



HEREFORD
CATHEDRAL
SCHOOL

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2023

Hereford Cathedral School, a company limited by guarantee
Company number: 2081261
Charity number: 518889

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MESSAGE FROM THE CHAIR OF GOVERNORS

The Board are delighted to note the continuing development and implementation of the school's digital strategy. This continues to grow our capability and has such a positive impact across all dimensions of the School's operations. Of similar importance has been our focus and articulation of the School's values: kindness, courage and integrity. We recognise our values define who we are; they are signposts for the choices we make as well as how we interact with each other.

Both these initiatives have been well received by parents, pupils and staff.

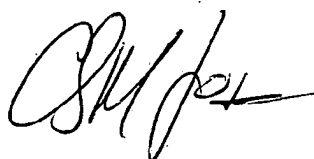
The School continues to optimise its operations, creating a whole-school admissions department and increasing its use of tracking and performance measurement, particularly in academic and commercial environments.

In parallel, the Board are pleased to note the continuing strong demand for boarding as Wilmot House is full.

During the year, Lorraine Atkins joined the Board; she brings considerable educational and leadership experience, both in the UK and further afield. We wish to thank Dr Tim Keyes for so ably leading the Education Committee for a number of years and with sadness note the passing of our previous Chair of Governors, Rear Admiral Philip Wilcocks. He has left us a strong legacy.

As we look ahead into the next few years, we continue to develop and diversify our revenue streams, and are pleased to note the conclusion of our first international commercial and educational agreement. This aspect has particular relevance as we continue to mitigate the expected impact of regulatory and tax changes.

In conclusion, I wish to thank our parents for their confidence in us, our staff for their commitment and expertise, our donors and supporters of all varieties and, of course, all the volunteer bodies for their continuing support and commitment. We are one-team and combined, we achieve the most impact and value as we grow people, transform lives and shape futures.



Mr C Morgan-Jones
Chair of Governors

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 JULY 2023

The Governors present the Report of the Trustees for the year ended 31 July 2023, which incorporates the Strategic Report under the Companies Act.

REFERENCE AND ADMINISTRATIVE INFORMATION

The regulating document of Hereford Cathedral School is a Charity Commission Scheme made under the Endowed Schools Acts on 26 June 1893, with the latest amendment in 1987. The School is a registered charity, number 518889. The registered company number is 2081261. The governing instrument is the Memorandum and Articles of Association, adopted on 5 December 1986.

The charitable company does not have a share capital, but the directors, as members, have undertaken to contribute a sum not exceeding one pound each in the event of a deficiency on winding up the company's affairs.

Senior School and Registered Office:
Old Deanery
The Cathedral Close
Hereford
HR1 2NG

Junior School:
28 Castle Street
Hereford
HR1 2NW

www.herefordcs.com

STRUCTURE, GOVERNANCE AND MANAGEMENT

Organisational Management

Governors, as the charity trustees, are legally responsible for the overall management and control of the School. The governors determine the general policy, as well as being responsible for the strategic management and control of the business activities of the School. Meetings of the full governing body are held at least once a term, with occasional extra meetings called if matters arise of a sufficiently serious nature.

This year marked Dr Michael Gray's second year in-post as Headmaster of the School and he has continued to move the School forward with ambition and drive with the task of implementing Vision 2030 and delivering his clear strategic objectives. At the heart of his approach has been ensuring that all pupils leave the School 'real-world ready' and equipped for a rapidly changing world. An integral part of this has been the introduction of the digital strategy which saw the extremely successful implementation of the bring-your-own-devices digital strategy. This strategy has also included in the integration of VR into the curriculum.

Additionally, the introduction of the HCS Diploma has also enhanced the real-world readiness of pupils who have taken elective courses on subjects such as 'how to have difficult conversations', 'the art of public speaking', 'financial literacy' and 'cooking on a budget'.

The operational management of the School is delegated to the Headmaster, Head of the Junior School and their respective Senior Leadership Teams (SLT) and together this group are the key management personnel. Delivery of the School's charitable vision and purpose is primarily dependent on our key management personnel. The Headmaster, Head of the Junior School and the Bursar attend all meetings of the governing body's committees, which discuss issues for forwarding to the full governors' meetings. The main governor committees are Finance, Education, Safeguarding and General Purposes. In addition to these meetings, governors and senior leaders also attend meetings covering Health & Safety and Salaries and Personnel. Mr W Hanks is the designated governor for Safeguarding issues.

The School recognises the National Education Union (NEU) through an informal agreement for the purposes of pay, holidays and working hours. A Joint Negotiation Committee acts as the bargaining unit (all teachers). Remuneration policy and budget is set by the governors, with the objective of providing appropriate incentives to encourage enhanced performance and of rewarding fairly and responsibly the individual contributions to the School's success. The appropriateness and relevance of the remuneration policy is reviewed annually, including reference to comparisons with other independent schools and the maintained sector to ensure that the School remains sensitive to the broader issues of pay and employment conditions elsewhere.

We aim to recruit, subject to experience, at the lower to medium point on the pay scale, recognising that staff costs are the largest single element of our charitable expenditure.

Recruitment and Training of Governors

The recruitment of new governors is based on a pre-determined set of skills and competences across a range of disciplines such as: education, finance, law, religion, land & buildings and business. The policy of the governors is to maintain a balanced and diverse board, with a broad experience base, covering all of the topics outlined above. New governors are inducted into the workings of the School, including governing body policy and procedures, at an induction workshop

specially organised for them by the Headmaster, the Head of the Junior School and Clerk. The new governors also attend specialist external and/or online courses on the role and responsibilities of charity trustees. All new governors are issued with an induction manual, which seeks to assist in the understanding of the complex issues faced by a new charity trustee and non-executive director.

In addition, all new governors are expected in their first year to sit on each of the sub-committees in order to understand all aspects of the School's business. Governors attend external trustee training and information courses designed to keep them informed and updated on current issues in the sector and regulatory requirements.

Employment Policy

The School is an equal opportunities employer. Full and fair consideration is given to job applications from disabled persons and due consideration is given to their training and employment needs. All employees are appointed in accordance with safer recruiting guidelines and particular emphasis and attention is given to safeguarding and background checks.

Consultation with employees, or their representatives, has continued at all levels with the aim of taking the views of employees into account when decisions are made that are likely to affect their interests. Employees are made aware of the financial and economic performance of the School at an annual briefing.

Communication with employees continues through normal management channels in a variety of forms and also through exceptional channels to apprise staff of current issues.

Investment policy and objectives

The School's investment objectives are to balance the current and future needs by:

- Maintaining (at least) the value of the investments in real terms
- Producing a consistent and sustainable amount to support expenditure
- Delivering these objectives within acceptable levels of risk

To meet these objectives, the School's investments as a whole are managed on a total return basis, maintaining diversification across a range of asset classes in order to produce an appropriate balance between risk and return. In line with this approach, the Charity Commission has been made aware of the School's intention to invest permanent endowments to maximise total return and to make available an appropriate proportion of the total return for expenditure each year. The investment strategy and policy are monitored by the Finance Committee, as is investment performance, which is reported below, within the Strategic Report.

CHARITY TRUSTEES AND COMMITTEE MEMBERS

The governors are elected at a full governors' meeting, and their appointment is confirmed at the next AGM. The Dean and Chapter (D&C) of Hereford Cathedral have the right to recommend up to one quarter of the total number of governors. One third of the governors, or if their number is not three or a multiple of three, then the number nearest to, retire from office at each Annual General Meeting. They can be re-elected. The governors had no interests which were required to be disclosed under the Companies Act 2006. Unless otherwise determined by the company by ordinary resolution, the number of governors shall not be less than 10, or more than 18. The governors of the School, who are also the charity trustees and the directors of the company who served during the year and up to the date of approving these financial statements, were:

Elected Members

Rear Admiral P Wilcocks (Chairman) (Deceased 9 April 2023)
Mr C Jones (Morgan-Jones) (Chairman) with effect from 10 April 2023
Mr C D Hitchiner (resigned 25 November 2022)
Mr A Teale
Mr W Hanks
Mr T Keyes (Resigned 10 July 2023)
Mr J Sheldon (on sabbatical 1 April – 1 September 2022)
Mrs K Usher (reappointed 24 March 2023)
Mr J Preece
Mr D Ashcroft
Mrs J Millar
Mrs J Deval-Reed
The Reverend Prebendary N Lowton
Mr J Storey (appointed 9 June 2022)

D&C Nominated Members

Mr W Hanks
Mr A Teale
The Reverend Prebendary N Lowton

Officers

| | |
|----------------|--|
| Dr M E P Gray | Headmaster |
| Mrs H Hoffmann | Head of the Junior School |
| Mr R Pizzi | Secretary, Bursar and Clerk to the Governors |

Finance Committee

Mrs J Millar (Chair)
Mr W Hanks
Mr D Ashcroft
Mr J Sheldon (on sabbatical 1 April – 1 September 2022)

In attendance: Headmaster, Head of the Junior School, Bursar, Accountant, Chairman of the Board.

Education Committee

Mr T Keyes (Chairman)
Mr A Teale
Mr C Jones
Mrs J Deval-Reed
The Reverend Prebendary N Lowton
Mr J Storey

In attendance: Headmaster, Head of the Junior School, Academic Deputy, Director of Studies, Chairman of the Board.

General Purposes Committee

Mr J Preece (Chairman)
Mr J Sheldon
Mrs J Millar

In attendance: Headmaster, Head of the Junior School, Bursar, Chairman of the Board.

Safeguarding Committee (Established 25 May 2022)

Mr W Hanks (Chairman)
Mrs J Deval-Reed
The Reverend Prebendary N Lowton
Mr J Storey

In attendance: Headmaster, Head of the Junior School, Deputy Head HCS, Deputy Head HCJS, Chairman of the Board.

SUBSIDIARIES

During the financial year, the School had one trading wholly-owned subsidiary, HCS Educational Services Limited. Hereford International School Ltd was dormant during the year.

SOLICITORS

Humfrys & Symonds
St John's Chambers
St John Street
Hereford
HR1 2NG

Harrison Clark Rickerbys Ltd
Ellenborough House
Wellington Street
Cheltenham
GL50 1YD

BANK

Lloyds Bank Plc
6-8 High Street
Hereford
HR1 2AE

AUDITOR

Crowe U.K. LLP
4th Floor
St James House
St James' Square
Cheltenham GL50 3PR

INVESTMENT MANAGERS

Brewin Dolphin
St James' House
St James' Square
Cheltenham
GL50 3PR

Investec
30 Gresham Street
London
EC2V 7QP

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

The governors undertake a full review of risk management procedures each year, with each sub-committee tasked with assessing and rating risks relevant to the areas for which they hold responsibility. The risks faced by the School include political, buildings (on-going maintenance and health and safety considerations), demographic and economic changes and recruitment and retention of high-quality staff and pupils. Issues are identified and discussed with the specific purpose of reducing risk in all areas, with the findings reviewed annually at full Board level.

The other key control mechanisms used to mitigate risk wherever possible are:

- Formal agendas for all governors' meetings.
- Full and thorough management accounting, budgeting and 5-year planning.
- Preparation of, and reference to, written policies and committee terms of reference.
- Operational management through an organisational structure.
- Clear authorisation and approval levels for expenditure of budgets.
- Robust procedures for legislative compliance educationally, financially and legally.
- Membership of professional bodies which advise and support the school: AGBIS, HMC, IAPS, ISBA and BSA.
- Full insurance cover which is reviewed annually.

Principal Risks

The Labour Party's manifesto pledge of the introduction of VAT onto independent school fees represents a risk to the affordability of the fee and in particular, in reducing the socio-economic breadth of families which can afford to send their children to the School. Geopolitical concerns continue to provide challenges, but we have been heartened by the demand for places in our boarding house, which has expanded its capacity and is full.

The affordability of the fees, which have needed to be increased this year, remains something of which the Board is eminently mindful. The Board continues to look to mitigate that risk by diversifying income and generating non-fee sources of income through HCS Educational Services Ltd.

Political and economic risks remain and the Board and School are taking steps to mitigate these:

- Political pressures on the sector;
- Affordability of the fee at a time of inflation;
- Geopolitical impacts on boarding; and
- Demography of Herefordshire.

Uncertainty

"There are known knowns. These are things we know that we know. There are known unknowns. That is to say, there are things that we know we don't know. But there are also unknown unknowns. There are things we don't know we don't know."

- Donald Rumsfeld

Governors and the SLT are fully aware of Donald Rumsfeld's "known unknowns" and "unknown unknowns". They endeavour to understand the implications of uncertainty by keeping abreast of developments within the sector through regular networking meetings, ongoing training and the use of consultants where appropriate.

Insofar as the governors are aware:

- There is no relevant audit information of which the charity's auditor is unaware, and
- The governors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

OBJECTIVES

The charitable objects of the School are to promote the advancement of education by acquiring, establishing, providing, conducting and carrying on schools in which boys and girls of all sections of the community may receive a sound general education (including religious instruction in accordance with the doctrines of the Church of England). The charitable company's principal activity continues to be the running of the Hereford Cathedral Senior and Junior Schools.

It is the policy of the School to attain the highest academic standards for our pupils and to encourage each individual to achieve his or her highest potential intellectually, culturally and physically. The School welcomes pupils from all backgrounds. Entrance interviews and assessments are undertaken to satisfy ourselves and parents that potential pupils can cope with the pace of learning and benefit from the education provided. An individual's economic status, gender, ethnicity, race, religion or disability do not form part of the assessment process.

AIMS

The School's aims and the intended impact of its activities are:

- To produce well-rounded individuals not only through the national curriculum, but also the opportunities of a wide range of additional activities, including: music, sport, the Duke of Edinburgh (DoE) award scheme and the Combined Cadet Force (CCF)
- To provide a structured educational environment that develops pupils' capabilities, where each student can develop and fulfil his or her potential, building their self-confidence and creating a desire to contribute to the wider community. The School recognises that a diverse range of cultures will significantly add to this goal, and therefore welcomes pupils from other countries who would directly benefit from our unique Cathedral School education. In addition, the School provides music and community support to the Cathedral, as well as the sub-letting and sharing of School facilities with the wider community

The School was extremely successful in fulfilling its aims and ensuring that it provided a very high quality and holistic education, which maximised opportunities and provided a real breadth of educational experience.

REPORT ON OBJECTIVES TO DATE

Governors and the SLT placed an emphasis on a new set of Strategic Objectives, focussed on the delivery of Vision 2030. The main objectives for the period were:

- Academic Excellence. Through: tracking, exam experience, curricular continuity, scholars' extension programme, broadening the Sixth Form curriculum and reviewing marking policies, feedback and reports.
- Breadth of Opportunity. Implementation of the digital strategy, a range of extra-curricular enhancements, outreach, careers workshops and linking with NMITE.
- Caring for Everyone. Coordinated programme of CPD, New common rooms for pupils in Y10 and Y11; ongoing development of PSHE curriculum.
- Expanding Demand. Re-structure of admissions department to bring Junior and Senior staff and processes together; introduction of visitor mornings; Whole School Open Mornings.
- Finance and Facilities. Ongoing diversification of income and exploration of commercial projects at home and abroad.

STRATEGIES TO ACHIEVE OBJECTIVES IN 2022/23

The various governor committees work together to assess the needs of the School from an educational, charitable and financial perspective.

- The Education Committee seeks to continually develop the academic, pastoral and extra-curricular provision offered at the School, and also encourages facility development in conjunction with the General Purposes and Finance Committees.
- The Finance Committee continues to apply controls to ensure that the development of the staffing and the fabric of the School is delivered effectively, as well as providing sufficient funds to increase the level of bursary awards granted, as a mainstay of the School's delivery of public benefit.
- The General Purposes Committee seeks to prioritise those areas of the School identified as needing physical improvement and works to a medium-term plan, with surpluses in excess of budget used to accelerate the plan.
- A Safeguarding Committee has been created, in recognition of the importance of this issue and the Governors' role in overseeing safeguarding matters and managing risks. This also provides them with an opportunity to anonymously review particular cases to ensure that best practice was followed.
- The Trustees hold an annual 'Strategy Day', devoted to developing the School's long-term vision and objectives.

The governors continued to support the SLT to build links and encourage community access of the School facilities for educational purposes and the delivery of outreach programmes.

GRANT-MAKING POLICY

The governors' policy, in line with other independent schools, is to award scholarships on the basis of the individual's academic, musical, dramatic, artistic and sporting ability. Bursaries and Fees Assistance are awarded to individuals who qualify under a stringent means-testing system but are not required to be academic high-flyers. Hardship bursaries are also awarded, usually of a short-term duration, to families facing immediate financial crises and who would otherwise be required to withdraw their children from the School.

PLANS FOR FUTURE PERIODS

The future success of the School is obviously linked to a high demand for places at the School, which in-turn is achieved by providing the highest quality of education. There has been a dynamic momentum over the past year as a result of the very successful implementation of several new strategies and initiatives. The academic year 2023/24 will witness the launch of the new school values of kindness, courage and integrity, as well as a new rewards and sanctions system. This is accompanied by a sophisticated tracking system which links academic and pastoral development. Renovations to the physical space and developments in the curriculum also mean that there are important changes in the Sixth Form.

The School's international reputation is also growing, through the success of its boarding and considerable work taking place as it aspires to establish an overseas franchise.

Governors and Senior Leadership are continuing to develop a medium and long-term strategy for the School and have taken decisive steps towards increasing the number of international students which will help secure the future of the School for generations to come. The governors have further refined the details of Vision 2030 and discussed contingencies to mitigate the impact of the risks facing the School.

OVERVIEW OF 2022/23

PUBLIC BENEFIT – FEES ASSISTANCE

The School offers substantial financial provision, funding a significant number of transformational bursaries and provides a greater ratio of bursaries to scholarships within its recruitment and charitable strategies, including free places to some individuals. The school seeks to provide approximately 10% of gross fee income in the form of scholarship and bursary awards. Bursaries and scholarships awarded in 2022/23 were 8 and 2% of fee income, respectively. Bursaries were awarded to 13% of pupils and included 25 at 75% and above of which there were 8 100% awards. The average fee assistance award was 67%. Special scholarships are also awarded to children of military personnel serving within the Hereford Garrison.

The School prospectus and website includes reference to the availability of Fees Assistance; "Entrance Bursaries" are only awarded after undertaking robust means testing procedures, usually including home visits and interviews of all parents by an independent company. In assessing means we take a wide range of factors into consideration which include family net worth, including: income, investment and savings, and family circumstances such as dependants and siblings. This enables wider access to the school for those who would not otherwise be able to meet the full fee. Parents in receipt of significant bursary awards (over 50%) will also be interviewed by the Headmaster and Bursar. "Hardship Bursaries" are not always subject to the same assessment procedure and are normally awarded to pupils who have been at the School for at least 12 months (although exceptions may be made in the event of extraordinary circumstances, e.g. death of a parent). These are generally short-term awards to allow parents time to resolve their financial difficulties.

In the Spring Term 2022, the School was able to establish a modest short-term Ukraine hardship bursary fund, supported by a number of generous parents and other benefactors with the aim of supporting those who had relocated due to the war in their home country. £28k was raised and drawn down in the prior period; in this period a further £18k was received from 5 individual donors, £30k from a charitable trust and £29k from the DfE, all funds were drawn down in-year. The School supported 3 boarders 1 day pupil and anticipates that this will be an on-going issue.

During academic year 2022/23, there were a total of four fully-funded Ukrainian pupils in the School, two of whom were boarders and all of whom were the recipients of bursaries.

PUBLIC BENEFIT – OTHER

Local groups and clubs usually have the opportunity to hire and use the School's facilities, including the sports hall, the Powell Theatre, St David's Hall, playing fields and minibuses which are used for a variety of sporting, educational and music activities within the local community. The CCF partnership with a local academy school continues and provides wonderful opportunities for local children to develop their skills and broaden their opportunities. The School provides a Cadet in support of the Lord Lieutenant and their civic duties.

The School hosts and sponsors sporting events involving local primary and secondary schools, including: the County Primary Schools Football Tournament and a variety of county schools' events. Our sports pitches are used weekly by local community clubs, the School also continues to work closely with the County Cricket establishment.

The School continues to support the local community with outreach work in the state education sector, particularly in musical activities. The School hosted a Cyber Security workshop, run through the National Cyber Security Centre for local state schools. Staff deliver workshops and specialist lessons in other school. Pupils volunteer as part of the DoE scheme and the 6th Form HCS Diploma. The Junior School partners with Umubano Academy in Kigali as a cultural knowledge exchange.

Music outreach includes a new Music Makers series for aspiring musicians and two community choirs. The School's music department brings together a number of the County's primary schools for a number of large-scale events: such as a Primary Schools' Advent carol service (200 children) and a major choral & orchestral concert in the Spring Term (200 children).

The School supports members of staff who volunteer to sit on local boards of governors or trustees across educational and other not-for-profit organisations. This involves releasing them from their duties to attend meetings and fulfil other commitments in their capacities as governors or trustees. Other members of staff help at local schools and academies, particularly with exam moderation and PGCE teacher placements. The school also supports those wishing to stand for public office or supporting the democratic process. The School's activities and partnerships are recorded in the Schools

Together website: www.schoolstogether.org. The School's Charity Committee continues to be busy raising money for various worthwhile causes locally and nationally.

In drafting the above statements, the governors have complied with the duty in Section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission.

SCHOOL PERFORMANCE

Hereford Cathedral School achieved excellent A Level results and combined with its GCSE, it once again places the School as the highest performing School or College in the County and it remains a highly respected and well established coeducational HMC School.

A number of pupils achieved straight A*s or As at A Level and took up places at some of the world's leading universities including Oxbridge.

At GCSE results were impressive across the board, with excellent outcomes in all departments and the Sciences, English Language and Maths being of particular note.

The School appointed some excellent new staff throughout the year including a new Head of Futures and Houseparent.

As a consequence of its strong academic performance and exciting new developments, the demand for places has increased and the School's prospects look attractive.

FUNDRAISING PERFORMANCE

2022/23 saw significant progress made in the School's on-going work of raising voluntary funding and building a legacy/bequest stream, achieving the best levels of fundraising income in the last decade. A Bursary Fund Appeal was launched in Feb 2020 and the Development Office continues to promote this to alumni through social media, in person conversation and through the annual alumni magazine. In addition, the Development Director works to build relationships with charitable trusts and foundations to obtain grant funding wherever possible.

For the Academic year 2022/23 the following voluntary income has been generated:

- HCS received £125.7k in bursary support from 6 grant making bodies, which supported 11 specific pupils.
- £7.5k of additional donations from individuals were received specifically to support Ukrainian pupils
- £10k grant to be used over the coming years to support music tuition for ex-choristers where the family's financial situation makes that unaffordable.
- £9.7k donated to in-year bursary fee support.
- The Knapton Legacy continues to grow and generate income for a funded day place
- Restricted Funds - Bursary Funds and Awards, excluding the Knapton Bursary, grew in value to £231k (including gift aid) and increase of £36k on the previous year.
- Funds raised for other purposes in 2022/23 were £7.6k.
- HCS has been pledged £132.5k for 2023/24 plus the pledge of £250k remains in place and will carry forward to 2023/24.
- Known pledges for future academic years amount to £109k for 2024/5 and £97K for 2025/26

The School is particularly grateful to the Mosawi Foundation, the Tabor Fund; EAC Educational Trust, the French Huguenot Church and one anonymous donor for their continued support. The School is also grateful to the Old Herefordian Fund (whose numbers are not included in the above, but shown elsewhere) for their on-going support.

The School employs a full-time member of staff in a development role, including fundraising. The School raises funds either through applications to external grant making bodies or through appeals to alumni and parents. Funds raised are almost exclusively used for fee support for pupils. The School does not use external or "professional" fundraisers. The School is a member of The Institute for Development Professional in Education (IDPE) which is a body that advises members on best practice in fundraising and compliance with fundraising regulations. The charity monitors its fundraising activities of any person acting on its behalf, through regular meetings with the Headmaster and termly reports to the governors. There is a governor with specific focus on Fundraising compliance as part of their role.

The governors do not know of any failure by the charity, or of any person acting on its behalf, to comply with fundraising standards. The charity received no complaints relating to its fundraising activities. The charity protects vulnerable people and other members of the public from behaviour which; is unreasonable intrusion on a person's privacy, is unreasonable persistent, places undue pressure on a person to give money. The charity does not approach members of the public for fundraising. All applications relating to pupils are confidential and data is handled accordingly. The School raised funds from alumni and parents in the last year; these people have an existing relationship with the School. The School does not undertake cold calling, telephone campaigns or employ any third parties to raise funds on our behalf. The School, through

its Head and Development Director, is aware of the duty of care when raising money from former pupils and parents who might be classed as vulnerable and of the need to be sensitive; not invade privacy or be unreasonably persistent. The Development Director regularly attends industry conferences and regional networking meetings to ensure we are aware of, compliant with and sensitive to, the letter and spirit of regulatory guidelines, legislation and best practice in our fundraising.

The governors are aware of the increasing regulations with regards to fundraising and are keen to adopt an ethical and transparent approach in this respect.

FINANCIAL REVIEW

The Consolidated Statement of Financial Activities for the year is set out on page 19. The financial statements comply with the applicable Accounting Standards in the United Kingdom, including the Statement of Recommended Practice applicable to charities (Charities SORP 2015 (FRS 102)).

Gross Fee income increased by £831k (7.8%) during the year.

The Bursary worked hard with parents to manage fee payments, flexibility was offered over timing and ultimately a high percentage of the fees due were paid in the period. Fee debt has continued to be well managed, reducing again this year with minimal write-off.

The School's financial position continues to be strong. The School was able to invest in the estate, completing capital and routine tasks that had been deferred in recent years due to Covid and non-availability of contractors. The Board were pleased to bring pay into line with the National scales and are alert to future increases in the employer's contribution to the Teachers' Pension Scheme. The Board continue to be alert to the threats and pressures on the School and wider economy; the strong closing position gives the Board confidence that the School was, and remains, a "going concern".

The surplus for the year (before transfers between funds and losses on investment assets) amounted to £378,847 (2022: £509,774). The surplus for the year after transfers between funds and losses on investment assets amounted to £380,970 (2022: £408,103) and has been transferred to reserves. Total funds amounted to £7,548,945 (2022: £7,167,975).

INVESTMENT POLICY AND PERFORMANCE

The governors' investment powers are set out in the regulating document.

Governors have continued to manage the investments in accordance with this policy and returns are considered to be satisfactory in view of the performance of the stock market during the year.

In common with other independent schools, the governors have invested substantial sums into School buildings in recent years and have a continuing programme of refurbishment, development and investment to maintain excellent teaching facilities for our pupils. The "free reserves" as at 31 July 2023 consist of unrestricted net current liabilities as shown in note 18 amounting to (£748,132); (2022: (£469,217)). The governors have chosen to invest in boarding and technology as part of the long-term strategy to increase pupil numbers and innovate teaching and learning and therefore do not consider it appropriate at this time to place a great deal of emphasis on this figure. Rather, the figure illustrates the extent of the investment in our School, which is a common practice by independent schools which have to finance their own capital investment plans. The closing value of our tangible assets, property, plant and equipment, was £8,732,729; (2022: £8,543,038).

The governors consider that given the strength of the charity's balance sheet, the stable cash flow, the on-going popularity and academic success of our School, that there is no current need to build up a large free reserve.

The School had total reserves of £7,548,945 at the year-end (2022: £7,167,975), of which £1,295,811 is restricted (2022: £1,231,434), £588,887 is endowed (2022: £585,276), leaving £5,664,247 of unrestricted funds (2022: £5,351,265).

The governors recognise that the level of reserves fluctuates during periods of investment in the School estate and the arrangements with our bank are in place to provide an adequate "safety net" should it be required.

The School's long-term investments are managed by two investment companies. At the year-end the total value of the investment portfolio was £1,361,328 (2022: £1,360,024). The overall investment return amounted to £13,072 (calculated as the net investment gain of £2,123 plus dividends and interest received of £24,283 less management fees of £13,334). This year's results validate the objective to hold these investments in the long-term and accept short-term fluctuations in value.

Under the total return accounting basis, it is the governors' policy to extract as income one tuition fee. This fee is used to support the bursary of the "Knapton Music Scholar" thanks to the generosity of the benefactors: Miss Barbara Knapton and

Mrs Kathleen Cavill. The governors will keep the level of income withdrawn under review to balance the need and interests of current and future beneficiaries of the School's activities.

GOING CONCERN

The Board has paid due attention to the advice and modelling of the School's employees, the SLT and professional advisors including the School's auditors and consider that the School remains financially viable.

A range of five-year scenarios were modelled and refined, with varying degrees of stress on pupil numbers, fee recovery, debt, operational costs and a range of other factors. Performance against budget has been steady, and the School has emerged from the pandemic with strong growth. Additional emphasis and resources are being allocated to marketing and the management and Board remain alert to the possibility of further structural changes based on the budget projections.

Political threats, particularly of VAT on fees are the subject of regular review by the SLT and the Board. It is considered that the School's cash and investments will protect it from unexpected sudden shocks, giving time for structural adjustments, should these prove necessary.

The School's bankers, Lloyds, have continued to be fully engaged and remain supportive of the School's aspirations.

The Trustees Annual Report is approved by the Board of Governors and the Strategic Report (included therein) is approved by the Board of Governors in their capacity as directors at their meeting on 13 December 2023 and signed on its

behalf by:

A handwritten signature in black ink, appearing to read 'C Morgan Jones', written over a horizontal line.

Mr C Morgan Jones
Director

STATEMENT OF GOVERNORS' RESPONSIBILITIES

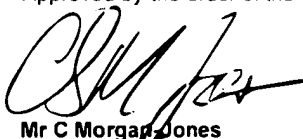
The Governors (who are also the directors of the charity for purposes of company law) are responsible for preparing the Governors' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Governors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing those financial statements, governors are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Governors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the order of the Board of Governors on 13 December 2023 and signed on its behalf by:



Mr C Morgan Jones
Director

HEREFORD CATHEDRAL SCHOOL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEREFORD CATHEDRAL SCHOOL

Opinion

We have audited the financial statements of Hereford Cathedral School (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 July 2023 which comprise the Consolidated statement of financial activities, the Consolidated balance sheet, the School balance sheet, the Consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the School's and of the parent charity's affairs as at 31 July 2023 and of the School's incoming resources 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 School in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the Governors with respect to going concern are described in the relevant sections of this report.

HEREFORD CATHEDRAL SCHOOL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEREFORD CATHEDRAL SCHOOL (CONTINUED)

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 Governors are responsible for the other information contained within the Annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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 Governors' report which includes the directors' report and the Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the strategic report and the directors' report included within the Governor's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' or strategic report included within the Governors' report.

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

- the parent charity has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Governors' 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 Governors' responsibilities statement set out on page 15, the Governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governors 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 Governors are responsible for assessing the School's and the parent charity'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 Governors either intend to liquidate the School or the parent charity or to cease operations, or have no realistic alternative but to do so.

HEREFORD CATHEDRAL SCHOOL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEREFORD CATHEDRAL SCHOOL (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the charitable company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, taxation legislation, together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charitable company's and the group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charitable company and the group for fraud. The laws and regulations we considered in this context for the UK operations were The Education (Independent School Standards) Regulations 2014.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within Bursaries, Scholarships and other discounts and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Finance & Resources Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, designing audit procedures over Bursaries, Scholarships and other discounts, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission, Independent Schools Inspectorate and Ofsted and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

HEREFORD CATHEDRAL SCHOOL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEREFORD CATHEDRAL SCHOOL
(CONTINUED)

Use of our report

This report is made solely to the charitable 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 charitable 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 charitable company and its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Crowe U.K. LLP
Guy Biggin (Senior statutory auditor)
Statutory Auditor
Fourth Floor
St James House
St James Square
Cheltenham
GL50 3PR

Date: 13 December 2023

HEREFORD CATHEDRAL SCHOOL

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 JULY 2023**

| | Note | Endowment funds 2023 £ | Restricted funds 2023 £ | Unrestricted and designated funds 2023 £ | Total funds 2023 £ | Total funds 2022 £ |
|--|------|---------------------------------|----------------------------------|---|-----------------------------|-----------------------------|
| Income and endowments from: | | | | | | |
| Donations and legacies | | - | 363,082 | - | 363,082 | 366,104 |
| Charitable activities | 4 | - | - | 12,045,739 | 12,045,739 | 10,835,470 |
| Other trading activities | 5 | - | - | 235,387 | 235,387 | 40,539 |
| Investments | 6 | 10,586 | 16,090 | 12,017 | 38,693 | 24,625 |
| Total income and endowments | | 10,586 | 379,172 | 12,293,143 | 12,682,901 | 11,266,738 |
| Expenditure on: | | | | | | |
| Raising funds: | 7 | | | | | |
| Other raising funds | | 5,219 | 8,115 | 260,164 | 273,498 | 256,112 |
| Charitable activities: | | | | | | |
| Other charitable activities | | - | 319,504 | 11,711,052 | 12,030,556 | 10,500,852 |
| Total expenditure | | 5,219 | 327,619 | 11,971,216 | 12,304,054 | 10,756,964 |
| Net income before net gains/(losses) on investments | | 5,367 | 51,553 | 321,927 | 378,847 | 509,774 |
| Gains/(losses) on investments | | 3,459 | (1,336) | - | 2,123 | (101,671) |
| Net income | | 8,826 | 50,217 | 321,927 | 380,970 | 408,103 |
| Transfers between funds | 18 | (5,215) | 14,160 | (8,945) | - | - |
| Net movement in funds | | 3,611 | 64,377 | 312,982 | 380,970 | 408,103 |
| Reconciliation of funds: | | | | | | |
| Total funds brought forward | | 585,276 | 1,231,434 | 5,351,265 | 7,167,975 | 6,759,872 |
| Net movement in funds | | 3,611 | 64,377 | 312,982 | 380,970 | 408,103 |
| Total funds carried forward | | 588,887 | 1,295,811 | 5,664,247 | 7,548,945 | 7,167,975 |

The notes on pages 25 to 52 form part of these financial statements.

HEREFORD CATHEDRAL SCHOOL

CONSOLIDATED BALANCE SHEET
AS AT 31 JULY 2023

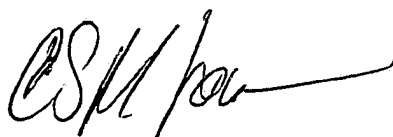
| | Note | 2023 £ | 2022 £ |
|---|------|-------------------------|-------------------------|
| Fixed assets | | | |
| Tangible assets | 12 | 8,732,724 | 8,543,038 |
| Investments | 13 | 1,361,327 | 1,360,022 |
| | | <u>10,094,051</u> | <u>9,903,060</u> |
| Current assets | | | |
| Debtors | 14 | 301,194 | 220,059 |
| Cash at bank and in hand | | 1,106,606 | 2,060,015 |
| | | <u>1,407,800</u> | <u>2,280,074</u> |
| Creditors: amounts falling due within one year | 15 | (1,641,506) | (2,201,892) |
| Net current liabilities / assets | | <u>(233,706)</u> | <u>78,182</u> |
| Total assets less current liabilities | | <u>9,860,345</u> | <u>9,981,242</u> |
| Creditors: amounts falling due after more than one year | 16 | (2,311,400) | (2,813,267) |
| Total net assets | | <u><u>7,548,945</u></u> | <u><u>7,167,975</u></u> |

HEREFORD CATHEDRAL SCHOOL

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 JULY 2023

| | Note | 2023 £ | 2022 £ |
|--------------------------|------|------------------|------------------|
| School funds | | | |
| Endowment funds | 18 | 588,887 | 585,276 |
| Restricted funds | 18 | 1,295,811 | 1,231,434 |
| Unrestricted funds | | | |
| Designated funds | 18 | 82,234 | 90,710 |
| General funds | 18 | 5,582,013 | 5,260,555 |
| Total unrestricted funds | 18 | 5,664,247 | 5,351,265 |
| Total funds | | 7,548,945 | 7,167,975 |

The financial statements were approved and authorised for issue by the Governors on 13 December 2023 and signed on their behalf by:


Christian Morgan-Jones
Governor


Jacqueline Millar
Governor

The notes on pages 25 to 52 form part of these financial statements.

HEREFORD CATHEDRAL SCHOOL

**SCHOOL BALANCE SHEET
AS AT 31 JULY 2023**

| | Note | 2023 £ | 2022 £ |
|---|------|-------------------------|-------------------------|
| Fixed assets | | | |
| Tangible assets | 12 | 8,592,603 | 8,370,174 |
| Investments | 13 | 1,361,329 | 1,360,024 |
| | | <u>9,953,932</u> | <u>9,730,198</u> |
| Current assets | | | |
| Debtors | 14 | 443,311 | 482,169 |
| Cash at bank and in hand | | 1,104,616 | 2,059,965 |
| | | <u>1,547,927</u> | <u>2,542,134</u> |
| Creditors: amounts falling due within one year | 15 | (1,639,109) | (2,201,892) |
| Net current liabilities / assets | | <u>(91,182)</u> | <u>340,242</u> |
| Total assets less current liabilities | | <u>9,862,750</u> | <u>10,070,440</u> |
| Creditors: amounts falling due after more than one year | 16 | (2,311,400) | (2,813,267) |
| Total net assets | | <u><u>7,551,350</u></u> | <u><u>7,257,173</u></u> |

HEREFORD CATHEDRAL SCHOOL

SCHOOL BALANCE SHEET (CONTINUED)
AS AT 31 JULY 2023

| | Note | 2023 £ | 2022 £ |
|--------------------------|------|------------------|------------------|
| School funds | | | |
| Endowment funds | 18 | 594,102 | 585,276 |
| Restricted funds | 18 | 1,281,651 | 1,231,434 |
| Unrestricted funds | | | |
| Designated funds | 18 | 82,234 | 90,710 |
| General funds | 18 | 5,593,363 | 5,349,753 |
| Total unrestricted funds | 18 | 5,675,597 | 5,440,463 |
| Total funds | | 7,551,350 | 7,257,173 |

The financial statements were approved and authorised for issue by the Governors on 13 December 2023 and signed on their behalf by:



Christian Morgan-Jones
Governor



Jacqueline Millar
Governor

The notes on pages 25 to 52 form part of these financial statements.

HEREFORD CATHEDRAL SCHOOL

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2023**

| | Note | 2023 £ | 2022 £ |
|---|------|-----------|-----------|
| Cash flows from operating activities | | | |
| Net cash used in operating activities | 21 | 703,073 | 1,529,637 |
| Cash flows from investing activities | | | |
| Dividend income | | 17,810 | 22,784 |
| Investment income | | 20,883 | 1,841 |
| Interest on loans | | (148,086) | (120,438) |
| Acquisition of fixed asset investments | | 818 | 5,091 |
| Purchase of tangible fixed assets | | (859,403) | (731,901) |
| Net cash used in investing activities | | (967,978) | (822,623) |
| Cash flows from financing activities | | | |
| Cash inflows from new borrowing | | 97,387 | 610,197 |
| Repayments of borrowing | | (327,841) | (328,098) |
| New finance leases | | (458,050) | (395,409) |
| Net cash used in financing activities | | (688,504) | (113,310) |
| Change in cash and cash equivalents in the year | | (953,409) | 593,704 |
| Cash and cash equivalents at the beginning of the year | | 2,060,015 | 1,466,311 |
| Cash and cash equivalents at the end of the year | 22 | 1,106,606 | 2,060,015 |

The notes on pages 25 to 52 form part of these financial statements

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

1. General information

Hereford Cathedral School is a charitable company limited by guarantee. The School is registered with the Charity Commission England and Wales (registered no: 518889). The charity was incorporated as a company limited by guarantee with Companies House England and Wales (registered no: 02081261). Its registered and principal office is Old Deanery, The Cathedral Close, Hereford, Herefordshire, HR1 2NG.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the Charities SORP (FRS 102) - 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 2019), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Companies Act 2006 and the Charities Act 2011.

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

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

The School has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of financial activities in these financial statements.

2.2 Basis of consolidation

These financial statements consolidate the results of the School and the wholly owned subsidiary, HCS Educational Services Limited. All intragroup transactions are fully eliminated on consolidation.

The School has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of financial activities in these financial statements.

2.3 Going concern

These financial statements have been prepared on the going concern basis, which the governors consider to be appropriate as a result of projections prepared, having reviewed the funding facilities available to the School together with the expected ongoing demand for places and the School's future projected cash flows. The governors have a reasonable expectation that the School has adequate resources to continue its activities for the foreseeable future and consider that there were no material uncertainty's over the School's financial viability and accordingly, they continue to adopt the going concern basis in preparing the financial statements as outlined in the governors' responsibilities on page 4.

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

2. Accounting policies (continued)

2.4 Taxation

As a charity the company is generally exempt from the corporation tax on income it receives. Although this exemption does not normally extend to trading income the company benefits from a concession, which also exempts such income from taxation, as the trade carried out is part of the primary purpose of the charity i.e. provision of education.

2.5 Income

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

Fees consist of charges for the school year, less scholarships, bursaries and allowances granted by the School. Fees receivable and charges for services and use of premises, are accounted for in the period in which the service is provided.

To secure a place at the School, a registration fee is paid by all pupils, both domestic and international. This sum is non-refundable and goes towards the HCS Charitable Bursary Scheme, which is used to support pupils who would not otherwise be able to access education at an independent school. As the fee is non-refundable, the income is recognised in the Statement of Financial Position upon receipt of the funds.

Donations subject to specific wishes of the donors are carried to relevant restricted funds. Any donations received for the general purposes of the School are credited to "Unrestricted Funds". Donations are accounted for on receipt.

All investment income is credited according to the date of receipt into the investment cash account.

2.6 Expenditure

Expenditure is accounted for on an accruals basis. Certain expenditure is apportioned to cost categories based on the estimated amount attributable to the activity in the year. Irrecoverable VAT is included with the item of expense to which it relates. Support costs are those costs incurred in directly administering school operations as an educational establishment.

Governance costs comprise the costs of running the school, including strategic planning (for its future development), also external audit, any legal advice for the governors, and all the costs of complying with constitutional and statutory requirements, such as costs of governors' meetings and of preparing statutory accounts and satisfying public accountability.

Expenditure on raising funds includes all expenditure incurred by the School to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Charitable activities

Charitable activities include expenditure on providing education and include both direct costs and support costs relating to the activity

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

2. Accounting policies (continued)

2.6 Expenditure (continued)

Allocation and apportionment of support costs

Support costs include central functions and are allocated to activity cost categorised on a basis consistent with the use of resources e.g. staff costs by the time spent and other costs by their usage

2.7 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the School; this is normally upon notification of the interest paid or payable by the institution with whom the funds are deposited.

2.8 Tangible fixed assets and depreciation

Tangible fixed assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Tangible fixed assets are initially recognised at cost. After recognition, under the cost model, tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. All costs incurred to bring a tangible fixed asset into its intended working condition should be included in the measurement of cost.

The School decided to take advantage of the transition option under FRS 102 to accept the property revaluation done in 2016 as deemed cost.

Freehold Property is depreciated between 1% and 2% each year. Land is not depreciated. The non-depreciable land element of the Freehold Property has been deemed to be 30% of the full cost, with depreciation being charged on the remaining 70%.

Leasehold property improvements are depreciated over the shorter of the lease term or the expected useful life of the asset.

Depreciation is charged so as to allocate the cost of tangible fixed assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the other assets on the following bases:

| | |
|-----------------------|----------------|
| Motor vehicles | - 7 years |
| Fixtures and fittings | - 5 - 20 years |
| Computer equipment | - 3 - 5 years |

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

2. Accounting policies (continued)

2.9 Investments

Fixed asset investments are a form of financial instrument and are initially recognised at their transaction cost and subsequently measured at fair value at the Balance sheet date, unless the value cannot be measured reliably in which case it is measured at cost less impairment. Investment gains and losses, whether realised or unrealised, are combined and presented as 'Gains/(Losses) on investments' in the Consolidated statement of financial activities.

Investments in subsidiaries are valued at cost less provision for impairment.

Investments held as fixed assets are shown at cost less provision for impairment.

2.10 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.

2.11 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.

2.12 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 the settlement can be estimated reliably.

Advance fees

Fees paid in advance are included in creditors and released to the Statement of Financial Activities as they fall due.

Deposits

The governors have reviewed the contract terms under which pupil fee deposits are held by the School. Although under normal circumstances these will be repaid in future years when the pupils complete their education at the School, pupils can leave at earlier dates. The School does not therefore have an unconditional right to retain the individual deposits for at least 12 months after the balance sheet date and, in line with the requirements in FRS 102, the balance of deposits held at the reporting date has been included within current liabilities. The prior year pupil fee deposits balance has been similarly represented.

Termination benefits

Termination benefits are recognised immediately as an expense when committed to terminate the employment of an employee or to provide termination benefits.

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

2. Accounting policies (continued)

2.13 Financial instruments

The School only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

2.14 Finance lease and hire purchase

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is shorter.

The interest element of these obligations is charged to the statement of financial activities over the relevant period. The capital element of the future payments is treated as a liability.

Rentals payable under operating leases are charged in the statement of financial activities on a straight line basis over the lease term.

2.15 Pensions

The School has the following pension schemes in place:

Defined contribution pension schemes

Halifax Bank of Scotland Investment Service (HBOS) and Nest for non-teaching staff.
Aviva, a defined contribution scheme, for teaching staff.

Defined benefit scheme

Retirement benefits to teaching staff of the School are provided by the Teachers' Pension Scheme ('TPS'). This is a defined benefit scheme, contracted out of the State Earnings Related Pension Scheme. TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the School in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 25, the TPS is a multi-employer scheme and the School is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they become due each year.

All pension costs are charged against unrestricted funds in line with the associated staff costs.

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

2. Accounting policies (continued)

2.16 Fund accounting

Unrestricted general funds are available for use at the discretion of the governors in furtherance of the general objectives of the school.

Restricted funds are those funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the school for particular purposes.

Permanent endowment arises where a donor intends the gift to be retained permanently for use by the School or for its financial benefits. Endowment funds cannot be expended but any interest earned can be used to further the general objectives of the school. The Philpotts Educational Charity was originally established as a Scholarship Fund but under a Ministry of Education Order of 1947, the Scheme was varied to allow income to be used for the benefit of the School generally. It can be invested on a Total Returns basis.

3. Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

Useful economic lives of tangible assets

The annual depreciation charges for tangible assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 12 for the carrying amount of the tangible fixed assets and Note 2.5 for the useful lives for each class of fixed asset.

Impairment of debtors

The School makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See Note 14 for the net carrying amount of the debtors and associated impairment provision.

HEREFORD CATHEDRAL SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

4. Income from charitable activities

| | Unrestricted funds 2023 £ | Total funds 2023 £ |
|--------------------------|--|---------------------------------------|
| School fee income | 10,588,517 | 10,588,517 |
| Ancillary trading income | 1,440,847 | 1,440,847 |
| Entrance fees | 16,375 | 16,375 |
| | <u>12,045,739</u> | <u>12,045,739</u> |
| | | |
| | <i>Unrestricted funds 2022 £</i> | <i>Total funds 2022 £</i> |
| School fee income | 9,713,346 | 9,713,346 |
| Ancillary trading income | 1,110,199 | 1,110,199 |
| Entrance fees | 11,925 | 11,925 |
| | <u>10,835,470</u> | <u>10,835,470</u> |

The Old Herefordian Fund contributed £150,000 (2022: £170,759) towards the cost of scholarships and bursaries. This contribution is given for this specific purpose and is therefore categorised as a restricted donation. During the year £173,159 (2022: £201,952) of rent was paid to the Old Herefordian fund.

| | 2023 £ | 2022 £ |
|---|--------------------------|-------------------|
| School fee income | | |
| Gross fees | 11,542,385 | 10,711,014 |
| Less: Total bursaries, scholarships, allowances and discounts | (1,231,596) | (1,259,378) |
| Add: Bursaries paid from restricted funds | 277,728 | 261,710 |
| | <u>10,588,517</u> | <u>9,713,346</u> |

HEREFORD CATHEDRAL SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

5. Income from other trading activities

Income from fundraising events

| | Unrestricted funds 2023 £ | Total funds 2023 £ |
|------------------------------------|--|---------------------------------------|
| Teacher release | 1,731 | 1,731 |
| Rent and hire of school facilities | 24,079 | 24,079 |
| Hire of sports hall | 22,566 | 22,566 |
| External catering | 20,327 | 20,327 |
| Insurance Claim | 64,099 | 64,099 |
| Rates refund | 34,638 | 34,638 |
| Other | 67,947 | 67,947 |
| | <u>235,387</u> | <u>235,387</u> |

| | <i>Unrestricted funds 2022 £</i> | <i>Total funds 2022 £</i> |
|------------------------------------|--|---------------------------------------|
| Teacher release | 3,803 | 3,803 |
| Rent and hire of school facilities | 10,536 | 10,536 |
| Hire of sports hall | 18,429 | 18,429 |
| Insurance Claim | 300 | 300 |
| Other | 7,471 | 7,471 |
| | <u>40,539</u> | <u>40,539</u> |

6. Investment income

| | Endowment funds 2023 £ | Restricted funds 2023 £ | Unrestricted funds 2023 £ | Total funds 2023 £ |
|-------------------|---|--|--|---------------------------------------|
| Investment income | 10,586 | 16,090 | 12,017 | 38,693 |
| | <u>10,586</u> | <u>16,090</u> | <u>12,017</u> | <u>38,693</u> |

HEREFORD CATHEDRAL SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

6. Investment income (continued)

| | <i>Endowment funds 2022 £</i> | <i>Restricted funds 2022 £</i> | <i>Unrestricted funds 2022 £</i> | <i>Total funds 2022 £</i> |
|-------------------|---|--|--|---------------------------------------|
| Investment income | 9,366 | 13,419 | 1,840 | 24,625 |

7. Expenditure on raising funds

Costs of raising voluntary income

| | Endowment funds 2023 £ | Restricted funds 2023 £ | Unrestricted funds 2023 £ | Total funds 2023 £ |
|---|---|--|--|---------------------------------------|
| Generating donations - management fees | 5,219 | 8,115 | - | 13,334 |
| Generating donations - wages and salaries | - | - | 94,888 | 94,888 |
| Generating donations - NI | - | - | 8,673 | 8,673 |
| Generating donations - pension costs | - | - | 8,517 | 8,517 |
| | <u>5,219</u> | <u>8,115</u> | <u>112,078</u> | <u>125,412</u> |

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

7. Expenditure on raising funds (continued)

Costs of raising voluntary income (continued)

| | <i>Endowment funds 2022 £</i> | <i>Restricted funds 2022 £</i> | <i>Unrestricted funds 2022 £</i> | <i>Total funds 2022 £</i> |
|--|---|--|--|---------------------------------------|
| Generating donations - management fees | 5,458 | 8,259 | - | 13,717 |
| Generating donations - wages, NI and pension costs | - | - | 107,006 | 107,006 |
| | <u>5,458</u> | <u>8,259</u> | <u>107,006</u> | <u>120,723</u> |

Other trading expenses

| | <i>Unrestricted funds 2023 £</i> | <i>Total funds 2023 £</i> |
|---|--|---------------------------------------|
| Interest payable and fees in advance agreements | <u>148,086</u> | <u>148,086</u> |

HEREFORD CATHEDRAL SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

7. Expenditure on raising funds (continued)

Other trading expenses (continued)

| | <i>Unrestricted funds 2022 £</i> | <i>Total funds 2022 £</i> |
|---|--|---------------------------------------|
| Interest payable and fees in advance agreements | 135,389 | 135,389 |
| | <u>135,389</u> | <u>135,389</u> |

8. Analysis of expenditure by activities

| | Activities undertaken directly 2023 £ | Support costs 2023 £ | Total funds 2023 £ |
|-----------------------------|--|---|---------------------------------------|
| Charitable activities | 10,721,090 | 856,994 | 11,578,084 |
| School trips and activities | 452,472 | - | 452,472 |
| | <u>11,173,562</u> | <u>856,994</u> | <u>12,030,556</u> |

| | <i>Activities undertaken directly 2022 £</i> | <i>Support costs 2022 £</i> | <i>Total funds 2022 £</i> |
|-----------------------------|--|---|---------------------------------------|
| Charitable activities | 9,566,430 | 708,283 | 10,274,713 |
| School trips and activities | 226,139 | - | 226,139 |
| | <u>9,792,569</u> | <u>708,283</u> | <u>10,500,852</u> |

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

8. Analysis of expenditure by activities (continued)

Analysis of support costs

| | Activities 2023 £ | Total funds 2023 £ |
|-----------------------------|-------------------------|-----------------------------|
| Staff costs | 448,236 | 448,236 |
| Legal and professional fees | 134,250 | 134,250 |
| Insurance | 114,024 | 114,024 |
| Advertising and marketing | 35,048 | 35,048 |
| Other support costs | 125,436 | 125,436 |
| | <u>856,994</u> | <u>856,994</u> |

| | Activities 2022 £ | Total funds 2022 £ |
|-----------------------------|-------------------------|-----------------------------|
| Staff costs | 368,770 | 368,770 |
| Legal and professional fees | 87,258 | 87,258 |
| Insurance | 99,374 | 99,374 |
| Advertising and marketing | 57,332 | 57,332 |
| Other support costs | 95,549 | 95,549 |
| | <u>708,283</u> | <u>708,283</u> |

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

9. Net income/expenditure

| | 2023 £ | 2022 £ |
|--|-----------|-----------|
| Fees payable to the School's auditor for the audit of the School's annual accounts | 23,287 | 20,286 |
| Fees payable to the School's auditor in respect of: All non-audit services not included above | 4,740 | 3,333 |
| Depreciation | 653,980 | 479,028 |
| Operating lease rentals - land and building | 283,410 | 315,552 |
| Operating lease rentals - equipment | 102,090 | 119,859 |

10. Staff costs

| | Group 2023 £ | Group 2022 £ | School 2023 £ | School 2022 £ |
|--|--------------------|--------------------|---------------------|---------------------|
| Wages and salaries | 5,837,148 | 5,271,757 | 5,837,148 | 5,271,757 |
| Social security costs | 554,414 | 506,406 | 554,414 | 506,406 |
| Contribution to defined contribution pension schemes | 908,816 | 839,852 | 908,816 | 839,852 |
| | 7,300,378 | 6,618,015 | 7,300,378 | 6,618,015 |

The Headmaster, Head of Junior School and Bursar are considered to be the key management personnel, along with the Senior Leadership Team. Aggregate employee-benefits of key management personnel totaled £958,049 during the year (2022: £840,172).

During the year, there were termination payments made which amounted to £25,000 (2022: £14,932). None were outstanding at the year-end (2022: £Nil).

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

10. Staff costs (continued)

The average number of persons employed by the School during the year was as follows:

| | School 2023 No. | <i>School 2022 No.</i> |
|-------------------------------|--------------------------------|--------------------------------|
| Teaching and teaching support | 143 | <i>131</i> |
| Administration | 37 | <i>40</i> |
| Domestic and maintenance | 45 | <i>40</i> |
| | 225 | <i>211</i> |

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

| | School 2023 No. | <i>School 2022 No.</i> |
|---------------------------------|--------------------------------|--------------------------------|
| In the band £60,001 - £70,000 | 2 | <i>4</i> |
| In the band £70,001 - £80,000 | 1 | <i>-</i> |
| In the band £80,001 - £90,000 | 2 | <i>1</i> |
| In the band £110,001 - £120,000 | - | <i>1</i> |
| In the band £130,001 - £140,000 | 1 | <i>-</i> |

11. Trustees' remuneration and expenses

During the year, no Trustees received any remuneration or other benefits (2022 - £NIL).

During the year ended 31 July 2023, no Trustee expenses have been incurred (2022 - £NIL).

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

12. Tangible fixed assets

Group

| | Freehold property £ | Long-term leasehold property £ | Short-term leasehold property £ | Fixtures and fittings £ | Total £ |
|--------------------------|---------------------------|---|--|-------------------------------|------------|
| Cost or valuation | | | | | |
| At 1 August 2022 | 4,961,173 | 3,874,033 | 900,255 | 2,072,917 | 11,808,378 |
| Additions | 406,232 | 132,011 | - | 320,800 | 859,043 |
| Disposals | (15,377) | - | - | (42,260) | (57,637) |
| At 31 July 2023 | 5,352,028 | 4,006,044 | 900,255 | 2,351,457 | 12,609,784 |
| Depreciation | | | | | |
| At 1 August 2022 | 177,990 | 1,378,666 | 449,362 | 1,259,322 | 3,265,340 |
| Charge for the year | 136,290 | 154,873 | 37,114 | 325,703 | 653,980 |
| On disposals | - | - | - | (42,260) | (42,260) |
| At 31 July 2023 | 314,280 | 1,533,539 | 486,476 | 1,542,765 | 3,877,060 |
| Net book value | | | | | |
| At 31 July 2023 | 5,037,748 | 2,472,505 | 413,779 | 808,692 | 8,732,724 |
| At 31 July 2022 | 4,783,183 | 2,495,367 | 450,893 | 813,595 | 8,543,038 |

School

| | Freehold property £ | Long-term leasehold property £ | Short-term leasehold property £ | Fixtures and fittings £ | Total £ |
|--------------------------|---------------------------|---|--|-------------------------------|------------|
| Cost or valuation | | | | | |
| At 1 August 2022 | 4,961,174 | 3,874,033 | 900,460 | 1,792,226 | 11,527,893 |
| Additions | 406,232 | 132,011 | - | 320,800 | 859,043 |
| Disposals | (15,377) | - | - | (42,260) | (57,637) |
| At 31 July 2023 | 5,352,029 | 4,006,044 | 900,460 | 2,070,766 | 12,329,299 |

HEREFORD CATHEDRAL SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

12. Tangible fixed assets (continued)

School (continued)

| | Freehold property £ | Long-term leasehold property £ | Short-term leasehold property £ | Fixtures and fittings £ | Total £ |
|-----------------------|---------------------------|---|--|-------------------------------|------------|
| Depreciation | | | | | |
| At 1 August 2022 | 177,990 | 1,378,666 | 449,566 | 1,151,497 | 3,157,719 |
| Charge for the year | 136,290 | 154,873 | 37,114 | 292,960 | 621,237 |
| On disposals | - | - | - | (42,260) | (42,260) |
| At 31 July 2023 | 314,280 | 1,533,539 | 486,680 | 1,402,197 | 3,736,696 |
| Net book value | | | | | |
| At 31 July 2023 | 5,037,749 | 2,472,505 | 413,780 | 668,569 | 8,592,603 |
| At 31 July 2022 | 4,783,184 | 2,495,367 | 450,894 | 640,729 | 8,370,174 |

13. Fixed asset investments

| Group | Philpotts Educational Charity £ | Music Bursary Fund £ | Bursary Fund £ | Total £ |
|--------------------------|--|-------------------------------|----------------------|------------|
| Cost or valuation | | | | |
| At 1 August 2022 | 613,282 | 409,199 | 337,541 | 1,360,022 |
| Additions | 136,135 | 19,374 | 51,636 | 207,145 |
| Disposals | (122,860) | (35,419) | (46,847) | (205,126) |
| Revaluations | 3,460 | (2,520) | 1,183 | 2,123 |
| Movement in cash | (7,907) | 8,000 | (2,930) | (2,837) |
| At 31 July 2023 | 622,110 | 398,634 | 340,583 | 1,361,327 |
| Net book value | | | | |
| At 31 July 2023 | 622,110 | 398,634 | 340,583 | 1,361,327 |
| At 31 July 2022 | 613,282 | 409,199 | 337,541 | 1,360,022 |

HEREFORD CATHEDRAL SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

13. Fixed asset investments (continued)

| School | Investments in subsidiary companies £ | Philpotts Educational Charity £ | Music Bursary Fund £ | Bursary Fund £ | Total £ |
|--------------------------|--|--|---|-------------------------------|--------------------|
| Cost or valuation | | | | | |
| At 1 August 2022 | 2 | 613,282 | 409,199 | 337,541 | 1,360,024 |
| Additions | - | 136,135 | 19,374 | 51,636 | 207,145 |
| Disposals | - | (122,860) | (35,419) | (46,847) | (205,126) |
| Revaluations | - | 3,460 | (2,520) | 1,183 | 2,123 |
| Transfers intra group | - | (7,907) | 8,000 | (2,930) | (2,837) |
| At 31 July 2023 | <u>2</u> | <u>622,110</u> | <u>398,634</u> | <u>340,583</u> | <u>1,361,329</u> |
| Net book value | | | | | |
| At 31 July 2023 | <u>2</u> | <u>622,110</u> | <u>398,634</u> | <u>340,583</u> | <u>1,361,329</u> |
| At 31 July 2022 | <u>2</u> | <u>613,282</u> | <u>409,199</u> | <u>337,541</u> | <u>1,360,024</u> |

Included within the Group's Fixed Assets investments is cash held of £34,997 (2022: £37,833).

Principal subsidiaries

The following was a subsidiary undertaking of the School:

| Name | Class of shares | Holding | Included in consolidation |
|----------------------------------|----------------------------|----------------|--------------------------------------|
| HCS Educational Services Limited | Ordinary | 100% | Yes |

The financial results of the subsidiary for the year were:

| Name | Income £ | Expenditure £ | Profit/(Loss) / Surplus/ (Deficit) for the year £ | Net assets £ |
|----------------------------------|---------------------|--------------------------|--|-------------------------|
| HCS Educational Services Limited | 79,127 | (114,917) | (35,790) | (131,043) |

HEREFORD CATHEDRAL SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

14. Debtors

| | <i>Group</i> 2023 £ | <i>Group</i> 2022 £ | School 2023 £ | <i>School</i> 2022 £ |
|------------------------------------|----------------------------------|----------------------------------|-----------------------------------|-----------------------------------|
| Due within one year | | | | |
| School fees | 21,246 | 34,931 | 21,246 | 34,931 |
| Amounts owed by group undertakings | - | - | 146,675 | 262,109 |
| Other debtors | 25,391 | 20,115 | 23,610 | 20,116 |
| Prepayments and accrued income | 138,878 | 97,078 | 136,101 | 97,078 |
| School fee extras | 115,679 | 67,935 | 115,679 | 67,935 |
| | <u>301,194</u> | <u>220,059</u> | <u>443,311</u> | <u>482,169</u> |

Amounts owed by subsidiary are stated after impairment provisions totalling £122,583 (2022: £Nil)

15. Creditors: Amounts falling due within one year

| | <i>Group</i> 2023 £ | <i>Group</i> 2022 £ | School 2023 £ | <i>School</i> 2022 £ |
|--|----------------------------------|----------------------------------|-----------------------------------|-----------------------------------|
| Bank loans | 335,732 | 462,563 | 335,732 | 462,563 |
| Advance fee payments | 228,394 | 288,200 | 228,394 | 288,200 |
| Trade creditors | 137,657 | 264,012 | 137,657 | 264,012 |
| Registration deposits | 213,378 | 197,123 | 213,378 | 197,123 |
| Other taxation and social security | 139,888 | 128,747 | 139,888 | 128,747 |
| Other creditors | 108,103 | 32,058 | 108,103 | 32,058 |
| Accruals and deferred income | 478,354 | 829,189 | 475,957 | 829,189 |
| | <u>1,641,506</u> | <u>2,201,892</u> | <u>1,639,109</u> | <u>2,201,892</u> |
| | | | School 2023 £ | <i>School</i> 2022 £ |
| Deferred income at 1 August 2022 | | | 480,795 | 216,304 |
| Resources deferred during the year | | | 250,917 | 480,795 |
| Amounts released from previous periods | | | (480,795) | (216,304) |
| | | | <u>250,917</u> | <u>480,795</u> |

Deferred income comprises of overseas tuition fees paid in advance of the start of term.

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

16. Creditors: Amounts falling due after more than one year

| | Group 2023 £ | Group 2022 £ | School 2023 £ | School 2022 £ |
|-----------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Bank loans | 2,131,015 | 2,462,234 | 2,131,015 | 2,462,234 |
| Fees in advance | 180,385 | 351,033 | 180,385 | 351,033 |
| | 2,311,400 | 2,813,267 | 2,311,400 | 2,813,267 |

Advance fee payments due in more than 1 year include £113,936 (2022: £200,375) that is due between 1 and 2 years and £66,449 (2022: £150,658) that is due between 2 and 5 years. Amounts received and deferred during the year were £97,387 (2022: £610,197) with amounts utilised in the year of £327,841 (2022: £328,098).

Included within the above are amounts falling due as follows:

| | Group 2023 £ | Group 2022 £ | School 2023 £ | School 2022 £ |
|-----------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Between one and two years | | | | |
| Bank loans | 254,765 | 335,145 | 254,765 | 335,145 |
| Between two and five years | | | | |
| Bank loans | 428,611 | 621,422 | 428,611 | 621,422 |
| Over five years | | | | |
| Bank loans | 1,447,639 | 1,505,667 | 1,447,639 | 1,505,667 |

Bank loans are being repaid by instalments as follows:

- 12 monthly instalments with interest at a fixed rate of 6.99% per annum. The loan matures on 31st December 2024.
- 12 monthly instalments with interest at a fixed rate of 4.99% per annum. The loan matures on 31st August 2023.
- 12 monthly instalments at a fixed rate of 4.34% per annum, after an initial interest-only period which ended in July 2020. The loan matures on 30th June 2044.
- 60 monthly instalments with interest at a current rate of 2.11%. The loan matures in October 2026.

The bank loans are secured by first legal charges over Nos. 28 and 31 Castle Street, St. David's Hall Hereford, Quay House & Wilmot House.

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

17. Financial instruments

| | Group 2023 £ | Group 2022 £ | School 2023 £ | School 2022 £ |
|---|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Financial assets | | | | |
| Financial assets measured at fair value through income and expenditure | 1,361,328 | 1,360,022 | 1,361,330 | 1,360,024 |
| | Group 2023 £ | Group 2022 £ | School 2023 £ | School 2022 £ |
| Financial liabilities | | | | |
| Other financial liabilities measured at fair value through income and expenditure | (3,161,474) | (3,766,385) | (3,161,474) | (3,766,385) |

Financial assets held at fair value include assets held as investments. Financial liabilities include loans, fee deposits, trade creditors, other creditors and accruals.

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

18. Statement of funds

Statement of funds - current year

| | Balance at 1 August 2022 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 July 2023 £ |
|------------------------------------|----------------------------------|-------------------|---------------------|--------------------------|-------------------------|---------------------------------|
| Unrestricted funds | | | | | | |
| Designated funds | | | | | | |
| SAS Support Fund | 52,331 | - | - | - | - | 52,331 |
| Marches 7's | 1,685 | - | (1,685) | - | - | - |
| Outreach Music | 32,062 | 14,531 | (21,322) | - | - | 25,271 |
| Cantabile | 4,632 | - | - | - | - | 4,632 |
| | <u>90,710</u> | <u>14,531</u> | <u>(23,007)</u> | <u>-</u> | <u>-</u> | <u>82,234</u> |
| General funds | | | | | | |
| General Funds | <u>5,260,555</u> | <u>12,278,612</u> | <u>(11,948,209)</u> | <u>(8,945)</u> | <u>-</u> | <u>5,582,013</u> |
| Total Unrestricted funds | <u>5,351,265</u> | <u>12,293,143</u> | <u>(11,971,216)</u> | <u>(8,945)</u> | <u>-</u> | <u>5,664,247</u> |
| Endowment funds | | | | | | |
| Philpotts - Preserved value | 154,417 | - | - | - | - | 154,417 |
| Philpotts - Unapplied total return | 430,859 | 10,586 | (5,219) | (5,215) | 3,459 | 434,470 |
| | <u>585,276</u> | <u>10,586</u> | <u>(5,219)</u> | <u>(5,215)</u> | <u>3,459</u> | <u>588,887</u> |
| Restricted funds | | | | | | |
| Old Herefordian Bursary Fund | - | 150,000 | (150,000) | - | - | - |
| Charitable Bursary Fund | 592,096 | 37,092 | (3,850) | - | 1,183 | 626,521 |
| Music Bursary Fund | 408,210 | 10,706 | (18,751) | 14,160 | (2,519) | 411,806 |

HEREFORD CATHEDRAL SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

18. Statement of funds (continued)

Statement of funds - current year (continued)

| | Balance at 1 August 2022 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 July 2023 £ |
|-------------------------|----------------------------------|--------------------------|----------------------------|--------------------------|-------------------------|---------------------------------|
| Friends Bursary Fund | 147,410 | 30,613 | - | - | - | 178,023 |
| Other Bursary Funds | 70,013 | 150,761 | (142,418) | - | - | 78,356 |
| Rowing Fund | 13,705 | - | (12,600) | - | - | 1,105 |
| | <u>1,231,434</u> | <u>379,172</u> | <u>(327,619)</u> | <u>14,160</u> | <u>(1,336)</u> | <u>1,295,811</u> |
| Total of funds | <u>7,167,975</u> | <u>12,682,901</u> | <u>(12,304,054)</u> | <u>-</u> | <u>2,123</u> | <u>7,548,945</u> |

The income on restricted funds comprised donations received during the current academic year.

a. The Old Herefordian Bursary Fund includes donations of £150,000 from The Old Herefordian Fund which contribute to the costs of scholarships and bursaries.

b. The source of the Charitable Bursary Fund is the donation of bursary fund contributions paid by parents when their child starts at Hereford Cathedral School. The purpose of the Charitable Bursary Fund is to make the School accessible to pupils who would not otherwise be able to access education at an independent school. The governors consider that giving access in this way fits with the ethos of the School, and is appropriate to a school which has close links to the church.

c. In 2011 the School was given a £325,000 legacy from the estates of two generous benefactors. The legacy stipulated that it should be used for a musical purpose. The governors decided that the legacy would be used to provide assistance for musically gifted children who would not otherwise be in a position to attend the School.

d. A Friends Bursary Fund has been set up which is intended to support the development of bursaries for talented pupils from families who would not be able to afford the fees. Funds are received in the form of donations made by friends of the School.

e. Other bursary funds are other small donations restricted for use towards school bursaries.

f. The rowing fund is used to support the rowing activities of the School.

Endowment funds

The Philpotts Educational Charity was originally established as a Scholarship Fund but under a Ministry of Education Order of 1947, the Scheme was varied to allow income to be used for the benefit of the School generally. The School operates a policy of total return on its Endowment Funds and the School extracts the dividend income and investment management fees each year. This totals £3,981 (2022: £3,908) and can be seen as a transfer on the Statement of Financial Activities from Endowment Funds to Unrestricted Funds.

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

18. Statement of funds (continued)

Statement of funds - prior year

| | Balance at 1 August 2021 £ | Income £ | Expenditure £ | Gains/ (Losses) £ | Balance at 31 July 2022 £ |
|------------------------------------|-------------------------------------|-------------------|---------------------|-------------------------|---------------------------------|
| Unrestricted funds | | | | | |
| Designated funds | | | | | |
| SAS Support Fund | 29,651 | 22,680 | - | - | 52,331 |
| Marches 7's | 1,307 | 1,136 | (758) | - | 1,685 |
| Outreach Music | 32,363 | 10,637 | (10,938) | - | 32,062 |
| Canabile | 4,682 | - | (50) | - | 4,632 |
| | <u>68,003</u> | <u>34,453</u> | <u>(11,746)</u> | <u>-</u> | <u>90,710</u> |
| General funds | | | | | |
| General Funds | <u>4,845,965</u> | <u>10,866,076</u> | <u>(10,441,234)</u> | <u>(10,252)</u> | <u>5,260,555</u> |
| Total Unrestricted funds | <u>4,913,968</u> | <u>10,900,529</u> | <u>(10,452,980)</u> | <u>(10,252)</u> | <u>5,351,265</u> |
| Endowment funds | | | | | |
| Philpotts - Preserved value | 154,417 | - | - | - | 154,417 |
| Philpotts - Unapplied total return | <u>461,526</u> | <u>9,366</u> | <u>(5,458)</u> | <u>(34,575)</u> | <u>430,859</u> |
| | <u>615,943</u> | <u>9,366</u> | <u>(5,458)</u> | <u>(34,575)</u> | <u>585,276</u> |
| Restricted funds | | | | | |
| Old Herefordian Bursary Fund | - | 170,759 | (170,759) | - | - |
| Charitable Bursary Fund | 582,027 | 48,094 | (3,624) | (34,402) | 592,095 |
| Music Bursary Fund | 440,910 | 8,538 | (18,796) | (22,442) | 408,210 |
| Friends Bursary Fund | 136,833 | 10,577 | - | - | 147,410 |
| Other Bursary Funds | 68,886 | 91,864 | (90,736) | - | 70,014 |
| Rowing Fund | 1,305 | 25,000 | (12,600) | - | 13,705 |
| Other | - | 2,011 | (2,011) | - | - |
| | <u>1,229,961</u> | <u>356,843</u> | <u>(298,526)</u> | <u>(56,844)</u> | <u>1,231,434</u> |

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

18. Statement of funds (continued)

| | | | | | |
|----------------|-----------|------------|--------------|-----------|-----------|
| Total of funds | 6,759,872 | 11,266,738 | (10,756,964) | (101,671) | 7,167,975 |
|----------------|-----------|------------|--------------|-----------|-----------|

19. Summary of funds

Summary of funds - current year

| | Balance at 1 August 2022 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 July 2023 £ |
|------------------|----------------------------------|-------------------|---------------------|--------------------------|-------------------------|---------------------------------|
| Designated funds | 90,710 | 14,531 | (23,007) | - | - | 82,234 |
| General funds | 5,260,555 | 12,278,612 | (11,948,209) | (8,945) | - | 5,582,013 |
| Endowment funds | 585,276 | 10,586 | (5,219) | (5,215) | 3,459 | 588,887 |
| Restricted funds | 1,231,434 | 379,172 | (327,619) | 14,160 | (1,336) | 1,295,811 |
| | <u>7,167,975</u> | <u>12,682,901</u> | <u>(12,304,054)</u> | <u>-</u> | <u>2,123</u> | <u>7,548,945</u> |

Summary of funds - prior year

| | Balance at 1 August 2021 £ | Income £ | Expenditure £ | Gains/ (Losses) £ | Balance at 31 July 2022 £ |
|------------------|-------------------------------------|-------------------|---------------------|-------------------------|---------------------------------|
| Designated funds | 68,003 | 34,453 | (11,746) | - | 90,710 |
| General funds | 4,845,965 | 10,866,076 | (10,441,234) | (10,252) | 5,260,555 |
| Endowment funds | 615,943 | 9,366 | (5,458) | (34,575) | 585,276 |
| Restricted funds | 1,229,961 | 356,843 | (298,526) | (56,844) | 1,231,434 |
| | <u>6,759,872</u> | <u>11,266,738</u> | <u>(10,756,964)</u> | <u>(101,671)</u> | <u>7,167,975</u> |

HEREFORD CATHEDRAL SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

20. Analysis of net assets between funds

Analysis of net assets between funds - current year

| | Endowment funds 2023 £ | Restricted funds 2023 £ | Unrestricted funds 2023 £ | Total funds 2023 £ |
|-------------------------------------|---|--|--|---------------------------------------|
| Tangible fixed assets | - | - | 8,732,724 | 8,732,724 |
| Fixed asset investments | 622,110 | 739,217 | - | 1,361,327 |
| Current assets | - | 569,058 | 838,742 | 1,407,800 |
| Creditors due within one year | (33,223) | (12,464) | (1,595,819) | (1,641,506) |
| Creditors due in more than one year | - | - | (2,311,400) | (2,311,400) |
| Total | 588,887 | 1,295,811 | 5,664,247 | 7,548,945 |

Analysis of net assets between funds - prior year

| | Endowment funds 2022 £ | Restricted funds 2022 £ | Unrestricted funds 2022 £ | Total funds 2022 £ |
|-------------------------------------|---|--|--|---------------------------------------|
| Tangible fixed assets | - | - | 8,543,038 | 8,543,038 |
| Fixed asset investments | 613,282 | 746,740 | - | 1,360,022 |
| Current assets | 1,704,670 | 484,694 | 90,710 | 2,280,074 |
| Creditors due within one year | (1,732,676) | - | (469,216) | (2,201,892) |
| Creditors due in more than one year | - | - | (2,813,267) | (2,813,267) |
| Total | 585,276 | 1,231,434 | 5,351,265 | 7,167,975 |

HEREFORD CATHEDRAL SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023**

21. Reconciliation of net movement in funds to net cash flow from operating activities

| | School 2023 £ | <i>School 2022 £</i> |
|--|------------------------------|------------------------------|
| Net income for the year (as per Statement of Financial Activities) | 380,970 | <i>408,103</i> |
| Adjustments for: | | |
| Depreciation charges | 653,980 | <i>479,028</i> |
| Gains/(losses) on investments | (2,123) | <i>101,671</i> |
| Dividends, interests and rents from investments | 109,393 | <i>95,813</i> |
| Decrease/(increase) in debtors | (81,135) | <i>73,050</i> |
| Increase/(decrease) in creditors | (358,012) | <i>371,972</i> |
| Net cash provided by operating activities | 703,073 | <i>1,529,637</i> |

22. Analysis of cash and cash equivalents

| | School 2023 £ | <i>School 2022 £</i> |
|--|------------------------------|------------------------------|
| Cash in hand | 1,106,606 | <i>2,060,015</i> |
| Total cash and cash equivalents | 1,106,606 | <i>2,060,015</i> |

23. Analysis of changes in net debt

| | At 1 August 2022 £ | Cash flows £ | Other non- cash changes £ | At 31 July 2023 £ |
|--------------------------|-----------------------------------|-------------------------|--|----------------------------------|
| Cash at bank and in hand | 2,060,015 | (953,409) | - | 1,106,606 |
| Debt due within 1 year | (659,686) | 441,795 | (331,219) | (549,110) |
| Debt due after 1 year | (2,462,234) | - | 331,219 | (2,131,015) |
| | (1,061,905) | (511,614) | - | (1,573,519) |

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

24. Capital commitments

| | School 2023 £ | School 2022 £ |
|--|---------------------|---------------------|
| The Group and the School had the following contracted capital commitments: | | |
| Capital commitments | 56,653 | - |

25. Pension commitments

Defined contribution scheme

The company operates defined contribution schemes for teaching and non-teaching staff. The assets of these schemes are held separately from those of the company in a fund independently administered by HBOS, Nest and Aviva. The pension cost charge represents contributions payable by the company to these funds and amounted to £193,206 (2022: £173,188). The Aviva scheme was opened on 1 January 2021 to all teaching staff, and is a defined contribution scheme offered as an alternative to the Teachers Pension Scheme.

Defined benefit scheme

The School participates in the Teachers' Pension Scheme ("the TPS") for its teaching staff. The pension charge for the year includes contributions payable to the TPS of £698,296 (2022: £663,332) and at the year-end £107,242 (2022: £79,444) was accrued in respect of contributions to these schemes.

The TPS is an unfunded multi-employer defined benefits pension scheme governed by The Teachers' Pensions Regulations 2010 (as amended) and The Teachers' Pension Scheme Regulations 2014 (as amended). Members contribute on a "pay as you go" basis with contributions from members and the employer being credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The employer contribution rate is set by the Secretary of State following scheme valuations undertaken by the Government Actuary's Department. The most recent actuarial valuation of the TPS was prepared as at 31 March 2016 and the Valuation Report, which was published in March 2022. The result of the 31 March 2022 valuation is due to be implemented from 1 April 2024 which confirmed that the employer contribution rate for the TPS would increase from 23.6% to 28.6%. Employers are also required to pay a scheme administration levy of 0.08% giving a total employer contribution rate of 28.68%.

The 31 March 2016 Valuation Report was prepared in accordance with the benefits set out in the scheme regulations and under the approach specified in the Directions, as they applied at 5 March 2019. However, the assumptions were considered and set by the Department for Education prior to the ruling in the 'McCloud/Sargeant case'. This case has required the courts to consider cases regarding the implementation of the 2015 reforms to Public Service Pensions including the Teachers' Pensions.

On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgment that transitional provisions introduced to the reformed pension schemes in 2015 gave rise to unlawful age discrimination. The government is respecting the Court's decision and has said it will engage fully with the Employment Tribunal as well as employer and member representatives to agree how the discriminations will be remedied.

HEREFORD CATHEDRAL SCHOOL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2023

25. Pension commitments (continued)

The TPS is subject to a cost cap mechanism which was put in place to protect taxpayers against unforeseen changes in scheme costs. The Chief Secretary to the Treasury, having in 2018 announced that there would be a review of this cost cap mechanism, in January 2019 announced a pause to the cost cap mechanism following the Court of Appeal's ruling in the McCloud/Sargeant case and until there is certainty about the value of pensions to employees from April 2015 onwards.

In view of the above rulings and decisions the assumptions used in the 31 March 2016 Actuarial Valuation may become inappropriate. In this scenario, a valuation prepared in accordance with revised benefits and suitably revised assumptions would yield different results than those contained in the Actuarial Valuation.

Until a remedy to the discrimination conclusion has been determined by the Employment Tribunal it is not possible to conclude on any financial impact or future changes to the contribution rates of the TPS. Accordingly, no provision for any additional past benefit pension costs is included in these financial statements.

26. Operating lease commitments

At 31 July 2023 the School and the School had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

| | School 2023 £ | School 2022 £ |
|--|------------------------------|------------------------------|
| Not later than 1 year | 417,438 | 419,188 |
| Later than 1 year and not later than 5 years | 1,240,230 | 1,361,009 |
| Later than 5 years | 9,041,726 | 9,338,385 |
| | <u>10,699,394</u> | <u>11,118,582</u> |

27. Related party transactions

A number of governors have, or did have, children who are educated at the School. All fees are paid under normal terms. 2 governors also have spouses employed by the school, under normal contractual terms.

During the year, a total of £1,021 (2022: £883) was paid to the children and wife of Mr R Pizii, who is the school Bursar, for casual labour with the maintenance team.

Governors made donations of £847 to the school towards bursary funds (2022: £Nil).

The Old Herefordian Fund (charity number: 504119) is a charity in which J Sheldon, a governor at the School, is also a trustee. During the course of the year the School paid rent to and received restricted donations from the Old Herefordian Fund, details of which can be found in note 4 of these accounts.