

NCFE

Trustees' Report and Financial Statements

31 July 2021

Reference and administrative information

Charity Registration No. 1034808
Company Registration No. 02896700

Registered office and operational address

NCFE Quorum Park
Benton Lane
Newcastle upon Tyne
Tyne and Wear
NE12 8BT

Auditor

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers

Barclays Bank
Percy Street
Newcastle upon Tyne
NE1 4QL

Lloyds Bank PLC
King Street
Manchester
M2 4LQ

Investment managers

Brewin Dolphin Ltd
Time Central
Gallowgate
Newcastle upon Tyne
NE1 4SR

Solicitors

Womble Bond Dickinson LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE99 1SB

Bates Wells Braithwaite
10 Queen Street Place
London
EC4R 1BE

Reference and administrative information

Charity Registration No. 1034808
Company Registration No. 02896700

Trustees

Ms B Ashton – Deputy Chair
Ms R Cuschieri
Ms D Jenkins - Chair
Mr C Peel
Mr D Wilson
Mrs J Whitfield

Company Secretary

L Forrest

Chief Executive Officer

D Gallagher

Chief Financial Officer

L Forrest

Chief Operating Officer

S Foster

Chief Strategy Officer

P Le Feuvre

Executive Director of Operations

S Brown

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2021

The Trustees present their annual report together with the audited financial statements of NCFE for the year ended 31 July 2021.

Purpose and objectives

The primary purpose of NCFE is to promote and advance learning, helping to create a fairer, more inclusive society.

We will promote learning through:

- Advocating for, raising the profile of and investment in, learning (education and training)
- Influencing the design, development and delivery of progressive and impactful learning
- Endorsing the creation and distribution of high-quality learning opportunities
- Engaging more people into learning, particularly those who need it the most, to support social mobility and prosperity

We will advance learning through:

- Creating high quality learning opportunities that will support the progression of learners/beneficiaries, improving their life and career opportunities
- Pioneering and investing in the creation and adoption of innovations that will improve learning outcomes and enhance the value of learning
- Facilitating the generation and fruition of new ideas and approaches that will improve learning, particularly technical and vocational education

Our strategic objectives which take us up to 2024 are:

1. Developing deep and credible insight into need: We will use our deep understanding of the needs of learners, communities, and the economy to focus resources on making the biggest difference.
2. Creating brilliant qualifications and content: We will develop and deliver brilliant learning content that equips educators with the skillsets and resources to deliver the highest quality, transformational learning experiences.
3. Assessing learner need, progress, and attainment: We will be market leaders in the forms of assessment we specialise in, using advanced analytics to create richer, more personalised, lifelong learner journeys.
4. Cultivating a purposeful and high-performance culture: We will cultivate a purpose-led, collaborative, vibrant and high-performance culture where our people are connected with and aligned to achieving our ambitious goals.
5. Leading digital disruption in education: We will be a lean, digitally enabled organisation that delivers innovative products and personalised experiences to every type of customer.

Main activities undertaken to further the charity's purposes for the public benefit

The Trustees confirm that they have complied with the duty in section 4 of the Charities Act 2011, to have due regard to the Charity Commission's general guidance on public benefit, "Charities and Public Benefit".

NCFE's charitable purpose as enshrined in its objects is to promote and advance the education and training of young persons and adults. We aim to positively impact lives through our core activities:

1. Providing examinations and assessments in a range of subjects and sectors and at a variety of levels, making those examinations and assessments available through a very wide range of educational and training establishments to those persons for whom they are considered appropriate.
2. Awarding qualification certificates to those learners successful in meeting the examination or assessment requirements and awarding prizes to learners demonstrating outstanding achievement.
3. Making charitable donations to other organisations with a charitable purpose aligned to our own.
4. Lobbying for further improvements in the technical education sector.
5. Improving technical education through delivery of innovations including T-level qualifications.

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2021

Achievements and performance

NCFE Trustees have complied with their legal duties to promote the success of the Company for the fair benefit of its members. The Trustees have ensured that they have determined the likely consequences of decisions being made, the interests of the company employees, relationships with customers and external organisations and the impact of the Company's operations on the community and the environment, whilst also maintaining a reputation of high standards in its business conduct. Further details of how compliance in these areas has been achieved are set out in the remainder of the report.

2020/21 has been a successful year for NCFE with the following particular highlights:

- We worked with around 4,500 providers to extend the delivery of our products and services, issuing more than 380,000 certificates to support learners to progress onto the next stage of their education, training or career. In 2020-21, this included around 60,000 Teacher Assessed Grades, achieved in an exceptionally challenging year.
- We registered nearly 10,000 apprentices who completed over 13,000 end-point assessments, with a 97% pass rate.
- We saw over 1.3m assessments completed through our skills assessment platforms in the post-16 employability and skills sector, helping providers to understand starting points and set learners up for success.
- We engaged with nearly 500 stakeholders in our T Level technical qualification development work to ensure learners will excel in their chosen career path.
- We had our five final Wave 2 T Levels publicly approved by the Institute for Apprenticeships and Technical Education (IfATE).
- We won a further three T Level contracts (awarded by government) including Hair, Beauty and Aesthetics, Creative and Broadcasting and Craft and Design and saw the first cohort of T Level students succeed.
- We were successful in a number of other high-profile bids and tenders, enabling us to offer apprenticeship standards in several areas to our customers.
- We championed learner and provider success in the media during the vocational and technical results period, with an overall reach of nearly 300 million people through our PR and media outreach work.
- We successfully launched a new brand to the sector with exceptional initial feedback.

Movements need collaborators – working across the sector for success:

- We have continued to partner with World Skills and we are now entering the second year of funding the WorldSkills UK Centre of Excellence which aims to develop a cadre of world-class technical educators. The three-year pilot will impact more than 160 educational institutions and nearly 1,000 educators, reaching more than 40,000 young people. In the first year of the programme alone, 55 applications were received from providers resulting in 20 providers being selected for the pilot, 9 of which were from areas of high deprivation, and 5 had 20% or more learners from BAME backgrounds. Within the first year, the Centre of Excellence saw 100 members of teaching staff enrolled on to the programme from the 20 providers, representing a wide range of technical and vocational specialisms. These educators have reported greater levels of confidence in their teaching practice, as well as greater clarity on competence and excellence and how this can be applied in different skill areas. There was also evidence of increased networking and communication within and between the providers involved in the pilot.
- We continue to support the work of Campaign for Learning, helping us to strengthen our position as a purpose-led and influential authority in the education sector. Notable highlights have included the delivery of the annual Family Learning Festival (the biggest of its kind) as well as the coordination and launch of Learning at Work week. Throughout its initiatives, Campaign for Learning is dedicated to championing the case for lifelong learning, engaging in partnerships and activities which promote active participation in education for learners of all ages, an endeavour which has immeasurable benefits for families and communities, society and the economy.

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2021

Achievements and performance (continued)

- We successfully teamed up with Fika to bring an innovative mental fitness app into the FE sector, with the aim of improving outcomes and wellbeing for students and staff, at a time when it is most needed. Improving mental health in education settings is a huge priority for us and we have offered this app for free into 82 institutions with 23,869 registrations and 5,653 certificates earned. So far, 93% of users have said that Fika has had a positive impact on their educational life. We have also rolled out this resource internally to colleagues.
- We launched the assessment innovation fund where we will invest £1 million over the next 12 months to support external stakeholders in piloting new and innovative approaches to assessment. This includes testing out brand-new ideas and exploring the use of technology. In phase one of the project, the target was to get 5-6 applications and we received 20, with phase 2 opening this week.
- We supported the launch of the Association of Apprentices – a collaborative initiative aiming to create a community led by apprentices, for apprentices, to provide professional development, networking, and career guidance. The Association now has a growing membership and will provide a much-needed support network and will focus on the social and broader elements often missing from apprenticeships.
- For CACHE Alumni (our free, award-winning association in care, health and education), we have doubled our membership every year so far. We now have just under 17,000 members and were finalists in the Learning Excellence Awards this year for the platform.
- We also continue to support the Helena Kennedy Foundation through funding for bursaries and mentoring support.

Energy and Carbon Report

We are now reporting under the UK energy and carbon reporting requirements ('SECR') and have set out in the table on the next page our direct emissions.

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2021

GHG emission and energy data

	Year to 31 July 2021
ENERGY CONSUMPTION TO CALCULATE EMISSIONS	
Gas combustion Kilowatt Hours (kWh)	45,706
Purchased electricity kWh	537,881
Transport fuel * kWh	19,461
Total energy consumption kWh	603,048
EMISSIONS	
Gas combustion tonnes CO2 equivalent (tCO2e) (Scope 1)	8.4
Purchased electricity tCO2e (Scope 2)	114.2
Business travel in employee-owned vehicles where the organisation is responsible for purchasing the fuel *tCO2e (Scope 3)	4.3
Total gross emissions tCO2e based on above	126.9
INTENSITY RATIOS	
tCO2e per £m revenue	3.26
tCO2e per m2 of floorspace	0.04

**Represents fuel used in personal cars on business use for which the organisation reimburses its employees following claims for business mileage*

Energy efficiency actions taken

Following an energy audit by an independent consultant a number of potential actions were identified and budget set aside to deliver these. Although there have been some delays due to lockdown during the pandemic, the following actions have been delivered:

- All light fittings replaced with low-energy LED lighting throughout the building
- All lighting fitted with Passive Infrared Sensors (PIR) in office spaces
- Lighting in stairwells and reception fitted with 'dusk til dawn' sensors
- Timers changed on the Fan Coil Units (FCU's) to accommodate shorter working days

Future initiatives will involve reviewing office space usage out of non-core office hours to reduce energy expended on heating, cooling and ventilation

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2021

Methodology

The emissions and energy data noted above has been collated, calculated and presented using the methodology set out in WRI / WBSCD The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), March 2004, including separate guidance on Scope 2 and Scope 3 emissions.

When reporting emissions related to electricity consumption, the appropriate years' Greenhouse gas reporting conversion 2021 factors have been applied to all electricity.

NCFE Energy and carbon report

The organisation purchases 100% renewable electricity and natural gas for our Q6 Office. This is procured backed by recognised certification schemes (i.e. REGOs, GOOs), which provide evidence that the energy is from appropriately accredited renewable sources.

Additional voluntary reporting activities

The majority of the organisation's carbon footprint comprises Scope 3 emissions from business travel i.e. fuel associated with transport (personal cars on business use) where the organisation does not operate the vehicle / service. Although this data is outside the mandatory requirements of the 'Energy and Carbon Report, the organisation voluntarily reports a full carbon emissions data set (including all Scope 3 emissions from business travel) on an annual basis.

Key financial performance indicators

In order to sustain the charity and reach more learners, we continued to measure our performance using the following key metrics:

- Income – our income is monitored in real time
- Earnings before interest, taxation, depreciation and amortisation (“EBITDA”)
- Surplus before and after investment gains and losses
- Aged debtors – debtors have the greatest impact with EBITDA on our cash flows
- Cash flow

Going concern

The directors have considered the company's current and future prospects and its availability of financing and are satisfied that the company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. For this reason, the directors continue to adopt the going concern basis of preparation for these financial statements.

Beneficiaries of our services

We consider the beneficiaries of our services to be the learners undertaking study for our assessments, benefiting from any of our learning resources or more broadly benefiting from further education which we seek to advance and promote.

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2021

Financial review

Income for the year was £38.8m (2020: £36.1m), and net income before investment gains was £1.0m (2020: £3.8m) which was ahead of our business plan which was cautious due to COVID-19 risks.

Operational earnings before interest, taxation, depreciation and amortisation, and adjusted for non-recurring items ("EBITDA") for the year was £7.1m (2020 £6.8m) which was ahead of business plan reflecting our strong income performance and after significant investment in transformation.

At 31 July 2021 NCFE was in a financially strong position, with cash and investments totalling £38.2m (2020: £36.6m) and net assets of £44.9m (2020: £43.4m). Our debtors' days improved by 8 days reflecting our focus on managing our debtors through COVID-19.

All of NCFE's income is earned. As such, NCFE's continued success is reliant upon continuing to meet the needs of customers by aligning its products and services to skills and Government priorities and seeking new opportunities within the education sector.

As further changes are expected it will be necessary for NCFE to continue investment in its qualification portfolio and infrastructure to allow ongoing provision of solutions to customers with exceptional service. NCFE will fund necessary investment from existing reserves and seek to raise borrowing as deemed appropriate.

Investment powers and policy

Under its Memorandum and Articles of Association, the Trustees have the power to invest as they see fit to meet the charitable purpose.

The investment policy agreed by the Trustees has continued to follow a 'managed funds' approach, based on a 'progressive' risk profile. All investment decisions are delegated to the judgement of the organisation's investment advisors. The policy allows for tactical asset allocation across a range of investment types:

	Asset Allocation Ranges		
	Strategy Fund	Trading Shocks Fund	Legacy Fund
Fixed Interest	36% - 52%	17% - 33%	0% - 14%
UK Equities	0% - 14%	11% - 26%	21% - 27%
Overseas Equities	4% - 20%	26% - 42%	45% - 62%
Alternative Investments	15% - 30%	7% - 23%	0% - 14%
Property	0% - 15%	0% - 13%	0% - 10%
Cash	0% - 15%	0% - 10%	0% - 10%

The discrete funds have differing investment time horizons based on the charity's expectations on when they will be utilised. The Trustees' objective is to protect the capital value of its Reserves in real terms and maximise the return on investment for the acceptable and agreed level of risk.

The year to 31 July 2021 showed an unrealised gain of £520,000 (2020: loss of £602,000). The Trustees are satisfied that the portfolio has performed in line with expectations overall and, over time, has exceeded the level of return which would have been achieved had the monies been held as cash.

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2021

Principal risks and uncertainties

In relation to long term Government funding and policy direction for education, our principal risk relates to the defunding and/or deregulation of qualifications, for which NCFE relies on indirect government funding via colleges, training providers and schools. In the form of Level 3 provision this has been outlined in the Skills and Post-16 Education Bill where the Department for Education are proposing to remove the funding of some Level 3 qualifications. This is mitigated to some extent with NCFE winning tenders for the development of the Technical Qualifications within 9 T level contracts, however this would not mitigate losses in areas where NCFE did not win the T level contract or in subject areas where a T level is not available. The risks that this presents to the sector as a whole also could lead to the consolidation of Awarding Organisations, which means NCFE could become an acquisition target but could also present opportunities for partnership and charitable merger.

Over the past 18+ months the regulatory framework for Awarding and End Point Assessment has changed multiple times with differing requirements put in place for each academic year and specific circumstances related to the pandemic. These changes in regulatory framework have increased the requirement and the potential for further changes, as the sector seeks to find equitable ways of delivering assessments to each new cohort, based on their own unique circumstances whilst considering the comparability against previous and future cohorts. The sector is also seeking a new 'normal' where flexibilities and technology that were introduced to support learners and centres are considered for suitability in the long term. The changing of regulatory frameworks and adaptations to qualifications and assessments is likely to continue whilst the pandemic is ongoing and present risks and uncertainties well beyond this timeframe. NCFE therefore continues to work closely with government bodies, regulators, stakeholders and customers to ensure influence in decision making and to be as proactive as possible in relation to changes to policy and regulatory direction.

NCFE customers have been supported throughout the pandemic as businesses, for example through the job retention scheme, and as training providers, for example through the discounting or refunding of fees in some cases. However, there is a risk that when support is withdrawn some customers may struggle financially, which may in turn present a risk to NCFE. To mitigate this NCFE continues to carry out credit monitoring and regular credit control meetings to identify customers that may present a risk.

Due to changes in the regulatory frameworks, and identification that data sharing between the different aspects of the educational system needs improvement, there has been a focus from educational regulators on the collection of data, with a 5-fold increase in the number of returns compared to the previous year. Regulators informed NCFE that this increased level would continue for the foreseeable future which increased the risks in relation to resourcing these requests and in ensuring their accuracy. To mitigate this NCFE created a Head of Provider Data role to oversee the management of data returns and lead on improving the data that is collected from customers to ensure appropriate support and management is maintained. This also fits into NCFE's wider data strategy under the remit of a new role of Director of Data and Analytics.

The final principal risk for NCFE relates to the Transformation programme which was created to elevate NCFE's position within the education sector, align different parts of the NCFE organisation and develop innovative ways to address educational challenges. Significant investment is planned for the Transformation programme, and there is therefore a risk that the return on investment is not achieved. In order to mitigate this a number of controls have been put in place, including; a programme management structure including boards at workstream, project, programme and executive level, named accountable owners and leads for each of the projects within the programme and the requirement for investment to be business cased and approved by the board of Trustees.

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2021

COVID-19 risk

The global economy in 2020 has been, and is expected to continue to be, significantly impacted by the pandemic outbreak of the Coronavirus (COVID-19). The economic impact of COVID-19 will be severe and the duration of which will depend on how long it will take Government to contain the spread of COVID-19 and their ability to support the local economy to recover from it.

The Group created working groups to manage the risks associated with the COVID-19 virus and these procedures are now mainstreamed within the business. A group to manage the risks of returning to the workplace now meets regularly and consults with the wider business with the primary aim of maintaining safe operations and protection for employees as advised by local health authorities. In the first instance the Group is following the advice of the World Health Organisation (WHO) and local health authorities. NCFE has reserves and liquidity considered well in excess of the level considered to meet financial shocks over a 12 month period. The long-term impact of this crisis is uncertain and therefore no explicit statement can be made at this stage.

Reserves policy

The Trustees have reviewed the Charity's needs for reserves in line with guidance issued by the Charity Commission. At 31 July 2021, the Group had reserves of £44.9m. All reserves are unrestricted funds.

The Trustees consider the level of reserves and cash to be sufficient to meet the ongoing activities and obligations of the Charity for the next 12 months at least. The Reserves policy sets out a minimum level of reserves to protect the Group from any significant financial shocks of £15m. The remaining reserves will be available for the delivery of the 5 year strategic plan aimed at maximising our social impact and ensuring a sustainable future for the Group.

Plans for future periods

Our strategic objectives are:

1. Developing deep and credible insight into need: We will use our deep understanding of the needs of learners, communities, and the economy to focus resources on making the biggest difference.
2. Creating brilliant qualifications and content: We will develop and deliver brilliant learning content that equips educators with the skillsets and resources to deliver the highest quality, transformational learning experiences.
3. Assessing learner need, progress, and attainment: We will be market leaders in the forms of assessment we specialise in, using advanced analytics to create richer, more personalised, lifelong learner journeys.
4. Cultivating a purposeful and high-performance culture: We will cultivate a purpose-led, collaborative, vibrant and high-performance culture where our people are connected with and aligned to achieving our ambitious goals.
5. Leading digital disruption in education: We will be a lean, digitally enabled organisation that delivers innovative products and personalised experiences to every type of customer.

Structure, governance and management

Statement by the trustees in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The board of trustees of NCFE consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its stakeholders as a whole (having regard to the matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 July 2021.

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2021

Statement by the trustees in performance of their statutory duties in accordance with s172(1) Companies Act 2006 (continued)

The company continues to invest in operations and seeks to develop the business in existing and growing markets. We constantly review our operations with the goal of optimising efficiency. We adhere to strong ethical principles and expect our stakeholders to align to these principles.

Employees

The company promotes attractive job opportunities and invests in our personnel via training and support. NCFE is committed to a diverse workplace. We seek to actively recruit, continually develop and retain talented people from diverse backgrounds and origins.

Health and safety

A commitment to safety and occupational risk prevention are NCFE top corporate priorities. NCFE strives to minimise the risks of accidents or illness among its employees through managing a continuous improvement of occupational health and safety.

Customers

NCFE seeks to attract and retain customers by offering superior products and service levels and through fair and honest competition.

Suppliers

NCFE seeks good working relationships with our suppliers and expects them to adhere in full to the values and principles of legal compliance and ethical behaviour.

Community and environment

NCFE aims to contribute to the development and wellbeing of the communities in which we operate, by delivering our products and services profitably and efficiently. The prevention of pollution is a core management goal, and we are committed to the continuous improvement of our environmental behaviour.

The Group's intention is to behave responsibly toward our staff members and other stakeholders, and treat them fairly and equally, so they too will benefit from the successful delivery of our plan.

Governing document

NCFE is a Company limited by guarantee governed by its Memorandum and Articles of Association dated 10 February 1994 and last amended on 19 August 2020. It is registered as a charity with the Charity Commission. Anyone over the age of 18 can become a member of the company and there are currently 6 members (2020: 6), each of whom agrees to contribute £1 in the event of the Charity winding up.

The members of the Board of Trustees, who are also the directors for the purpose of company law, are listed on page 2.

Method of appointment or election of Trustees

The management of the company and the group is the responsibility of the Trustees who are elected and co-opted under the terms of the Articles of Association.

As set out in the Articles of Association, the Chair of the Trustees is nominated from within the current membership by the Trustees. During the current accounting period, the Trustees have also appointed a Deputy Chair.

Individual Trustees are sought when a vacancy arises on the Board. The Board seeks to maintain a reasonable balance of gender, ethnicity, skills and work backgrounds. They will target individuals who have the requisite mix for any specific vacancy. The Board makes a positive effort to remove, reduce or prevent obstacles to people being trustees, allocating budgets, where necessary, to achieve this within the charity's available resources.

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2021

Method of appointment or election of Trustees (continued)

Trustees serve a 3 year term, at the end of which they may seek re-election for a further 3 years. There is no outside party who can appoint trustees.

Trustee induction and training

All new Trustees undergo a detailed induction at which members of the Executive brief them on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the committee and decision-making processes, the business plan and the recent financial performance of the charity. During the induction they are also introduced to numerous key members of staff.

Trustee induction and training

Trustees are encouraged to attend appropriate training events and conferences where these will facilitate the undertaking of their role.

The Trustees undertake an annual self-assessment of performance and skills assessment when required for succession planning purposes.

Pay policy for senior staff

The company undertakes independent benchmarking of remuneration for executives and the senior leadership team. Salaries for executives are agreed by Trustees, with salaries for the senior leadership team being set by the executive team within parameters defined by the budgets approved by Trustees.

Trustees set out the process for setting the remuneration of senior staff, and their remuneration levels, and are currently reviewing the scope of the Remuneration Committee. On completion of this the policy it will be published on the charity's website.

Organisational structure and decision making

The Board of Trustees, which can have up to 12 members, administers the charity.

The Board meets at least 4 times a year, at least one meeting of which is extended to enable members to give greater consideration to the future strategic direction of the organisation, as well as ensuring that the organisation's charitable purposes, and its external environment in which it works, continue to be relevant and valid.

The Board applies the Charity Governance Code as an internal framework to review and monitor its own performance and compliance via the Audit, Risk and Investment Committee, reporting back to the Board through the NCFE Group Assurance document.

The Board look to comply with the code in most parts except for the follow two principles which are not applicable to the business:

2.6.2 Where individual board members are also involved in operational activities, for example as volunteers, they are clear about the capacity in which they are acting at any given time and understand what they are and are not authorised to do and to whom they report. – No Board member is active operationally or volunteers for the business (as the business has no volunteers).

7.7 Member engagement (where trustees are appointed by an organisational membership wider than the trustees) - Not currently applicable as membership to the charity is linked to the appointment as a trustee and Board Membership is self-contained.

Report of the Board of Trustees (incorporating the Strategic Report)

for the year ended 31 July 2021

Organisational structure and decision making (continued)

The charity has noted the revisions made to the Code at the end of 2020 for the Integrity Principle (Principle 3) and Equality, Diversity and Inclusion (Principle 6) and are working towards adopting the changes recommended in the revised framework.

Members also meet with the Executive between quarterly formal meetings to exchange views and receive updates on the organisation's progress. As stated above, none of the Trustees are directly involved in the operational activity of the Group.

A Chief Executive is appointed by the Trustees to manage the day to day operations of the charity. To facilitate effective operations, the Chief Executive has delegated authority, within terms of delegation approved by the Trustees, for operational matters including finance, employment and education-related activity.

The Chief Executive manages the Executive who have Directorate level responsibility. Within each Directorate there are a number of teams each of which has a manager who sits as part of the Management team group with responsibility for operational activity.

Related parties

The links between Board members and the organisations in which they hold senior positions are disclosed in note 21.

Risk management

The Trustees have a risk management strategy which comprises:

- continuous review of the strategic risks the charity may face,
- the establishment of systems and procedures to mitigate those risks identified in the plan.

Employee involvement and employment of disabled people

Employees are periodically consulted with on issues of concern to them by means of regular Employee forums meetings made of elected representatives and through the Equality, Diversity and Inclusion forum and continue to be communicated with through many communication channels used across the business. The company and the group carries out exit interviews for all staff leaving the organisation and has adopted a procedure of upward feedback for senior management and the Trustees on common themes and issues that arise as a result of these interviews.

The company and the group have implemented a number of detailed policies and training in relation to all aspects of personnel matters. In accordance with the company and the group's equal opportunities policy, the company and the group has long established fair employment practices in the recruitment, selection, retention and training of disabled staff.

Full details of these policies are available from the company and the Group's offices.

Report of the Board of Trustees (incorporating the Strategic Report)

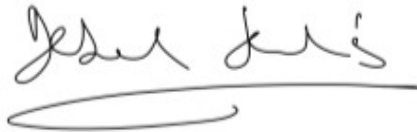
for the year ended 31 July 2021

Disclosure of information to auditor

Each of the persons who are Trustees at the time when the Report of the Board of Trustees is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable group's auditor is unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable group's auditor is aware of that information.

This report was approved by the Trustees on 6 December 2021 and signed on their behalf by:

A handwritten signature in dark ink, appearing to read 'D Jenkins', with a long horizontal flourish underneath.

Ms D Jenkins MBE DL
Chair

Statement of Trustees' responsibilities

The Trustees (who are also directors of NCFE for the purpose of company law) are responsible for preparing the Report of the Board of Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the net income and application of resources, including the income and expenditure, of the charitable group for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company and group's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of NCFE

Opinion

We have audited the financial statements of NCFE ("the Company") and its subsidiaries ("the Group") for the year ended 31 July 2021 which comprise the Group statement of financial activities, Group balance sheet, Company balance sheet, Group statement of cash flows and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- ▶ give a true and fair view of the Group's and the Company's affairs as at 31 July 2021 and of the Group's net income and application of resources, including its income and 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 requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the annual report.

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

Independent auditor's report

to the members of NCFE

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ▶ the information given in the Trustees' report, which includes the directors' report and the strategic report prepared for the purpose of company law, for the financial year for which the financial statements is prepared is consistent with the financial statements; and
- ▶ The strategic report and the directors' report included within the Trustees' report have been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the company and its environment obtained in the course of the audit, we have identified no material misstatements in the strategic report or the directors' report included within the Trustees' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- ▶ adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the company financial statements are not in agreement with the accounting records and returns; or
- ▶ certain disclosures of trustees' remuneration specified by law are not made; or
- ▶ we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 15, the Trustees (who are also the directors of the Group and the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that give a true and fair view, and for such internal control as the trustees 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 trustees are responsible for assessing the Group's and the company'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 trustees either intend to liquidate the Group or company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report

to the members of NCFE

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are
 - Companies Act 2006, Charities Act 2011, the Charities SORP and FRS102
 - Tax legislation (governed by HM Revenue & Customs) and including furlough legislation
 - Health and Safety legislation
- We understood how NCFE is complying with those frameworks by reading internal policies and codes of conduct and assessing the entity level control environment. We made enquiries of the Group's senior management of known instances of non-compliance or suspected non-compliance with laws and regulations, including any matters raised in whistleblowing. We also considered the oversight procedures of the Group's Board of Trustees.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by making enquiries of senior management, including the Chief Financial Officer. We obtained details of incidents and allegations of fraud raised internally and investigated by the Group's compliance team. We planned our audit to identify risks of management override or bias by agreeing journal entries in the areas involving significant estimation and judgement, recognition of revenue and profits on contracts, to supporting documentation.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of board meetings and other committee minutes, including the Audit, Risk and Investment Committee, and incident reports to identify any non-compliance with laws and regulations. Our procedures also involved journal entry testing and data analytics, as set out above. Our testing also included consideration of compliance of employees with policies and codes of conduct.


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

Independent auditor's report

to the members of NCFE

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in dark ink, appearing to read 'Ernst + Young W'.

Caroline Mulley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne
13 December 2021

Group statement of financial activities (incorporating an income and expenditure account)

for the year ended 31 July 2021

		2021	2020
	Notes	£000	£000
Income from:			
Investment income	2	303	465
Other trading activities		1,385	1,191
Charitable activities:			
Examination and assessment		36,808	33,297
Other income	3	296	1,172
Total income		<u>38,792</u>	<u>36,125</u>
Expenditure			
Raising funds:			
Trading		2,023	1,700
Investment management costs	4	54	54
Charitable activities:			
Examination and assessment	5	35,700	30,564
Total expenditure		<u>37,777</u>	<u>32,318</u>
Net income before other recognised gains and losses		1,015	3,807
Gains/(losses) on revaluations of investment assets	12	520	(602)
Net movement in funds for the year		<u>1,535</u>	<u>3,205</u>
Reconciliation of funds:			
Total funds brought forward		43,406	40,201
Total funds carried forward		<u>44,941</u>	<u>43,406</u>

All funds are unrestricted.

Group balance sheet

at 31 July 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Intangible assets	10	3,306	2,910
Tangible assets	11	2,926	3,061
Investments	12	9,089	10,655
		<u>15,321</u>	<u>16,626</u>
Current assets			
Stocks	13	18	18
Debtors	14	5,218	4,923
Cash at bank and in hand		<u>29,094</u>	<u>25,963</u>
		34,330	30,904
Creditors: amounts falling due within one year	15	<u>(4,710)</u>	<u>(4,124)</u>
Net current assets		<u>29,620</u>	<u>26,780</u>
Total assets less current liabilities		<u>44,941</u>	<u>43,406</u>
Net assets		<u>44,941</u>	<u>43,406</u>
Charity funds			
Unrestricted funds:			
Unrestricted funds	16	<u>44,941</u>	<u>43,406</u>
Total funds		<u>44,941</u>	<u>43,406</u>

The financial statements were approved by the Trustees on 6 December 2021 and signed on their behalf by:



Ms D Jenkins MBE DL

Company balance sheet

at 31 July 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Intangible assets	10	3,020	1,931
Tangible assets	11	2,900	3,006
Investments	12	10,017	11,583
		<u>15,937</u>	<u>16,520</u>
Current assets			
Stocks	13	2	2
Debtors	14	5,004	4,713
Cash at bank and in hand		<u>28,739</u>	<u>25,605</u>
		33,745	30,320
Creditors: amounts falling due within one year	15	<u>(4,517)</u>	<u>(3,940)</u>
Net current assets		<u>29,228</u>	<u>26,380</u>
Total assets less total liabilities		<u>45,165</u>	<u>42,900</u>
Net assets		<u>45,165</u>	<u>42,900</u>
Charity funds			
Unrestricted funds:			
Unrestricted funds		45,165	42,900
Total funds		<u>45,165</u>	<u>42,900</u>

The financial statements were approved by the Trustees on 6 December 2021 and signed on their behalf by:



Ms D Jenkins MBE DL

Group statement of cash flows

for the year ended 31 July 2021

	<i>Notes</i>	<i>2021</i> <i>£000</i>	<i>2020</i> <i>£000</i>
Cash flows from operating activities:			
Net cash provided by operating activities	17	<u>2,798</u>	<u>6,221</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		303	465
Purchase of tangible fixed assets		(398)	(304)
Purchase of intangible fixed assets		(1,659)	(2,157)
Proceeds from sale of investments		4,831	3,789
Purchase of listed investments		(2,655)	(3,777)
Purchase of other investments		(89)	-
Net cash used in investing activities		<u>333</u>	<u>(1,984)</u>
Change in cash and cash equivalents in the year		3,131	4,237
Cash and cash equivalents brought forward		25,963	21,726
Cash and cash equivalents carried forward	18	<u><u>29,094</u></u>	<u><u>25,963</u></u>

Notes to the financial statements

for the year ended 31 July 2021

1. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities; Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of the charity and rounded to the nearest £1,000.

NCFE meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised as historical cost or transaction value unless otherwise stated in the relevant accounting policy.

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the company and its subsidiary undertakings. The results of the subsidiaries are consolidated on a line by line basis.

No separate SOFA has been presented for the company alone as permitted by section 408 of the Companies Act 2006.

Basis of consolidation

The financial statements consolidate the accounts of NCFE and its subsidiary undertakings, NCFE Trading Limited, Skills Forward Limited and Peer Tutor Limited up to 31 July 2021. The results of the subsidiaries are consolidated on a line by line basis.

No separate SOFA has been presented for the parent company alone as permitted by section 408 of the Companies Act 2006 and paragraph 397 of the SORP. The net income and expenditure for the year dealt within the accounts of the company was £2.3m (2020: £3.3m).

Company status

The charity is a company limited by guarantee, incorporated in England and Wales with Company number: 02896700. The members of the charity are the Trustees named on page 2. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

Going concern

The Trustees have considered the company's current and future prospects and its availability of financing and are satisfied that the company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. For this reason, the Trustees continue to adopt the going concern basis of preparation for these financial statements.

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the company and which have not been designated for other purposes. Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund, is set out in the notes to the financial statements.

Investment income, gains and losses are allocated to the appropriate fund.

Notes to the financial statements

for the year ended 31 July 2021

1. Accounting policies (continued)

Income

All income is recognised once the company has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Income from charitable activities represents the values of fees for the provision of examinations and assessments and related services.

Registration income is included within income resources in the period in which the relevant registration is made as all performance obligations have been met.

Certification income is recognised in the period in which the certificate is issued.

Interest receivable is included when receivable by the company.

Other income is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Grants are of a revenue nature, and as such are credited to income to match them with the expenditure to which they relate.

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. All expenses, including support costs are allocated to the applicable expenditure heading on a basis consistent with the use of resources.

Charitable activity costs include expenditure relating to the provision of examination and assessment services and include both the direct costs and support costs relating to these activities.

Support costs are those costs incurred directly in support of expenditure on the objects of the group and include project management carried out at the head office.

Intangible fixed assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Brands acquired are valued as the difference between the identifiable net assets of the purchase, and the consideration paid.

Product development costs are recognised as intangible assets measured at cost.

Notes to the financial statements

for the year ended 31 July 2021

1. Accounting policies (continued)

Intangible fixed assets and amortisation (continued)

Amortisation is provided on all intangible assets so as to write off the cost of an asset over its estimated useful life as follows:

Brands	-	5 years straight line
Software	-	2 - 5 years straight line
Product development	-	4 years straight line

Intangible assets are reviewed for impairment where market conditions or other factors indicate a reduction in future economic benefits. Impairment losses are recognised in the statement of financial activities where an asset's realisable amount exceeds its carrying value.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses. Costs include the original purchase price plus any further costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their estimated useful lives as follows:

Long-term leasehold property	Over the term of the lease
Fixtures and fittings	5 – 15 years straight line
Office and computer equipment	3 – 5 years straight line

Assets residual values and useful lives are reviewed at the end of each reporting period, and adjusted if appropriate. The effect of any change is accounted for prospectively. Assets under construction are not depreciated until the related assets are complete.

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the statement of financial activities.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of financial activities.

Fixed asset investments

Listed investments, which have been classified as fixed asset investments, are measured initially and subsequently at fair value. The statement of financial activities includes the net gains and losses arising on revaluations and disposals throughout the year.

Fixed asset investments in unquoted companies are stated at cost less impairment.

Leases

All of the group's leasing arrangements are operating leases. Rental payments under operating leases are charged to the statement of financial activities on a straight-line basis over the lease term, even if payments are not made on such a basis.

Notes to the financial statements

for the year ended 31 July 2021

1. Accounting policies (continued)

Taxation

The company is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 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.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash at bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Liabilities and provisions

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of settlement can be estimated reliably. Liabilities are recognised at the amount that the company anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Financial instruments

The group only enters into financial instruments transactions that result in the recognition of basic debt financial assets and liabilities like trade and other accounts receivable and payable, cash and bank balances and loans to or from related parties. All such instruments are due within one year, and are measured, initially and subsequently at the transaction price.

Employee benefits

Short term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the employee's entitlement to the benefit accrues.

Defined contribution pension plan

The group operates a defined contribution pension plan for its employees. Contributions are recognised as an expense when they fall due. Amounts due but not yet paid are included within creditors on the balance sheet.

NCFE makes an employer's contribution of 9% of pensionable pay, provided that the employee makes a minimum contribution of 3% and 6% provided that the employee contributes 2%. These amounts are paid over to the fund on a monthly basis.

Judgements in applying accounting policies and key sources of 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.

Notes to the financial statements

for the year ended 31 July 2021

1. Accounting policies (continued)

Key sources of estimation uncertainty

Estimates included within these financial statements include depreciation and amortisation charges based upon the useful economic lives of both tangible and intangible assets, and provisions against debtors. None of the estimates made in the preparation of these financial statements are considered to carry significant estimation uncertainty, nor to bear significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical areas of judgement

A critical area of judgement is considered to be the amount of income deferred in relation to annual fees received at the start of the academic year, which relies upon judgement over the rate of drop out of students, and hence the amount of income that will not be collected. No material uncertainty is considered to exist in relation to this key area of judgement.

Judgement is also required in the assessment of the carrying values of fixed assets and investments, in the performing impairment tests. The impairment test calculations make assumptions around future trading performance, customer retention, cost rationalisation and external factors such as government funding. No material uncertainty is considered to exist in relation to this key area of judgement.

2. Investment income

	2021 £000	2020 £000
Rent receivable	133	159
Dividends	161	209
Interest receivable	9	97
	<u>303</u>	<u>465</u>

3. Other income

Government grants of £296,000 (2020: £1,172,000) have been recognised in the Group Statement of Financial Activities and relate to claims under the COVID-19 job retention scheme.

4. Investment management costs

	2021 £000	2020 £000
Investment management fees	<u>54</u>	<u>54</u>

Notes to the financial statements

for the year ended 31 July 2021

5. Analysis of expenditure by activities

	<i>Activities undertaken directly</i>	<i>Support costs</i>	<i>Total</i>	<i>Total</i>
	<i>2021</i>	<i>2021</i>	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Examination and assessment activities	30,730	4,970	35,700	30,564

6. Direct costs

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Examination and assessment costs	11,343	9,919
Wages and salaries	16,534	14,079
National insurance	1,549	1,430
Pension cost	1,304	1,025
	<u>30,730</u>	<u>26,453</u>

7. Support costs

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Governance	137	56
Wages and salaries	3,957	3,338
National insurance	423	360
Pension cost	453	357
	<u>4,970</u>	<u>4,111</u>

Support costs all relate to the provision of examination and assessment support, in undertaking the objectives of the charitable company.

8. Net income

This is stated after charging:

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Depreciation of tangible fixed assets:		
- owned by the charity	533	497
Operating lease rentals:		
- IT equipment	43	46
- other operating leases	48	72
Amortisation of intangible assets	883	1,869
Impairment of intangible assets	380	-
Auditor's remuneration	58	56
Auditor's remuneration – non-audit services	<u>8</u>	<u>31</u>

Notes to the financial statements

for the year ended 31 July 2021

9. Staff costs

Staff costs were as follows:

	2021	2020
	£000	£000
Wages and salaries	21,799	19,520
Social security costs	2,104	1,887
Other pensions costs	1,815	1,413
	<u>25,718</u>	<u>22,820</u>

The average monthly number of employees, expressed as headcount figures (including casual and part time staff), was 804 (2020: 715).

The number of higher paid employees was:

	2021	2020
	No.	No.
In the band £60,001 - £70,000	5	8
In the band £70,001 - £80,000	3	8
In the band £80,001 - £90,000	1	4
In the band £90,001 - £100,000	2	3
In the band £100,001 - £110,000	-	2
In the band £110,001 - £120,000	1	1
In the band £120,001 - £130,000	-	-
In the band £130,001 - £140,000	-	1
In the band £140,001 - £150,000	-	-
In the band £160,001 - £170,000	-	1
In the band £200,001 - £210,000	-	1
In the band £380,001 - £390,000	-	-

During the year, redundancy payments totalling £46,000 (2020: £2,000) were paid as part of the continuing restructuring of the business. These are included within staff costs.

None of the employees whose emoluments exceed £60,000 have retirement benefits accruing under defined benefit schemes. All of the above members of staff are members of the company's defined contribution scheme.

The increase in employee numbers from prior year are a result of investment across the Group to allow delivery of the strategy and meet the increasing challenges of the market.

Remuneration and benefits received by key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the Trustees for planning, directing and controlling the activities of the charity. The aggregate remuneration of the executive team who were considered by the Trustees to be the key management of the charity totalled £686,000 (2020: £656,000).

Notes to the financial statements

for the year ended 31 July 2021

10. Intangible fixed assets

	<i>Negative goodwill</i> £000	<i>Brands</i> £000	<i>Software</i> £000	<i>Product development</i> £000	<i>Total</i> £000
Group					
Cost					
At 1 August 2020	(42)	7,869	1,539	1,296	10,662
Additions	-	-	255	1,404	1,659
At 31 July 2021	(42)	7,869	1,794	2,700	12,321
Amortisation					
At 1 August 2020	(42)	7,494	286	14	7,752
Charge for the year	-	375	415	93	883
Impairment	-	-	380	-	380
At 31 July 2021	(42)	7,869	1,081	107	9,015
Net book value					
At 31 July 2021	-	-	713	2,593	3,306
At 1 August 2020	-	375	1,253	1,282	2,910

	<i>Brands</i> £000	<i>Software</i> £000	<i>Product development</i> £000	<i>Total</i> £000
Company				
Cost				
At 1 August 2020	4,926	722	1,296	6,944
Additions	-	3	1,404	1,407
At 31 July 2021	4,926	725	2,700	8,351
Amortisation				
At 1 August 2020	4,844	155	14	5,013
Charge for the year	82	143	93	318
At 31 July 2021	4,926	298	107	5,331
Net book value				
At 31 July 2021	-	427	2,593	3,020
At 1 August 2020	82	567	1,282	1,931

Included in the group cost of additions is £1,113,000 (2020: £1,531,000) (Company - £990,000 (2020: £235,000)) from internal development.

Notes to the financial statements

for the year ended 31 July 2021

11. Tangible fixed assets

	<i>Long-term leasehold property £000</i>	<i>Fixtures and fittings £000</i>	<i>Office equipment £000</i>	<i>Total £000</i>
Group				
Cost				
At 1 August 2020	1,419	2,499	1,605	5,523
Additions	-	248	150	398
Disposals	-	-	(122)	(122)
At 31 July 2021	1,419	2,747	1,633	5,799
Depreciation				
At 1 August 2020	208	1,095	1,159	2,462
Disposals	-	-	(122)	(122)
Charge for the year	29	262	242	533
At 31 July 2021	237	1,357	1,279	2,873
Net book value				
At 31 July 2021	1,182	1,390	354	2,926
At 1 August 2020	1,211	1,404	446	3,061

	<i>Long-term leasehold property £000</i>	<i>Fixtures and fittings £000</i>	<i>Office equipment £000</i>	<i>Total £000</i>
Company				
Cost				
At 1 August 2020	1,419	2,423	1,590	5,432
Additions	-	248	151	399
Disposals	-	-	(122)	(122)
At 31 July 2021	1,419	2,671	1,619	5,709
Depreciation				
At 1 August 2020	208	1,066	1,152	2,426
Disposals	-	-	(122)	(122)
Charge for the year	28	238	239	505
At 31 July 2021	236	1,304	1,269	2,809
Net book value				
At 31 July 2021	1,183	1,367	350	2,900
At 1 August 2020	1,211	1,357	438	3,006

Notes to the financial statements

for the year ended 31 July 2021

12. Fixed asset investments

	<i>Listed securities</i>	<i>Other investments</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Group			
Market value			
At 1 August 2020	10,655	-	10,655
Additions	2,655	89	2,744
Disposals	(4,830)	-	(4,830)
Revaluations	520	-	520
At 31 July 2021	<u>9,000</u>	<u>89</u>	<u>9,089</u>
Historical cost	<u>7,226</u>	<u>89</u>	<u>7,315</u>

Valuation

Listed investments are valued at the market rate at the year-end date.

	<i>Listed securities</i>	<i>Subsidiary undertakings</i>	<i>Other investments</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Company				
Market value				
At 1 August 2020	10,655	928	-	11,583
Additions	2,655	-	89	2,744
Disposals	(4,830)	-	-	(4,830)
Revaluations	520	-	-	520
At 31 July 2021	<u>9,000</u>	<u>928</u>	<u>89</u>	<u>10,017</u>
Historical cost	<u>7,226</u>	<u>3,376</u>	<u>89</u>	<u>10,691</u>

Listed investments held

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
UK bonds	389	309
Overseas bonds	580	155
UK equities	1,708	3,000
Overseas equities	-	1,204
Pooled funds	6,323	5,987
	<u>9,000</u>	<u>10,655</u>

All listed investments are held in funds managed by Brewin Dolphin Investment Management on behalf of the company.

The charity owns one £1 ordinary share, 100% of the voting capital in NCFE Trading Limited, a company incorporated and registered in England and Wales. The company has not traded during the year.

The company holds 100% of the voting capital in Skills Forward Limited, a company incorporated and registered in England and Wales. The principal activity of the company is the provision of online assessments, diagnostics and e-learning resources.

Notes to the financial statements

for the year ended 31 July 2021

12. Fixed asset investments (continued)

The company holds 100% of the voting capital in Peer Tutor Limited, a company incorporated and registered in England and Wales. The principal activity of the company is the provision of online learner support. The company ceased to trade on 31 July 2021.

13. Stocks

	<i>Group</i>		<i>Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Finished goods and goods for resale	18	18	2	2

14. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	4,023	3,800	3,834	3,614
Amounts due from subsidiary undertakings	-	-	11	11
Other debtors	46	33	22	21
Prepayments and accrued income	1,149	1,090	1,137	1,067
	<u>5,218</u>	<u>4,923</u>	<u>5,004</u>	<u>4,713</u>

15. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade creditors	716	687	707	676
Other taxation and social security	721	899	627	838
Other creditors	258	172	226	168
Accruals and deferred income	3,015	2,366	2,957	2,258
	<u>4,710</u>	<u>4,124</u>	<u>4,517</u>	<u>3,940</u>

Deferred income

	<i>Group</i>		<i>Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Deferred income at 1 August 2020	58	42	23	42
Resources deferred during the year	3,125	3,289	3,125	3,258
Amounts released during the year	(3,157)	(3,273)	(3,125)	(3,277)
Deferred income at 31 July 2021	<u>26</u>	<u>58</u>	<u>23</u>	<u>23</u>

Notes to the financial statements

for the year ended 31 July 2021

16. Statement of funds

Group

	<i>Brought forward</i>	<i>Income</i>	<i>Expenditure</i>	<i>Investment gains</i>	<i>Carried forward</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Designated funds					
Resilience fund	15,000	-	-	-	15,000
	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
General funds					
General funds	28,406	38,792	(37,777)	520	29,941
	<u>28,406</u>	<u>38,792</u>	<u>(37,777)</u>	<u>520</u>	<u>29,941</u>
Total unrestricted funds	<u>43,406</u>	<u>38,792</u>	<u>(37,777)</u>	<u>520</u>	<u>44,941</u>

The income funds of the charitable company include the following designated funds which have been set aside out of unrestricted funds by the Trustees for specific purposes:

The Resilience fund is used to ensure that the Charity remains financially sound in the case of any significant changes in the market.

17. Reconciliation of net income to net cash flow from operating activities

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Net income for the year before investment gains/(losses) (as per Statement of Financial Activities)	1,015	3,807
Adjustment for:		
Depreciation charges	533	497
Amortisation charges	883	1,869
Loss on the disposal of fixed assets	-	97
Impairment of fixed assets	380	-
Dividends, interest and rents from investments	(303)	(465)
Increase in stocks	-	(1)
Increase in debtors	(295)	(107)
Increase in creditors	586	524
Net cash provided by operating activities	<u>2,798</u>	<u>6,221</u>

Notes to the financial statements

for the year ended 31 July 2021

18. Analysis of cash and cash equivalents

	2021	2020
	£000	£000
Cash in hand	10,246	25,397
Notice deposits (less than 3 months)	18,848	566
	<u>29,094</u>	<u>25,963</u>

19. Pension commitments

NCFE operates a defined contribution pension scheme, the Group Personal Pension Scheme. The assets of the scheme are held separately from those of the charitable company in a separately administered fund. The pension costs charge represents contributions payable by the group to the fund and amounted to £1,815,000 (2020: £1,413,000). Contributions totalling £203,000 (2020: £158,000) were payable to the fund at the balance sheet date and are included within creditors.

20. Operating lease commitments

Future minimum lease payments under non-cancellable operating leases fall due as follows:

	2021	2020
	£000	£000
Group and Company		
Not later than 1 year	78	90
Later than 1 year and not later than 5 years	-	39
	<u>78</u>	<u>129</u>

21. Related party transactions

During the year, transactions were carried out at full market value with the following individuals or organisations in which directors of NCFE also held senior positions or held shares, as follows.

	<i>Value of transactions</i>	<i>Outstanding at the year end</i>	<i>Value of transactions</i>	<i>Outstanding at the year end</i>
	2021	2021	2020	2020
	£000	£000	£000	£000
Mr C Peel	-	-	32	-
Kindling Limited	<u>16</u>	<u>-</u>	<u>31</u>	<u>3</u>

Ms D M Jenkins, a Trustee is also a Director of Kindling Limited which invoiced NCFE for Chairman's remuneration. The value of transaction in 2020 included £9,000 that related to the previous year.

Mr C Peel, a Trustee invoiced NCFE for professional consultancy services supplied in 2020.

There were no Trustees that were reimbursed travelling expenses in the year (2020: 4 were reimbursed £4,484).

Notes to the financial statements

for the year ended 31 July 2021

22. Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
NCFE Trading Limited	UK	100%	Holding company
Skills Forward Limited	UK	100%	Provision of online assessments, diagnostics and e-learning resources
Peer Tutor Limited	UK	100%	Online learner support. Trade ceased on 31 July 2021

23. Controlling party

The charitable company is controlled by the Board of Trustees.

24. Financial instruments

	2021 £000	2020 £000
Financial assets measured at fair value through income and expenditure	9,000	10,655
Financial assets measured as amortised cost	33,278	30,194
	<u>42,278</u>	<u>40,849</u>
Financial liabilities measured at amortised cost	<u>3,962</u>	<u>3,167</u>

Financial assets measured at fair value through income and expenditure comprise listed investments.

Financial assets measured at amortised cost comprise trade debtors, other debtors, accrued income and cash.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

25. Effects of COVID-19

The Group has performed an assessment of the impact of COVID-19 on the potential financial and operational risks to the business. At the date of approval of these accounts the key effects of COVID-19 on the Group are as follows:

- Employees – most critical employees are able to work remotely without significant impact on the business.
- Customer demand – the demand for most of our products is holding up as alternative assessment methods are agreed with our regulator.
- Suppliers – we are in regular contact with our key suppliers and are maintaining continuity of supply.
- Liquidity - as the majority of our income arises from ongoing trade with long-term trusted customers, we are not seeing any significant impact on liquidity from the consequences of COVID-19.
- Investments – the Group's portfolio of listed investments may decline in value due to the impacts of COVID-19.

Sensitivities have been applied to the Group's underlying forecasts to take account of the most severe impacts of the above. The directors, in light of these actual and potential impacts, remain satisfied that the company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements.

Notes to the financial statements

for the year ended 31 July 2021

26. Post Balance Sheet Event

On 30 November 2021 the company acquired the net assets of its subsidiary Company, Skills Forward Limited. The net assets were transferred for a consideration equal to their net book value.