

**NCFE**

**Trustees' Report and Financial Statements**

31 July 2022

## 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  
The Spark  
Draymans Way  
Newcastle Helix  
Newcastle upon Tyne  
NE4 5DE

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**

E Hoare

### **Chief Executive Officer**

D Gallagher

### **Chief Financial Officer**

K Todd

### **Chief Regulatory Officer**

S Foster

### **Chief Strategy Officer**

P Le Feuvre

### **Chief Operating Officer**

A Goldstein

### **Chief Commercial Officer**

S Brown

### **Executive Director of People**

H Ketteringham (appointed 7 November 2022)

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

for the year ended 31 July 2022

The Trustees present their annual directors' report and the audited financial statements of the charity for the year ending 31 July 2022.

The financial statements comply with current statutory requirements, the Articles of Association and the Charities Statement of Recommended Practice ("Charities SORP") applicable to charities preparing their accounts in accordance with FRS 102.

## OBJECTIVES AND ACTIVITIES

### Purposes and aims

NCFE's core purpose is to promote and advance learning to help create a fairer society, and it is a goal that has inspired our people for more than 170 years. We are serious about changing education for the better, backed by a promise to support the delivery of the highest possible quality of learning experiences for our learners – our ultimate beneficiaries.

For colleagues at NCFE, our purpose is one of our greatest motivations. Employees not only make a positive social impact – influencing the lives of thousands of learners – their contributions affect what people learn, and the way that learning is developed and delivered.

We believe that through shaping smarter learning, we can help to build a fairer society, create opportunities to progress, and ensure that no learner is left behind. This means helping more individuals to realise their true potential and in turn, establishing more sustainable communities.

The strategies employed to achieve the charity's aims and objectives are

1. *Developing deep and credible insight into need*  
We 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 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 are 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 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 are a lean, digitally-enabled organisation that delivers innovative products and personalised experiences to every type of customer.

The Trustees review the aims, objectives and activities of the charity each year and ensure compliance with the Charities Act to have due regard to the Charity Commission's general guidance on public benefit. This report looks at what the charity has achieved and the outcomes of its work in the reporting period, including the benefits the charity has brought to its beneficiaries.

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

for the year ended 31 July 2022

## STRATEGIC REPORT

### Achievements and Performance

For over 170 years, NCFE has created qualifications and assessments that are designed to help provide learners with the skills and knowledge they require to succeed in their careers. During 2021-22, through our three core business streams: Learning for Work, Apprenticeships and Technical Education, our products and services supported over 375,000 (2020-21: 380,000) learners to progress onto the next stage of their education, training or career.

#### *Learning for Work*

NCFE's Learning for Work business stream delivers a range of products and services which include qualifications, content, and resources/solutions to support adult (18+) learners reach their potential, through either securing employment, supporting career development and/or progression to higher skilled roles.

The core beneficiaries of the Learning for Work portfolio are funded adult learners, including community learners, unemployed and underemployed adults, offenders and ex-offenders, adults looking to up-skill, re-skill or change career, Armed Forces Service Members and Service Leavers and economically inactive individuals.

In delivering the Learning for Work portfolio to adult learners, NCFE works with approximately 1,500 centres, including Further Education Colleges, Training Providers, Schools, Employers, Local authorities across the UK and internationally.

The Learning for Work portfolio has experienced a challenging 12 months against a backdrop of declining year on year learner volumes, with customers reporting challenges with learner recruitment. Several factors have contributed to this, including high unemployment, changes to sub-contracting rules exposing lack of recruitment capability across primes, changes to funding and the aftermath of COVID-19.

The volume of adult learners enrolling on regulated qualifications accessed by Adult Funding budgets has steadily declined over the last decade, with learner volumes falling from 2.2m per annum in 2013-14, to 1.0m by 2020-21. Despite this decline, NCFE has grown its market share and now delivers qualifications to 24% of all enrolments to the Adult Funding stream, with our Level 2 qualifications (44% market share) and our Cache-branded Health & Social Care (59% market share) doing particularly well.

The Lifetime Skills Guarantee is transforming the adult learning landscape, and we are proud to be the number one awarding organisation for enrolments within the Health and Social Care, and Childcare and early years sectors with 37 qualifications on the free level 3 qualifications list.

Learning for Work's market-leading adult education products support individuals to enter or re-enter the workplace and progress and excel within their careers, providing employers with a highly skilled and productive workforce.

#### *Apprenticeships*

Our Apprenticeships business stream supports learners, providers, and employers from the beginning to the end of their apprenticeship journey through a range of educational technology solutions, on programme mandatory and non-mandatory qualifications, supporting resources and an end point assessment service.

The business stream was formed from a range of disparate products and services as we brought them together into a cohesive, comprehensive and customer-focused offer. This has enabled us to better understand our customers and learners' requirements and devise and promote appropriate solutions and support to enhance their learning experience and outcomes.

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

for the year ended 31 July 2022

## *Apprenticeships (continued)*

We recognise that the sector continues to face significant challenges including apprentice retention and achievement rates, underutilisation of the levy, the health and social care apprenticeship market is in flux post-COVID-19 and apprenticeships are still not being promoted equally to students alongside academic qualifications restricting social mobility and progression. Through our customer-focused and employer/labour market-led approach to product and solution development however, we have completed a successful year for our Apprenticeships business stream.

In 2021-22 our End Point Assessment service had its best performance year, supporting 7,300 apprentices through gateway assessment and representing 28% growth on the previous year. In the same period, new apprenticeship standards were developed in Accountancy, Payroll, Health and Care and new partnerships built with high profile providers and employers including Health Education England and Association of Taxation Technicians. The business stream created a unique bundle of products called 'FAST' which offers Functional Skills along with Initial Assessment and maths and English teaching and learning resources with a view to reaching and supporting more learners to achieve functional skills which is a fundamental part of their apprenticeship programme. This programme is being marketed now to our customers and has generated a great amount of interest.

## *Technical Education*

The Technical Education reforms continue in England, in particular with the awarding of contracts to deliver T-Level qualifications in Further Education. 2021-22 saw our first cohort of T-Level students complete their T-Level in Education and Childcare with over a 97% success rate and it has been inspiring to see how these learners have progressed, with 71% of T-Level students who applied to continue their learning in Higher Education being accepted onto their course.

In the same year we have also welcomed the first cohorts of learners as they enrolled on our Health and Science and Digital T-Level qualifications. These are large, challenging qualifications and designed to stretch learners and equip them for careers in their respective curriculum areas. The release of the Year 1 mid-programme results for the Health and Science cohorts however highlighted that although the grade profile was within normal bounds, it was low. Furthermore, the results left learners concerned about their ability to obtain the grade necessary to continue with their learning and training once the T-Level was complete. As a result, we have been working closely with the Institute for Apprenticeships and Technical Education and our customers to ensure that learners receive the support they need. We have also been supporting our regulator, Ofqual, in its investigation into this matter, providing undertakings and assurances over the delivery of the T-Level assessments.

Outside of our three core business streams we are extending the charity's reach and impact through a range of new initiatives:

## *Assessment Innovation*

In the summer of 2021, we launched the Assessment Innovation Fund (AIF) to lead innovation within assessment across the sector in a controlled process that delivers robust results and evidence. We committed £1m of funding through our social investment strategy to support this initiative. Any organisation who has an innovative idea can apply for up to £100,000. Applicants are evaluated using the AIF Evaluation Framework, focusing on alignment to the Assessment Innovation principles: benefit to learner; project rigour and feasibility; and research methodology.

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

for the year ended 31 July 2022

By July 2022, we had successfully:

- Launched 3 application windows where we received 46 applications from organisations with an innovative proposal that supports NCFE's ongoing horizon scanning and supported 8 innovative projects to test the boundaries of assessment.
- Secured match funding of £215,000, exceeding our £150,000 target and in the process, helping to extend investments event further.
- Worked with 8 organisations to involve over 1,000 learners in the evaluation of proposals to ensure solutions provide a robust and reliable evidence base.
- Strengthened our relationship and reputation with Ufi VocTech, including securing co-funding for Easy Correct pilot in Window 3.
- Partnered with Skills Development Scotland to share and exploit our innovation findings.
- Managed the applications and interests of 83 individual projects and organisations which are now feeding into NCFE in a formal way as insight into market trends.
- Involved over 12 organisations in our evaluation process for proposals which has included key strategic partners such as JISC, AoC, VTCT, AlphaPlus, Edge Foundation and NESTA.

The launch of our Assessment Innovation Fund has proven to be a popular and impactful initiative for NCFE, tangibly improving our relationships and reputation in the sector as well as generating income and attracting other organisations to support projects with a social purpose and we are genuinely excited to see what is achieved by this fund in the future.

### *Social Investments*

NCFE has made several social investments which are highly aligned with our purpose and strategy. We work closely with each of our partners as we seek to extend our charity's reach and impact, tracking the performance of our investment through a clear set of KPIs. During 2021-22 we supported the following programmes:

- We believe it is not possible to have world class education without world class educators, and we are delighted with the ongoing success of our partnership with WorldSkills UK to create the innovative Centre of Excellence programme to advance vocational learning practice. The programme works directly with educators to help them become artful and inspiring world-class teaching practitioners, enabling thousands more learners to benefit from world-class learning experiences. So far, more than 1,400 educators and 32,000 learners have already benefited from the Centre of Excellence. Recent research also showed that over 90% of educators rated a session they took part in as "good or excellent", and 83% of learners said the training they took part in was "extremely or very relevant to their course or apprenticeship". As we plan for Phase Two of the Centre of Excellence NCFE and WorldSkills UK are delighted with the progress made and look forward to welcoming new partners such as the Department for Education to support the initiative.

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

for the year ended 31 July 2022

### *Social Investments (continued)*

- Through our partnership with the mental fitness platform Fika, we launched the sector's first ever mental fitness mobile app, allowing us to truly champion and improve these skills within Further Education. Since its rollout in March 2021, Fika has had a huge real-world impact, helping to equip learners for life with crucial skills such as resilience, confidence and motivation. Plus, more than 6,000 staff across Further Education have seen their mental fitness scores increase by an average of 15% when regularly using the app.
- We are proud to be supporting a robust piece of longitudinal research by the Association of Colleges that will capture the impact of funding cuts but also identify effective models to help mitigate this. This research will review the current state of enrichment activities delivered across the sector while evidencing impact at individual and institutional levels and we look forward to sharing its findings and recommendations with the sector.
- We are also working with the AoC on our “Research Further” project – designed to facilitate and encourage more high-quality Further Education-centred research that can inform policy, implementation, and practice.
- Research from the National Autistic Society states that only 16% of autistic people are in full-time paid work, whilst 77% of autistic unemployed people say that they want to work. It is vital to provide extra employability support to increase opportunities for autistic young people, which is what our work with the Greater Manchester Learning Provider Network (GMLPN) is focused on. Together, we’ve launched a new project to increase apprenticeship opportunities for autistic young people, helping to equip them with the technical and employability skills to progress into employment and improve the links between schools/colleges, training providers, referral agencies and employers to improve progression routes.
- With NCFE support, Good For Me, Good For FE (‘GFMGFFE’) has recruited 140 participant colleges to their volunteering campaign. It has three core strands: supporting local communities by co-ordinating and encouraging donations to foodbanks; capturing volunteering hours spent on this and other voluntary activity.
- The Helena Kennedy Foundation this year has seen 15 students accessing Further Education and 10 students accessing Higher Education.



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

for the year ended 31 July 2022

## Energy and Carbon Report

We report under the UK energy and carbon reporting requirements ('SECR') and have set out in the table below our direct emissions.

### GHG emission and energy data

	Year to 31 July 2022	Year to 31 July 2021
<b><u>ENERGY CONSUMPTION TO CALCULATE EMISSIONS</u></b>		
Gas combustion Kilowatt Hours (kWh)	43,234	45,706
Purchased electricity kWh	503,725	537,881
Transport fuel * kWh	94,617	19,461
<b>Total energy consumption kWh</b>	<b>641,576</b>	<b>603,048</b>
<b><u>EMISSIONS</u></b>		
Gas combustion tonnes CO2 equivalent (tCO2e) (Scope 1)	7.9	8.4
Purchased electricity tCO2e (Scope 2)	97.7	114.2
Business travel in employee-owned vehicles where the organisation is responsible for purchasing the fuel *tCO2e (Scope 3)	21.3	4.3
<b>Total gross emissions tCO2e based on above</b>	<b>126.9</b>	<b>126.9</b>
<b><u>INTENSITY RATIOS</u></b>		
tCO2e per £m revenue	3.24	3.26
tCO2e per m2 of floorspace	0.04	0.04

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

### Quantification and reporting methodology

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

### Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e.

### Measures taken to improve energy efficiency

NCFE has continued to utilise a range of energy efficient measures including:

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

NCFE 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.

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

for the year ended 31 July 2022

## Additional voluntary reporting activities

The majority of NCFE'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.

## FINANCIAL REVIEW

2021-22 represented a challenging year for NCFE, and more broadly in the educational and skills sector, as we transitioned from a prolonged series of lockdowns and restrictions during the COVID-19 pandemic, tentatively back towards a more open economy and society.

Our income for the year was £39.1m, slightly ahead of the prior year (2020-21: £38.8m) but behind our Budget and reflective of the difficult trading conditions, with our customers experiencing significant uncertainty over learner enrolment levels.

Total Expenditure during the year was £41.9m (2020-21: £37.8m) an increase of 11% compared to the prior year. We had always budgeted to generate a Net Deficit in 2021-22 as a result of our planned and significant investment by NCFE in three areas:

- The development of three new T-Level qualifications in Media, Broadcast & Production, Craft and Design and Hair, Beauty and Aesthetics which are planned to go live in September 2023.
- Our ongoing Transformation programme which will deliver significant improvements in our business process and systems, productivity, service levels, customer experience and for the learner.
- The provision of funding for initiatives such as the Assessment Innovation Fund and Social Investments.

Against a backdrop of a turbulent market, adopting hybrid ways of working, rising levels of inflation and switching back to a more traditional assessment approach after two years of adopting centre assessed and teacher assessed grading models, we are pleased with how we have controlled our costs during the year.

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

for the year ended 31 July 2022

## Investment policy, objectives and performance

Under its Articles of Association, the Trustees have the authority to invest as they see fit in order to meet the charity's purpose. The investment policy agreed by the Trustees has continued to follow a 'managed funds' approach, based on a progressive risk profile. Day to day investment decisions are delegated to NCFE's investment advisors at Brewin Dolphin. This approach allows for tactical asset allocation across a range of investment types:

	Asset Allocation Ranges		
	Strategy Fund	Trading Shock Fund	Legacy Fund
Investment Horizon	Up to 4 years	5 years	10 years +
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.

In the summer of 2021, we invested £27.8m of its reserves in managed portfolios overseen by our advisors at Brewin Dolphin. Our investments showed a promising start in the first half of 2021-22 but have, like most investments, suffered since January 2022 principally due to the investment market's growing nervousness over rapidly rising levels of inflation and interest rates and the ongoing crisis caused by the war in Ukraine. As a result, our portfolios lost £2,438,000 over the year.

The performance of the portfolios is monitored by the Board of Trustees and the Audit, Risk and Investment Committee. The Trustees are disappointed with the performance of the portfolios since January but understand this is in line with the wider investment market trends and is satisfied that given the longer-term investment horizons our portfolios should generate a better level of return than would have been achieved had the monies been held as cash.

## PRINCIPAL RISKS AND UNCERTAINTIES

Our principal risks are recorded on the Strategic Risk Register and updated and reviewed regularly by the Executive and Audit, Risk and Investment Committee. The register captures risk ratings and controls in place to mitigate risks where possible.

### *Impact of changes in Government policy*

NCFE relies on indirect government funding via colleges, training providers and schools and therefore is exposed to changes in government policy direction and funding for education. A recent example of this has been outlined in the Skills and Post-16 Education Bill where the Department for Education is proposing to remove the availability of funding from some Level 3 qualifications. This is mitigated to some extent with NCFE winning tenders for the development and delivery of 9 T-Level Qualifications which grants NCFE an exclusive license to deliver the T-Levels awarded. NCFE 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.

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

for the year ended 31 July 2022

## *Financial pressures within the education sector*

The disruption and volatility caused by the COVID-19 pandemic, followed immediately by significant increases in inflation and interest rates have placed considerable financial pressures on our sector. Our centres are having to carefully manage their finances and without support, some may struggle to continue to trade. This in turn presents a risk to NCFE either through loss of income and surplus or by monies due from customers becoming uncollectable. We manage this risk through our credit monitoring and regular credit control meetings to identify customers that may present a risk.

## *An increasing reliance on data*

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's Head of Provider Data role oversees the management of data returns and leads on improving the data that is collected 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.

## *COVID-19 recovery*

Since 2020, the global economy has been hugely impacted by the pandemic outbreak of the Coronavirus (COVID-19). The restrictive lockdowns created a significant challenge for Awarding Organisations and resulted in Centre and Teacher Assessed grading models for two academic sessions. The disruption this has caused the sector is considerable but as global economies emerge from the lockdowns, Awarding Organisations are returning to their more standard assessment models. NCFE is supporting its customers and learners transition back to this standard form of assessment. As the COVID-19 pandemic slowly becomes endemic, the financial, cultural and societal impact is likely to be felt for the foreseeable future.

## *Significant investment in Transformation projects within NCFE*

The Transformation programme 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. The programme requires significant investment 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 and the requirement for investment to be business cased and approved by the board of Trustees.

## **RESERVES POLICY AND GOING CONCERN**

The Trustees have reviewed the Charity's needs for reserves in line with guidance issued by the Charity Commission. At 31 July 2022, the Group had reserves of £39.7m (2021: £44.9m). All reserves are unrestricted funds.

The Reserves policy sets out 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 strategic plan aimed at maximising our social impact and ensuring a sustainable future for the Group.

## **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.

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

for the year ended 31 July 2022

## STRUCTURE, GOVERNANCE AND MANAGEMENT

NCFE is a company limited by guarantee, governed by its Articles of Association dated 10 February 1994 and last amended on 19 August 2020. It is a registered charity with the Charity Commission. Anyone over the age of 18 can become a member of the company and there are currently 6 members (2021: 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 directors for the purposes 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.

The Chair and Deputy Chair of the Trustees is nominated in line with the Articles of Association by Trustees.

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.

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

In accordance with the Articles of Association (14.2) no Director shall serve in office for more than nine consecutive years provided that a Director may be reappointed annually thereafter by the Board if there are exceptional circumstances.

### 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.

The Trustees undertake an annual self-assessment of performance which will either take the form of a one-to-one meeting with the Chair or Deputy Chair (for the Chair of Trustees) or a survey. A skills assessment will be undertaken at junctures where it is required for succession planning purposes or new members of the board join.

### 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.

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

for the year ended 31 July 2022

## Organisational structure and decision making (continued)

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.

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 in year have been working towards adopting the changes recommended in the revised framework. They have set up an EDI Forum with colleagues and undertaken an independent audit. An EDI Plan has been drafted internally and continues to be implemented following the recommendations from the independent audit.

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. Where there are any conflicts, these are carefully reported, recorded and managed.

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.

## Pay policy for senior staff

The company undertakes independent benchmarking of remuneration for all staff.

- For the CEO, their remuneration is agreed by Trustees.
- Executives' remuneration is set by the CEO in consultation with Trustees.
- Salaries for the senior leadership team and colleagues are 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 People Committee. On completion of this the policy it will be published on the charity's website aligning to the requirements of the Charity Governance Code.

## 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.

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

for the year ended 31 July 2022

### Employee involvement and employment of disabled people

A full review of all employee focused forums and committees has been undertaken and the new structure is being set up to ensure that employees have the opportunity to contribute towards the running of the charity and also be consulted with on various initiatives and issues.

Employees continue to be communicated with through many communication channels used across the business. The company carry 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 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.

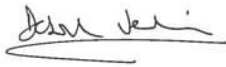
Full details of these policies are available from the company and the Group's offices.

### 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 25 April 2023 and signed on their behalf by:



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 2022 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 2022 and of the Group's net expenditure 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 the period to 30 April 2024.

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 and Company's ability to continue as a going concern.

# Independent auditor's report

to the members of NCFE

## 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.

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.

## Opinion on other matter 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 are 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.

# Independent auditor's report

to the members of NCFE

## 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 management either intend to liquidate the Group or Company 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.

## 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
  - Qualifications and examinations regulations (regulated by Ofqual)
  - Health and Safety legislation
  - General Data Protection Regulation
- 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.

# Independent auditor's report

to the members of NCFE

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

- 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.
- We reviewed reports from Ofqual, we discussed findings with management and those responsible for legal and compliance procedures, reviewed the findings of external legal advisors, assessing the reasonability of any action plans needed and put forward by management, understanding if potential regulatory findings and making enquiries of the Group's advisors as to their views on the matter.

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.

## 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 blue 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  
27 April 2023

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

for the year ended 31 July 2022

		2022	2021
	Notes	£000	£000
<b>Income from:</b>			
Investment income	2	423	303
Other trading activities		532	1,385
<b>Charitable activities:</b>			
Examination and assessment		38,140	36,808
Other income	3	-	296
<b>Total income</b>		<u>39,095</u>	<u>38,792</u>
<b>Expenditure</b>			
<b>Raising funds:</b>			
Trading		401	2,023
Investment management costs	4	90	54
<b>Charitable activities:</b>			
Examination and assessment	5	41,415	35,700
<b>Total expenditure</b>		<u>41,906</u>	<u>37,777</u>
<b>Net (expenditure)/income before other recognised gains and losses</b>		(2,811)	1,015
(Losses)/gains on revaluations of investment assets	12	(2,438)	520
<b>Net movement in funds for the year</b>		<u>(5,249)</u>	<u>1,535</u>
<b>Reconciliation of funds:</b>			
Total funds brought forward		44,941	43,406
<b>Total funds carried forward</b>		<u>39,692</u>	<u>44,941</u>

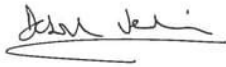
All funds are unrestricted.

## Group balance sheet

at 31 July 2022

	Notes	2022 £000	2021 £000
<b>Fixed assets</b>			
Intangible assets	10	4,004	3,306
Tangible assets	11	2,501	2,926
Investments	12	21,503	9,089
		<u>28,008</u>	<u>15,321</u>
<b>Current assets</b>			
Stocks	13	400	18
Debtors	14	5,925	5,218
Cash at bank and in hand		<u>10,653</u>	<u>29,094</u>
		16,978	34,330
<b>Creditors:</b> amounts falling due within one year	15	<u>(5,294)</u>	<u>(4,710)</u>
<b>Net current assets</b>		<u>11,684</u>	<u>29,620</u>
<b>Total assets less current liabilities</b>		<u>39,692</u>	<u>44,941</u>
<b>Net assets</b>		<u>39,692</u>	<u>44,941</u>
<b>Charity funds</b>			
<b>Unrestricted funds:</b>			
Unrestricted funds	16	40,620	44,941
Merger reserve	16	(928)	-
<b>Total funds</b>		<u>39,692</u>	<u>44,941</u>

The financial statements were approved by the Trustees on 25 April 2023 and signed on their behalf by:



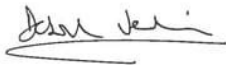
Ms D Jenkins MBE DL

## Company balance sheet

at 31 July 2022

	Notes	2022 £000	2021 £000
<b>Fixed assets</b>			
Intangible assets	10	4,004	3,020
Tangible assets	11	2,501	2,900
Investments	12	21,503	10,017
		<u>28,008</u>	<u>15,937</u>
<b>Current assets</b>			
Stocks	13	400	2
Debtors	14	5,925	5,004
Cash at bank and in hand		<u>10,528</u>	<u>28,739</u>
		16,853	33,745
<b>Creditors:</b> amounts falling due within one year	15	<u>(5,584)</u>	<u>(4,517)</u>
<b>Net current assets</b>		<u>11,269</u>	<u>29,228</u>
<b>Total assets less total liabilities</b>		<u>39,277</u>	<u>45,165</u>
<b>Net assets</b>		<u>39,277</u>	<u>45,165</u>
<b>Charity funds</b>			
<b>Unrestricted funds:</b>			
Unrestricted funds		40,205	45,165
Merger reserve		(928)	-
<b>Total funds</b>		<u>39,277</u>	<u>45,165</u>

The financial statements were approved by the Trustees on 25 April 2023 and signed on their behalf by:



Ms D Jenkins MBE DL

## Group statement of cash flows

for the year ended 31 July 2022

	<i>Notes</i>	<i>2022</i> <i>£000</i>	<i>2021</i> <i>£000</i>
<b>Cash flows from operating activities:</b>			
Net cash (used in)/provided by operating activities	17	<u>(2,189)</u>	<u>2,798</u>
<b>Cash flows from investing activities:</b>			
Dividends, interest and rents from investments		423	303
Purchase of tangible fixed assets		(137)	(398)
Purchase of intangible fixed assets		(1,686)	(1,659)
Proceeds from sale of investments		9,968	4,831
Purchase of listed investments		(24,791)	(2,655)
Purchase of other investments		(29)	(89)
<b>Net cash used in investing activities</b>		<u>(16,252)</u>	<u>333</u>
<b>Change in cash and cash equivalents in the year</b>		(18,441)	3,131
Cash and cash equivalents brought forward		29,094	25,963
<b>Cash and cash equivalents carried forward</b>	18	<u><u>10,653</u></u>	<u><u>29,094</u></u>



# Notes to the financial statements

for the year ended 31 July 2022

## 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 2022. 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 a deficit of £5.0m (2021: income of £2.3m).

### ***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 2022

### 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.

Grants payable are payments made to third parties in the furtherance of the charity's objects. Grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant and the Trustees have agreed to pay the grant without condition, or the recipient has a reasonable expectation that they will receive a grant and that any condition attaching to the grant is outside of the control of the Charity.

# Notes to the financial statements

for the year ended 31 July 2022

## 1. Accounting policies (continued)

### *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.

Intellectual property is capitalised at cost on acquisition and amortised over their estimated useful lives using an amortisation method that reflects the pattern of their consumption.

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
Intellectual property	-	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.

## Notes to the financial statements

for the year ended 31 July 2022

### 1. Accounting policies (continued)

#### ***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.

#### ***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.

# Notes to the financial statements

for the year ended 31 July 2022

## 1. Accounting policies (continued)

### **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.

#### *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

	2022	2021
	£000	£000
Rent receivable	126	133
Dividends	293	161
Interest receivable	4	9
	<u>423</u>	<u>303</u>

## Notes to the financial statements

for the year ended 31 July 2022

### 3. Other income

Government grants of £nil (2021: £296,000) 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

	2022 £000	2021 £000
Investment management fees	90	54

### 5. Analysis of expenditure by activities

	<i>Activities undertaken directly</i> 2022 £000	<i>Support costs</i> 2022 £000	<i>Total</i> 2022 £000	<i>Total</i> 2021 £000
Examination and assessment activities	35,647	5,768	41,415	35,700

### 6. Direct costs

	2022 £000	2021 £000
Examination and assessment costs	11,832	11,343
Wages and salaries	20,081	16,534
National insurance	1,992	1,549
Pension costs	1,742	1,304
	35,647	30,730

### 7. Support costs

	2022 £000	2021 £000
Governance	132	137
Wages and salaries	4,587	3,957
National insurance	505	423
Pension costs	544	453
	5,768	4,970

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

## Notes to the financial statements

### for the year ended 31 July 2022

#### 8. Net income

This is stated after charging:

	2022 £000	2021 £000
Depreciation of tangible fixed assets:		
- owned by the charity	562	533
Loss on disposal of intangible assets	136	-
Operating lease rentals:		
- IT equipment	40	43
- other operating leases	33	48
Amortisation of intangible assets	852	883
Impairment of intangible assets	-	380
Auditor's remuneration	48	58
Auditor's remuneration – non-audit services	8	8

#### 9. Staff costs

Staff costs were as follows:

	2022 £000	2021 £000
Wages and salaries	24,668	21,799
Social security costs	2,497	2,104
Other pensions costs	2,286	1,815
	<u>29,451</u>	<u>25,718</u>

The average monthly number of employees, expressed as headcount figures (including casual and part time staff), was 900 (2021: 804).

The number of higher paid employees was:

	2022 No.	2021 No.
In the band £60,001 - £70,000	19	5
In the band £70,001 - £80,000	7	8
In the band £80,001 - £90,000	2	3
In the band £90,001 - £100,000	4	3
In the band £100,001 - £110,000	2	1
In the band £110,001 - £120,000	2	2
In the band £130,001 - £140,000	-	2
In the band £140,001 - £150,000	2	1
In the band £180,001 - £190,000	-	1
In the band £230,001 - £240,000	1	-

During the year, redundancy payments totalling £2,000 (2021: £46,000) were paid as part of the continuing restructuring of the business. These are included within staff costs.

## Notes to the financial statements

for the year ended 31 July 2022

### 9. Staff costs (continued)

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 £821,000 (2021: £686,000).

### 10. Intangible fixed assets

	<i>Negative goodwill</i> £000	<i>Brands</i> £000	<i>Software</i> £000	<i>Product development</i> £000	<i>Intellectual property</i> £000	<i>Total</i> £000
<b>Group</b>						
<b>Cost</b>						
At 1 August 2021	(42)	7,869	1,794	2,700	-	12,321
Additions	-	-	257	1,379	50	1,686
Disposals	-	-	-	(137)	-	(137)
At 31 July 2022	(42)	7,869	2,051	3,942	50	13,870
<b>Amortisation</b>						
At 1 August 2021	(42)	7,869	1,081	107	-	9,015
Disposals	-	-	-	(1)	-	(1)
Charge for the year	-	-	328	513	11	852
At 31 July 2022	(42)	7,869	1,409	619	11	9,866
<b>Net book value</b>						
At 31 July 2022	-	-	642	3,323	39	4,004
At 1 August 2021	-	-	713	2,593	-	3,306



## Notes to the financial statements

for the year ended 31 July 2022

### 10. Intangible fixed assets (continued)

	<i>Brands</i>	<i>Software</i>	<i>Product development</i>	<i>Intellectual property</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Company</b>					
<b>Cost</b>					
At 1 August 2021	4,926	725	2,700	-	8,351
Additions	-	467	1,379	50	1,896
Disposals	-	-	(137)	-	(137)
At 31 July 2022	4,926	1,192	3,942	50	10,110
<b>Amortisation</b>					
At 1 August 2021	4,926	298	107	-	5,331
Disposals	-	-	(1)	-	(1)
Charge for the year	-	252	513	11	776
At 31 July 2022	4,926	550	619	11	6,106
<b>Net book value</b>					
At 31 July 2022	-	642	3,323	39	4,004
At 1 August 2021	-	427	2,593	-	3,020

Included in the group cost of additions is £709,000 (2021: £1,113,000) (Company - £709,000 (2021: £990,000)) from internal development.

### 11. Tangible fixed assets

	<i>Long-term leasehold property</i>	<i>Fixtures and fittings</i>	<i>Office equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Group</b>				
<b>Cost</b>				
At 1 August 2021	1,419	2,747	1,633	5,799
Additions	-	34	103	137
Disposals	-	-	(13)	(13)
At 31 July 2022	1,419	2,781	1,723	5,923
<b>Depreciation</b>				
At 1 August 2021	237	1,357	1,279	2,873
Disposals	-	-	(13)	(13)
Charge for the year	28	290	244	562
At 31 July 2022	265	1,647	1,510	3,422
<b>Net book value</b>				
At 31 July 2022	1,154	1,134	213	2,501
At 1 August 2021	1,182	1,390	354	2,926

## Notes to the financial statements

for the year ended 31 July 2022

### 11. Tangible fixed assets (continued)

	<i>Long-term leasehold property £000</i>	<i>Fixtures and fittings £000</i>	<i>Office equipment £000</i>	<i>Total £000</i>
<b>Company</b>				
<b>Cost</b>				
At 1 August 2021	1,419	2,671	1,619	5,709
Additions	-	47	107	154
Disposals	-	-	(13)	(13)
At 31 July 2022	1,419	2,718	1,713	5,850
<b>Depreciation</b>				
At 1 August 2021	236	1,304	1,269	2,809
Disposals	-	-	(13)	(13)
Charge for the year	28	282	243	553
At 31 July 2022	264	1,586	1,499	3,349
<b>Net book value</b>				
At 31 July 2022	1,155	1,132	214	2,501
At 1 August 2021	1,183	1,367	350	2,900

### 12. Fixed asset investments

	<i>Listed securities £000</i>	<i>Other investments £000</i>	<i>Total £000</i>
<b>Group</b>			
<b>Market value</b>			
At 1 August 2021	9,000	89	9,089
Additions	24,791	29	24,820
Disposals	(9,968)	-	(9,968)
Revaluations	(2,438)	-	(2,438)
At 31 July 2022	21,385	118	21,503
<b>Historical cost</b>	23,156	118	23,274

## Notes to the financial statements

for the year ended 31 July 2022

### 12. Fixed asset investments (continued)

#### 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>
<b>Company</b>				
<b>Market value</b>				
At 1 August 2021	9,000	928	89	10,017
Additions	24,791	-	29	24,820
Disposals	(9,968)	-	-	(9,968)
Revaluations	(2,438)	-	-	(2,438)
Transfer to merger reserve	-	(928)	-	(928)
At 31 July 2022	<u>21,385</u>	<u>-</u>	<u>118</u>	<u>21,503</u>
<b>Historical cost</b>	<u>23,156</u>	<u>-</u>	<u>118</u>	<u>23,274</u>

#### Listed investments held

	<i>2022</i>	<i>2021</i>
	<i>£000</i>	<i>£000</i>
UK bonds	1,660	389
Overseas bonds	3,438	580
UK equities	3,801	1,708
Overseas equities	7,949	-
Pooled funds	4,537	6,323
	<u>21,385</u>	<u>9,000</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 up to 30 November 2021 was the provision of online assessments, diagnostics and e-learning resources. On 1 December 2021 all of the assets and liabilities were transferred to the parent company NCFE and Skills Forward Limited ceased to trade.

The company holds 100% of the voting capital in Peer Tutor Limited, a company incorporated and registered in England and Wales. The company has not traded during the year.

### 13. Stocks

	<i>Group</i>	<i>Company</i>
	<i>2022</i>	<i>2021</i>
	<i>£000</i>	<i>£000</i>
Finished goods and goods for resale	<u>400</u>	<u>18</u>
	<u>400</u>	<u>2</u>

## Notes to the financial statements

for the year ended 31 July 2022

### 14. Debtors

	<i>Group</i>		<i>Company</i>	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade debtors	5,144	4,023	5,144	3,834
Amounts due from subsidiary undertakings	-	-	-	11
Other debtors	24	46	24	22
Prepayments and accrued income	757	1,149	757	1,137
	<u>5,925</u>	<u>5,218</u>	<u>5,925</u>	<u>5,004</u>

### 15. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade creditors	659	716	659	707
Amounts due to subsidiary undertakings	-	-	290	-
Other taxation and social security	1,061	721	1,061	627
Other creditors	453	258	453	226
Accruals and deferred income	3,121	3,015	3,121	2,957
	<u>5,294</u>	<u>4,710</u>	<u>5,584</u>	<u>4,517</u>

#### Deferred income

	<i>Group</i>		<i>Company</i>	
	2022	2021	2022	2021
	£000	£000	£000	£000
Deferred income at 1 August 2021	26	58	23	23
Resources deferred during the year	126	3,125	126	3,125
Amounts released during the year	(128)	(3,157)	(125)	(3,125)
Deferred income at 31 July 2022	<u>24</u>	<u>26</u>	<u>24</u>	<u>23</u>

## Notes to the financial statements

for the year ended 31 July 2022

### 16. Statement of funds

*Group*

	<i>Brought forward</i>	<i>Income</i>	<i>Expenditure</i>	<i>Investment losses</i>	<i>Transfer</i>	<i>Carried forward</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Designated funds</b>						
Resilience fund	15,000	-	-	-	-	15,000
	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
<b>General funds</b>						
General funds	29,941	39,095	(41,906)	(2,438)	928	25,620
	<u>29,941</u>	<u>39,095</u>	<u>(41,906)</u>	<u>(2,438)</u>	<u>928</u>	<u>25,620</u>
Total unrestricted funds	<u>44,941</u>	<u>39,095</u>	<u>(41,906)</u>	<u>(2,438)</u>	<u>928</u>	<u>40,620</u>
Merger reserve	-	-	-	-	(928)	(928)
Total funds	<u>44,941</u>	<u>39,095</u>	<u>(41,906)</u>	<u>(2,438)</u>	<u>-</u>	<u>39,692</u>

The income funds of the charitable company include the following designated fund which has 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.

On 1 December 2021 the assets and liabilities of the subsidiary undertaking Skills Forward Limited were transferred to NCFE at net book value. On transfer, the investment cost is recognised as a merger reserve.

## Notes to the financial statements

for the year ended 31 July 2022

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

	2022	2021
	£000	£000
Net (expenditure)/income for the year before investment gains/(losses) (as per Statement of Financial Activities)	(2,811)	1,015
<b>Adjustment for:</b>		
Depreciation charges	562	533
Amortisation charges	852	883
Loss on disposal of intangible assets	136	-
Impairment of fixed assets	-	380
Dividends, interest and rents from investments	(423)	(303)
Increase in stocks	(382)	-
Increase in debtors	(707)	(295)
Increase in creditors	584	586
<b>Net cash (used in)/provided by operating activities</b>	<b>(2,189)</b>	<b>2,798</b>

### 18. Analysis of cash and cash equivalents

	2022	2021
	£000	£000
Cash in hand	6,425	10,246
Notice deposits (less than 3 months)	4,228	18,848
	<u>10,653</u>	<u>29,094</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 £2,286,000 (2021: £1,815,000). Contributions totalling £427,000 (2021: £203,000) 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:

	2022	2021
	£000	£000
<b>Group and Company</b>		
Not later than 1 year	74	78
Later than 1 year and not later than 5 years	83	-
	<u>157</u>	<u>78</u>

## Notes to the financial statements

for the year ended 31 July 2022

### 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>
	<i>2022</i>	<i>2022</i>	<i>2021</i>	<i>2021</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Kindling Limited	18	-	16	-

Ms D M Jenkins MBE DL, a Trustee is also a Director of Kindling Limited which invoiced NCFE for Chair's remuneration.

Three Trustees were reimbursed travelling expenses in the year totalling £687 (2021: none).

### 22. Principal subsidiaries

<b>Company name</b>	<b>Country</b>	<b>Percentage Shareholding</b>	<b>Description</b>
NCFE Trading Limited	UK	100%	Non trading company
Skills Forward Limited	UK	100%	Provision of online assessments, diagnostics and e-learning resources. Dormant from 1 December 2021.
Peer Tutor Limited	UK	100%	Non trading company

### 23. Controlling party

The charitable company is controlled by the Board of Trustees.

### 24. Financial instruments

	<i>2022</i>	<i>2021</i>
	<i>£000</i>	<i>£000</i>
Financial assets measured at fair value through income and expenditure	21,385	9,000
Financial assets measured as amortised cost	15,830	33,278
	<u>37,215</u>	<u>42,278</u>
Financial liabilities measured at amortised cost	<u>4,209</u>	<u>3,962</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.

## Notes to the financial statements

for the year ended 31 July 2022

### **25. Contingent liability**

Following feedback from this summer's T-Level results in Health and Science, Ofqual is conducting an investigation into the delivery of our assessments. It is possible that Ofqual may find NCFE to be in breach of its conditions and impose a fine or penalty as a result. We are unable to quantify the likelihood or value of this happening at the Balance Sheet date.

### **26. Post balance sheet event**

NCFE acquired 100% of the issued share capital of Active IQ Limited on 22 November 2022 for a consideration of £3,306,000.