000	Revaluation reserve £'000	Total £'000
TOTAL NET (LIABILITIES)/ASSETS AT 1 AUGUST 2020	(11,216)	2,071	(9,145)
Deficit for the year	(862)	-	(862)
Other Comprehensive Income	2,520	-	2,520
Transfers between Revaluation and Income and Expenditure Reserves	58	(58)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,716	(58)	1,658
TOTAL NET (LIABILITIES)/ASSETS AT 31 JULY 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	13,737	(58)	13,679
TOTAL NET ASSETS AT 31 JULY 2022	4,237	1,955	6,192

HEREWARD COLLEGE

BALANCE SHEET

As at 31 July 2022

	Notes	2022 £'000	2021 £'000
FIXED ASSETS			
Tangible assets	11	10,166	10,258
TOTAL FIXED ASSETS		<u>10,166</u>	<u>10,258</u>
CURRENT ASSETS			
Debtors	12	215	60
Cash at bank and in hand		5,953	5,423
TOTAL CURRENT ASSETS		<u>6,168</u>	<u>5,483</u>
CREDITORS: amounts falling due within one year	13	(3,333)	(3,119)
NET CURRENT ASSETS		<u>2,835</u>	<u>2,364</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		13,001	12,622
CREDITORS: amounts falling due after more than one year	14	(4,031)	(4,292)
PROVISIONS FOR LIABILITIES			
Defined benefit pension scheme	16	(2,740)	(15,776)
Other provisions	16	(38)	(41)
TOTAL NET ASSETS/(LIABILITIES)		<u>6,192</u>	<u>(7,487)</u>
UNRESTRICTED RESERVES			
Income and expenditure reserve		4,237	(9,500)
Revaluation reserve		1,955	2,013
TOTAL RESERVES		<u>6,192</u>	<u>(7,487)</u>

The financial statements on pages 31 to 53 were approved by the governing body and authorised for issue on 8 December 2022 and were signed on its behalf by:



Mr J Pursglove
Chair of governors



Mr P Cook MBE
Accounting Officer & Chief Executive

HEREWARD COLLEGE

STATEMENT OF CASH FLOWS

For the year ended 31 July 2022

	Notes	2022 £'000	2021 £'000
OPERATING ACTIVITIES			
Cash generated from operations	17	1,117	1,750
Taxation paid		-	-
NET CASH FROM OPERATING ACTIVITIES		<u>1,117</u>	<u>1,750</u>
INVESTING ACTIVITIES			
Investment income		18	1
Payments made to acquire fixed assets	11	(387)	(336)
		<u>(369)</u>	<u>(335)</u>
FINANCING ACTIVITIES			
Interest paid	10	(90)	(111)
Repayments of amounts borrowed		(128)	(128)
		<u>(218)</u>	<u>(239)</u>
INCREASE IN CASH AND CASH EQUIVALENTS IN THE YEAR		530	1,176
CASH AND CASH EQUIVALENTS AT 1 AUGUST 2021		5,423	4,247
CASH AND CASH EQUIVALENTS AT 31 JULY 2022		<u><u>5,953</u></u>	<u><u>5,423</u></u>

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

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 17. 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 2021/22 and in accordance with Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102) 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, a strong cash and net asset position, excluding long term pension liabilities, which will enable it to continue to meet its liabilities as they fall due.

The College currently has £1.63m of loans outstanding with bankers on terms negotiated in 2007. The terms of the existing agreement are for another 13 years. The College's forecasts and financial projections indicate that it will be able to operate within its existing facility and covenants for the foreseeable future.

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

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 2022

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.

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.

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

1 ACCOUNTING POLICIES (*continued*)

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 expenses 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.

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 profit or loss, 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.

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

1 ACCOUNTING POLICIES (*continued*)

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.

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.

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

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

- *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 2022

3 FUNDING BODY GRANTS

	2022	2021
	£'000	£'000
ESFA - Recurrent grant - 16-18	3,263	3,078
ESFA - Adult Education Budget	182	119
Devolved authority - Adult Education Budget	74	83
ESFA - Non-recurrent grants	30	30
ESFA - Teachers' Pension grant	71	71
Release of government capital grants	113	151
	<u>3,733</u>	<u>3,532</u>

4 OTHER GRANTS

	2022	2021
	£'000	£'000
Other grant income	<u>4</u>	<u>5</u>

5 TUITION FEES

	2022	2021
	£'000	£'000
Tuition fees	<u>5,832</u>	<u>5,055</u>

6 OTHER INCOME

	2022	2021
	£'000	£'000
Residences	102	47
Other income generating activities	340	403
Miscellaneous income	45	70
	<u>487</u>	<u>520</u>

7 INVESTMENT INCOME

	2022	2021
	£'000	£'000
Other interest receivable	<u>18</u>	<u>1</u>

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

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:

	2022 Number	2021 Number
Teaching staff	38	37
Non-teaching staff	183	195
	<u>221</u>	<u>232</u>

	2022 £'000	2021 £'000
Staff costs for the above persons:		
Wages and salaries	4,800	4,516
Social security costs	414	374
Other pension costs	2,330	2,051
	<u>7,544</u>	<u>6,941</u>

Key management personnel compensation

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 and the Vice-Principals.

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

	2022 Number	2021 Number
The number of key management personnel including the Accounting Officer was:	5	6

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

	2022 Number	2021 Number
£20,001 to £25,000	-	1
£40,001 to £45,000	1	1
£45,001 to £50,000	-	1
£65,001 to £70,000	3	2
£100,001 to £105,000	1	1
	<u>5</u>	<u>6</u>

No other staff had remuneration over £60,000.

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

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

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

	2022	2021
	£'000	£'000
Salaries	346	344
National insurance	43	41
Pension contributions	74	74
Total emoluments	463	459

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

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid member of key management personnel).

The highest paid officer is also the Accounting Officer. The total amount paid to the Accounting Officer during the year was:

	2022	2021
	£'000	£'000
Salary	104	102
National Insurance	13	13
Pension Contributions	22	21
Total	139	136

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 as part of the recruitment process only 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:

	2022	2021
	£'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	4.4	4.4

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

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 £nil (2021: £nil) were paid to or on behalf of no (2021: 0) governors in respect of travel and subsistence and other out of pocket expenses incurred in the course of their duties.

9 OTHER OPERATING EXPENSES

	2022	2021
	£'000	£'000
Teaching costs	175	163
Non-teaching costs	1,755	1,179
Premises costs	706	843
Total	2,636	2,185

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

Auditor's remuneration – financial statements audit	29	22
Other services provided by the external auditors	-	-
Internal auditors' remuneration	11	14
Operating leases – equipment*	5	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	2
Later than one year and not later than five years	-	-

10 INTEREST PAYABLE AND OTHER FINANCE COSTS

	2022	2021
	£'000	£'000
Interest on bank loans	90	111
Net interest on EPP pension liability (note 16)	1	1
Net interest on defined benefit pension liability (note 19)	263	224
Total	354	336

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

11 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Equipment £'000	Total £'000
Cost or Valuation			
At 1 August 2021	17,503	1,580	19,083
Additions	189	198	387
At 31 July 2022	17,692	1,778	19,470
Depreciation			
At 1 August 2021	7,338	1,487	8,825
Charge for year	397	82	479
At 31 July 2022	7,735	1,569	9,304
Net book value			
At 31 July 2022	9,957	209	10,166
Net book value			
At 1 August 2021	10,165	93	10,258

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	-	-	-

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

12 DEBTORS

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade debtors	106	14
Prepayments and accrued income	109	46
	<u>215</u>	<u>60</u>

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £'000	2021 £'000
Bank loans	128	128
Trade creditors	579	535
Other taxation and social security	93	111
Accruals and deferred income	2,061	2,037
Deferred Income – government grants (capital)	101	113
Amounts owed to the ESFA	255	76
Pension contributions	116	119
	<u>3,333</u>	<u>3,119</u>

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2022 £'000	2021 £'000
Bank loans	1,504	1,632
Deferred Income – government grants (capital)	2,527	2,660
	<u>4,031</u>	<u>4,292</u>

15 BORROWINGS

	2022 £'000	2021 £'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	992	1,120
Total	<u>1,632</u>	<u>1,760</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.

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

16 PROVISIONS FOR LIABILITIES

	Defined benefit obligations £'000	Enhanced Pensions £'000	Total £'000
At 1 August 2021	15,776	41	15,817
Payments in the year	-	(6)	(6)
Charged to income and expenditure in the year	1,584	1	1,585
Actuarial (gains)/losses in the year	(14,620)	2	(14,618)
At 31 July 2022	<u>2,740</u>	<u>38</u>	<u>2,778</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:

	2022	2021
Interest Rate	3.3%	1.6%
Inflation Rate	2.90%	2.60%

17 NOTES TO STATEMENT OF CASHFLOWS

	2022 £'000	2021 £'000
Surplus/(deficit) after tax for the year	(939)	(862)
Adjustment for:		
Depreciation	479	513
Interest payable	354	336
Investment income	(18)	(1)
Pensions costs less contributions payable	1,312	1,133
Operating cash flow before movements in working capital	<u>1,188</u>	<u>1,119</u>
Increase in creditors	84	564
(Increase)/decrease in debtors	(155)	67
Cash generated from operations	<u>1,117</u>	<u>1,750</u>

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

18 ANALYSIS OF CHANGES IN NET FUNDS

	At 1st August 2021 £'000	Cashflow £'000	At 31st July 2022 £'000
Cash in hand and at bank	5,423	530	5,953
Bank loans	(1,760)	128	(1,632)
Net funds/(debt)	<u>3,663</u>	<u>658</u>	<u>4,321</u>

19 RETIREMENT BENEFITS

The College's employees belong to two principal pension schemes: The Teachers' Pensions 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

	2022 £'000	2021 £'000
Local Government Pension Scheme:		
Employers contributions paid	674	676
FRS 102 charge	1,321	1,118
Charge to the Statement of Comprehensive Income	<u>1,995</u>	<u>1,794</u>
Enhanced pension charge to Statement of Comprehensive Income	-	-
Teachers' Pension Scheme: Employer's contributions paid	278	239
Total pension cost for year within staff costs	<u><u>2,273</u></u>	<u><u>2,033</u></u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2019.

Contributions amounting to £121,670 (2021: £119,075) 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.

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

19 RETIREMENT BENEFITS *(continued)*

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 was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014, except it has been prepared following the government's decision to pause the operation of the cost control mechanisms at a time when legal challenges were still pending.

The valuation report was published in April 2019. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £218 billion.
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £196 billion.
- Notional past service deficit of £22 billion
- Discount rate is 2.4% in excess of CPI

As a result of the valuation, employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE agreed to pay a teacher pension employer contribution grant to cover the additional costs during the academic year 2021-22, and currently through to March 2023. The next valuation result is due to be implemented from 1 April 2024.

The pension costs paid to TPS in the year amounted to £278,000 (2021: £239,000).

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 2022 was £948,000 (2021: £873,000) of which employers contributions totalled £674,000 (2021: £676,000) and employees contributions totalled £274,000 (2021: £197,000).

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

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2022 by a qualified independent actuary:

	2022	2021
Inflation assumption (CPI)	2.75%	2.80%
Rate of increase in salaries	3.75%	3.80%
Rate of increase for pensions	2.75%	2.80%
Discount rate for scheme liabilities	3.50%	1.60%

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

19 RETIREMENT BENEFITS *(continued)*

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

	2022	2021
	Years	Years
Retiring today		
Males	21.2	21.6
Females	23.6	24.0
Retiring in 20 years		
Males	22.9	23.4
Females	25.4	25.8

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

	Fair value of assets at 2022 £'000	Fair value of assets at 2021 £'000
Equities	18,620	16,886
Bonds	6,589	3,988
Property	2,292	1,947
Cash/liquidity	1,146	4,900
Total fair value of Assets	<u>28,646</u>	<u>27,721</u>
Actual Return on plan assets	<u>659</u>	<u>4,610</u>

Analysis of the amount recognised in the Statement of Comprehensive Income

	2022 £'000	2021 £'000
Current service cost	(1,995)	(1,794)
Past Service cost	(40)	-
	<u>(2,035)</u>	<u>(1,794)</u>
Amounts included in interest payable		
Net interest on the net defined benefit pension liability	(263)	(224)
Total operating charge	<u>(2,298)</u>	<u>(2,018)</u>

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

19 RETIREMENT BENEFITS *(continued)*

Amount recognised in Other Comprehensive Income

	2022 £'000	2021 £'000
Return on pension plan assets	188	3,609
Administration charges	-	(3)
Past service costs, including curtailments	(40)	-
Changes in assumptions underlying the present value of plan liabilities	14,400	(2,486)
Changes in demographic assumptions	177	617
Experience gain/(loss) on defined benefit obligations	(105)	758
Other actuarial loss	-	-
Amount recognised in Other Comprehensive Income	14,620	2,495

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

	2022 £'000	2021 £'000
Opening defined benefit obligation	43,497	40,405
Current Service cost	1,995	1,794
Interest cost	709	543
Contributions by scheme participants	274	197
Change in financial assumptions	(14,400)	2,486
Change in demographic assumptions	(177)	(617)
Experience (gain)/loss on defined benefit obligation	105	(758)
Past service costs, including curtailments	40	-
Benefits paid	(657)	(553)
Closing defined benefit obligation	31,386	43,497

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

	2022	2021
Fair value of plan assets at start of period	27,721	23,476
Interest on plan assets	446	319
Return on plan assets	188	3,609
Employer contributions	674	676
Contributions by scheme participants	274	197
Benefits paid	(657)	(553)
Administration expenses	-	(3)
Other actuarial loss	-	-
Fair value of plan assets at end of period	28,646	27,721

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

19 RETIREMENT BENEFITS *(continued)*

2023 Pension Increase order

The 2023 Pension Increase (PI) Order is used to set the level of pension increases, deferred revaluation and CARE revaluation with effect from 1 April 2023. This is expected to be significantly higher than the CPI assumption set by the Employer as at 31 July 2022. The PI Order is typically set with reference to the change in CPI inflation over the 12 months to the previous September. The change in CPI over the 12 months to September 2022 was 10.1% (i.e. pensions are expected to increase by c. 10.1% in April 2023). The actual 2023 PI Order is not automatically set with reference to the September CPI. This is only known with certainty in March 2023, once this has been approved by Parliament. It is possible that the actual PI Order will be lower than the change in CPI over the 12 months to September 2022.

It is due to this uncertainty that our standard assumptions and approach as at 31 July 2022 make no allowance for a 2023 PI Order of the order of 10.1%. It is common practice for pensions disclosures to recognise experience as and when this materialises, and so recognition of the 2023 PI Order would ordinarily be made when this is known with certainty, i.e. when preparing pensions disclosures as at 31 July 2023.

If the PI order reflected the September 2022 CPI then the value of obligations would increase by £1,902k and the net liability would increase to £4,642k. This would have no effect on the deficit for the year.

20 CAPITAL COMMITMENTS

	2022 £'000	2021 £'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 (2021: none).

22 AMOUNTS DISBURSED AS AGENT

	2022 £'000	2021 £'000
Discretionary support funds		
Funding Body Grants	39	41
Disbursed to learners	(50)	(41)
Administration costs	(2)	-
Balance unspent as at 31 July, included in creditors	(13)	-

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.

HEREWARD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

23 POST BALANCE SHEET EVENT

On 29 November 2022 the Office for National Statistics published its decision to reclassify the statutory further education sector into the central government sector. The government have confirmed that colleges will retain their surpluses and be able to carry them over from one year to the next, but the transfer to the public sector will mean that colleges will be subject to the public sector framework for financial management as set out in the Managing Public Money document published by HM Treasury. The College does not believe that this will have a material impact on its financial operations.