



Annual Report to Shareholders 2014



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Chair's message

Welcome to the first Annual Report to Shareholders of Herts for Learning Ltd, your School Company. During the year, 509 schools have become shareholders making Herts for Learning truly the company of choice for school improvement and business support services across Hertfordshire. More than 95% of Hertfordshire schools buy our services and, for some offerings, it is close to 100%.

From a very modest starting point and with no reserves, the staff and Board have worked hard to put your company on a firm footing so that we can ensure the continuity and quality of our services. I am pleased that we have been able to build up some reserves this year which will help us to invest in the new services you have told us you need. We were able to give every customer a rebate on their IT costs in February and started to make a contribution to helping you with that very critical issue - recruitment of well qualified and experienced staff. We plan to support you all further in the coming year with recruitment and retention, sharing best practice and working to make teaching inspirational in Hertfordshire.

We aim to ensure that your confidence in us is well placed, providing you with high quality services that represent excellent value for money. Your company's success will allow us to enhance our capabilities, benefitting children and young people on their journey of lifelong learning and success. We have discussed plans for growth and that may take us beyond Hertfordshire on occasions. Rest assured, however, that our first priority is our capacity to deliver in Hertfordshire.

This has been a very encouraging start for a newly formed company and the staff have responded magnificently to all the challenges. On behalf of the Board and our shareholders, I thank them.

Nigel Ludlow

Managing director's overview

I am pleased to summarise the work that has taken place in the first financial year of trading as Herts for Learning Ltd (HfL). It has been an exciting and busy period, where the staff team has risen to the challenges of becoming a School Company separate from the council, and accountable to a new board of directors.



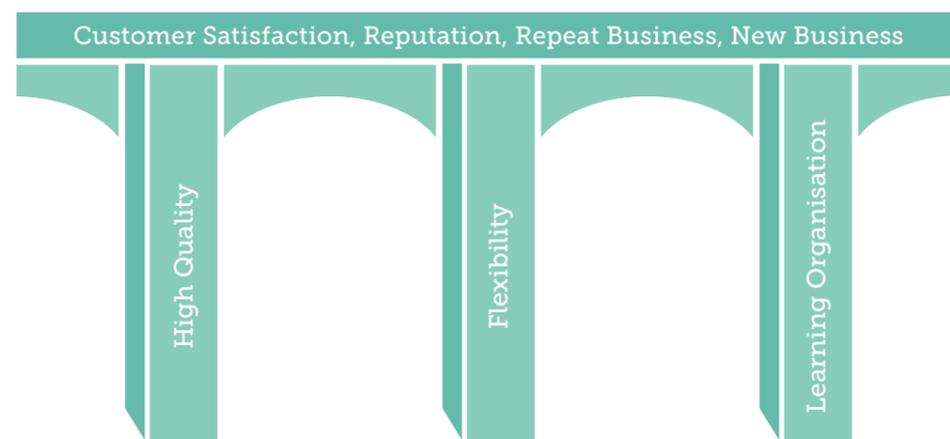
We started the trading year in September 2013 with a business plan in place, to which all of the staff and the Board had made a significant contribution. This served as an important footing for the company, creating a sense of shared direction and responsibility for delivering against our agreed objectives our shared values and company aspirations. We are all agreed that we want Herts for Learning to be your company of choice, to support you in ensuring every child has access to a great education - wherever they live and whatever their circumstances.

To that end we know that we must pay attention to three very important behaviours:

- Delivering consistent, high-quality value for money services to you our customers, in schools and settings, as well as on behalf of the council, through our contract to provide its statutory school improvement functions.
- Being flexible, listening carefully to your feedback and suggestions and responding promptly.
- Making sure that, as a company at the heart of improving learning, we pay attention to the learning and development needs of our staff to ensure they are providing you with the best service they possibly can.

These three underpinning behaviours have been instrumental in helping the company to become successful in its very early stages. Trading and repeat business have gone from strength to strength and our approach to feedback has become more systematic and responsive; we have developed several new business streams as a result of your suggestions and have remedied things swiftly where customers have identified areas for improvement. There are other suggestions, which may not be feasible or within our current capacity, but we have endeavoured to keep the requester informed if that has been the case.

Not for profit but financially viable



Recognising the importance of having a well-defined approach to the future growth of the company, we spent time thinking carefully about the various options and those that could be achieved at this early stage, within the capacity of the current levels of staffing. We decided upon a relatively cautious approach in year 1 in order to make sure that the staff were settled after so much recent change and in order to take stock of what you, our customers, were feeding back to us.

Our priorities for growth in 2013-14 continuing into 2014-15 in order of importance are to:

- Deliver the core contract in Hertfordshire and support Hertfordshire's schools by widening and deepening our current offer to meet their changing needs. This includes widening our Hertfordshire customer base and developing new products to pilot in Hertfordshire.
- Develop new products and services that will have broad appeal and help the company to gain wider recognition. An example this year has been the development of the Parent2Parent (P2P) programme, where we have invested in Year 1, but delivery and sales where revenue will be recognised will be in Year 2.
- Where we have capacity, we are offering existing services to schools on our borders. This typically involves delivery of CPD, courses and conferences in venues within Hertfordshire but close to our borders.
- Where we have capacity, we also occasionally respond to requests for delivery from further afield. This typically includes providing speakers for conferences and provision of scalable business support services such as IT.



Parents attending the introductory P2P meeting

I am pleased that having followed that plan for growth in year one, we have exceeded our trading targets and have managed to build more capacity within the company on which to move forward. The Board and the executive team have now revised the strategy for growth to take account of a longer horizon and secure the future of your company.

We are proud of the strong relationships that exist in Hertfordshire amongst and between all educational professionals, working together to ensure Hertfordshire consistently remains in the top quintile nationally for outcomes for all children.

Ensuring that Hertfordshire retains and enhances its national reputation for high-quality services is a key priority for Herts for Learning. We want to build on, and be at the leading edge of, sharing best and evidence-based practice through our Exchanging Excellence programme as well as attracting the highest quality applicants to work and lead in Hertfordshire.

Things rarely go right by accident. So, with that in mind, I would like to:

- thank the staff for their commitment and unremitting hard work in getting the company off to such a strong start;
- acknowledge the important blend of courage and thoughtful planning that took place through the work and support of the shadow board and Hertfordshire County Council (HCC) in setting up the company;
- thank the Board for the leadership and drive they are providing;
- thank you all for becoming shareholders and providing your loyalty and support to the company in these very important early stages.

Jan Paine

Your Board of Directors

The Herts for Learning Board consists of two appointed directors, two council nominated officers, six elected headteachers/governors and the company's managing director. The six elected non-executive directors are elected by school shareholders - three from the primary phase, two from the secondary phase and one from special schools/AP academies. The term of office for all directors is three years. Following the elections in March 2013, the Board met formally for the first time in April 2013.

Herts for Learning is a School Company, established under the School Company Regulations 2002. Hertfordshire County Council (HCC) is the Supervisory Authority.

The directors of the Board who were in office during the first year of operations and up to the date of signing the financial statements were:

Director	Role	Date of appointment
Robin Barrett	Chair of the Audit Committee, Non-executive director	26 March 2014
Heather Boardman	Non-executive director	1 July 2013
Claire Cook	Non-executive director	26 February 2013
Kim Frazer	Non-executive director	17 April 2013
Amanda Godfrey	Chair of the Personnel and Remuneration Committee, Non-executive director	17 April 2013
Chris Ingate	Non-executive director	17 April 2013
Graham Lane	Non-executive director	11 June 2014
Nigel Ludlow	Chair of the Board, Non-executive director	26 March 2014
Simon Newland	Vice - chair of the Board, Non-executive director	26 February 2013
Jan Paine	Managing director	1 May 2013
Kate Smith	Non-executive director	17 April 2013



Nigel Ludlow

Nigel Ludlow

Chair of the Board, Non-Executive Director

Nigel joined the Board in March 2014 and was elected chair of the Board from 1 April at the board meeting held on 26 March. Nigel is also a member of the Personnel and Remuneration Committee.

Nigel's background is in knowledge and information for businesses, having spent 30 years in marketing and management roles at The Economist. He is passionate about how public and private sector expertise can work together to deliver real excellence. Nigel is currently Director of Assets at the Museum of London.

Jan Paine

Managing Director

Jan was appointed managing director in May 2013, following an extensive selection process by Hertfordshire County Council and the shadow board of directors.

Driven by a passion for working collaboratively to improve outcomes for all children, Jan brings a blend of experience including headship and senior roles in both local authority and the commercial sector. She recognises team work and strong partnerships as key to the success of Herts for Learning. Jan believes in working responsively with shareholders and wider customers to provide high quality, value for money services that support their ongoing and future needs.



Simon Newland



Jan Paine

Simon Newland

Vice - Chair of the Board, Non-Executive Director

Simon is one of two directors nominated by HCC to the HfL Board and was elected as vice-chair of both the Board (April 2014) and the Personnel and Remuneration Committee (October 2013).

As a member of Education and Early Intervention and Children's Services Boards, and as HCC lead officer on Schools' Forum, he helps to ensure that the development of the company is informed by what is happening in the wider Children's Services environment in Hertfordshire. Simon is currently Assistant Director, Education Access and Provision at Hertfordshire County Council.

Amanda Godfrey

Chair of the Personnel and Remuneration Committee, Non-Executive Director

Amanda was elected as director by primary school shareholders in March 2013 and as chair of the Personnel and Remuneration Committee in October 2013.

As a Hertfordshire headteacher for seventeen years, Amanda works to ensure that HfL works with all types of schools to provide the excellent quality of support and services to enable headteachers, staff and governors to deliver the quality of education children and young people in Hertfordshire need and deserve. Amanda is currently Executive Head of Spiral Academies Trust.



Amanda Godfrey



Robin Barrett

Robin Barrett

Chair of the Audit Committee and Non-Executive Director

Robin joined the Board in March 2014 and was elected as chair of the Audit Committee in June 2014.

Robin is an ethical business leader with experience in financial services, IT and coaching. He was Senior Vice President of Technology at American Express, and previously Vice President, heading securities processing business units, at J.P. Morgan. Robin is currently Managing Director of Fluence Limited, which offers human performance management services.

Heather Boardman

Non-Executive Director

Heather was elected as director by special school and alternative provision academy shareholders and joined the Board in July 2013. Heather is a member of the Personnel and Remuneration Committee.

Heather has been a headteacher for nine years, six of these in Hertfordshire. She is committed to making a difference to all children and young people by ensuring HfL provides quality services. Heather also has six years' work experience in the 'not for profit' sector and an MBA Masters in Business Administration. Heather is currently Headteacher of Hailey Hall School.



Claire Cook



Heather Boardman

Claire Cook

Non-Executive Director

Claire is one of two directors nominated by HCC to the HfL Board. Claire was elected vice-chair of the Audit Committee in June 2014.

Claire has had a long association with Hertfordshire schools - including as Head of Financial Services for Schools, Head of School Funding and lead officer for Schools Forum. She is also the council's nominated director on the Hertfordshire Schools Building Partnership. Claire is currently Assistant Director - Finance at Hertfordshire County Council.

Kim Frazer

Non-Executive Director

Kim was elected as director by primary school shareholders in March 2013 and joined the Board in April. Kim is a member of the Audit Committee.

Kim has been a headteacher in Hertfordshire for fifteen years. Her strategic perspective has been further enhanced by her active role on the Primary Heads Forum Executive Board. Kim is currently Headteacher of Rye Park Nursery School.



Kim Frazer



Chris Ingate

Chris Ingate

Non-Executive Director

Chris was elected as director by secondary school shareholders in March 2013. Chris is a member of the Audit Committee.

Chris was the Chair of HASSH (Hertfordshire Association of Secondary School Heads) until summer 2013. He has been involved in the conceptualisation of Herts for Learning and was keen to continue this work in this realm as director on the HfL Board. Chris is currently Headteacher of Birchwood High School.

Graham Lane

Non-Executive Director

Graham was elected as director by primary school shareholders in June 2014 and joined the Board for their June meeting.

Graham is a governor at Redbourn Infant and Nursery School. He is also Vice-Chair of Oaklands College and Hertfordshire National Apprenticeship Service Ambassadors Network. Graham is currently Managing Director of Cheeky Munkey, an IT business, and sits on several business boards such as the Hertfordshire Local Enterprise Partnership.



Kate Smith



Graham Lane

Kate Smith

Non-Executive Director

Kate was elected as director by secondary school shareholders in March 2014 and joined the Board in April. Kate is a member of the Personnel and Remuneration Committee.

Kate was appointed to her second headship in September 2011, having previously been Head of Secondary School Effectiveness for Hertfordshire. This experience gives her an insight into how Herts for Learning can best provide for schools' improvement needs. Kate is currently Headteacher at Monks Walk School.

Former Directors

John Grubb

Primary phase elected director and chair of the Board from April 2013. John stepped down from the Board at the end of March 2014.

The Herts for Learning Board would like to thank John for his contribution during the year of his chairmanship.

Tracey Healy

Special school and alternative provision academy shareholder representative from March 2013. Tracey stepped down from the Board in May 2013.

Board structure

The Board has two committees - the Personnel and Remuneration Committee and the Audit Committee. The board of directors determines the terms of reference, responsibilities and composition of these committees, which are authorised to make decisions, within agreed delegations, and make recommendations to the board of directors as appropriate.

The Board is supported by Peter Hobbs as company secretary; Peter is currently Head of Governance at Herts for Learning as well as company secretary for other organisations. The company secretary provides support on corporate governance matters and the Board has access to independent advice, if required.

The board of directors meets the full statutory responsibilities under the Companies Act 2006 and the School Companies Regulations 2002. It provides over-arching strategic direction and holds company leaders to account for the educational impact, standards achieved and quality of provision and infrastructure services provided to enable schools to:

- inspire and support children and young people to become effective and lifelong learners in order to transform their lives
- create stimulating learning environments that give children and young people the chance to achieve the best possible educational outcomes
- provide their staff with appropriate support and tools in order to thrive in the workplace
- innovate and be creative in their approach to delivering learning

The non-executive directors have a strategic duty to ensure the services provided meet the needs of schools and children, ensuring high standards, a focus on school improvement and financial viability underpin all strategic decisions made.

The Personnel and Remuneration Committee, comprising six directors, is responsible for the following:

- formulating written HR policies for approval by the Board
- convening disciplinary and grievance panels
- dealing with whistleblowing issues
- formulating a written remuneration policy which will attract and retain talent, achieve the company's long term goals and decide what form the remuneration takes - and monitoring of the policy thereof
- recommendations to Board on the remuneration of executive directors/ identified management posts
- agreeing an expenses and remuneration policy for directors
- recommending changes in employees' terms and conditions of employment
- recommending annual pay awards.

The Audit Committee, comprising four non-executive directors, is responsible for the following:

- oversight of internal financial controls
- approval of financial statements and other significant documents, as agreed by the Board, prior to approval by Board
- liaison with external auditors
- high level compliance matters
- preparing draft reports for the Board for shareholders on audit matters

The chair of the Board

The chair leads the Board in ensuring the company meets its objectives and remains financially sustainable by:

- formulating and delivering strategy and objectives
- driving the business of the Board and ensuring strong and effective governance
- tracking the contribution of individual directors
- ensuring effective communication with shareholders
- ensuring the Board focuses on its key tasks
- engaging the Board in assessing and improving its performance

Non-executive directors

Alongside the experience each non-executive director brings to the Board, their responsibilities are to:

- provide leadership, direction and overall accountability to shareholders for the work of HfL and its staff, through the managing director and the work of the Board
- define and ensure compliance with the values and objectives of the company
- approve strategies, policies and plans to achieve the company objectives
- approve each year's budget and accounts prior to publication
- establish and oversee a framework of delegation and systems of control
- provide guidance, support and constructive challenge to members of the executive team
- monitor HfL's performance in relation to plans, budgets, controls and decisions, holding the managing director and her team to account
- ensure the company remains accountable and open to customers and other stakeholders
- ensure that HfL's affairs are conducted lawfully and in accordance with regulatory requirements and generally accepted standards of performance and propriety

Non-executive directors are expected to attend five Board meetings per year, in addition to induction and committee meetings as appropriate. The Personnel and Remuneration Committee meets approximately four times a year and the Audit Committee meets at least twice a year to deal with auditors' issues and compliance matters.

Non-executive directors are not remunerated but they are entitled to claim expenses and their employers are entitled to claim modest compensation (for example to cover the supply costs incurred for a teaching headteacher attending Board meetings).

Managing director

The managing director is expected to provide the strategic leadership of Herts for Learning to ensure that it provides a range of support services to schools and to work collaboratively with schools to help achieve high levels of educational attainment for the children of Hertfordshire. The managing director is required to drive year on year growth of the company so that it has a sustainable future.

The managing director's main areas of responsibility are to:

- set a clear strategic vision for HfL in conjunction with the HfL Board
- provide strong improvement and intervention services for schools, with a particular focus on under performing schools and transformation of poor performance
- develop a brokerage approach to help share skills and learning
- drive transformation and continuous performance improvement across all HfL service areas to ensure value for money and high quality service provision for schools
- develop more commercial approaches to service delivery, and lead the organisation through the design and implementation of these to ensure a sustainable future for HfL
- ensure strong and visible leadership in setting the strategic direction for HfL, encouraging key service leads to motivate and inspire their teams
- provide strong leadership, based on the agreed vision, values and behaviours for HfL
- drive a performance management culture for all HfL employees with a balance between developing a more commercial company and maintaining a focus on educational achievement
- act as an effective 'client' for support services provided to HfL by the county council or their commercial partners, to ensure continued value for money for HfL

Board effectiveness

Following a preliminary review of board effectiveness in the autumn of 2013 it was agreed to seek additional business skills through the appointment of independent non-executive directors. The recruitment of two further directors took place at the beginning of 2014 with the positions advertised in the national press. Following a strong field of applications, a 'long' list of candidates was considered by the Personnel and Remuneration Committee who then conducted interviews with the selected shortlist of candidates. The committee made a recommendation to the Board which resulted in the appointment of Nigel

Ludlow and Robin Barrett as non-executive directors on 26 March 2014. Nigel was subsequently elected to the position of chair following the resignation of John Grubb from 1 April.

The attendance, effectiveness and contribution at meetings of the directors are kept under review by the chair. A further evaluation of board effectiveness took place in June 2014. This identified that the Board is on course to meet its objectives and gave useful pointers for taking the company to the next stage now the initial business of setting up the company has been achieved.

Board business

During the first year of the company's operation, the majority of business taking place in full board meetings and in the Personnel and Remuneration Committee dealt with agreeing the business plan, setting up the relevant board and company structures and monitoring the company finances and risks as standing items.

The Board agreed the delegation of responsibilities to the chair, board directors, committees, HfL's managing director, company secretary and finance manager. Before the commencement of the new company in September 2013, the Board agreed four main contracts with Hertfordshire County Council. These cover: the core school improvement functions that HCC are commissioning HfL to deliver; the TUPE transfer arrangements for HCC staff; the overhead functions that HfL will purchase from HCC and a framework agreement to enable schools to buy services efficiently from Herts for Learning.

An initial two year business plan was agreed in September 2013 including the priorities for the future direction of the company, business growth, pace and finances. Then in March 2014, directors agreed the 2014/15 budget. Business cases for the development of new products and services, along with growth direction for the next five years, were agreed at the June 2014 meeting of the Board.

The Board regularly reviews the company's finances, business development and risk register. It also approves further applications from Hertfordshire schools to become a shareholder.

The Personnel and Remuneration Committee recommended a number of items to the Board including terms and conditions for employees, salary scales, managing pay and performance, annual leave and a review of the suite of HR policies. The performance management arrangements for HfL's managing director were also agreed. Following the committee's proposals for a remuneration policy for non-executive directors, a change to the Board's articles was agreed at a General Meeting in September 2013.

The Board agreed the appointment of Mercer and Hole as company auditors for the financial year 2013-14 in their January meeting. In future years, in accordance with the company's articles, the Board will recommend the appointment of auditors for approval by shareholders at the Annual General Meeting.

The Audit Committee met in June 2014 to review the accounts and auditor's report before recommending them to the Board. Directors noted that there were no issues raised by the auditors and thanked the senior leadership team for the rigour with which systems had been implemented.

Board meetings and attendance

During the first year following the appointment of the substantive board nine meetings of the Board took place up to and including June 2014. This was a greater number than might be expected in future years due to the extra business involved in the establishment of the company. Three formal meetings of the Personnel and Remuneration Committee took place. The Audit Committee held

its first meeting in June. The attendance record of each director at these meetings and at relevant committee meetings is set out below. Against each director's name is shown the number of meetings at which the director was present as a member and in brackets the number of such meetings that the director was eligible to attend during the year:

Director	Board meetings	Personnel and Remuneration Committee	General Meeting Sept 13	Audit Committee
Robin Barrett	2 (2)			1(1)
Heather Boardman	3 (7)	4 (4)	1 (1)	
Claire Cook	8 (9)		1 (1)	1(1)
Kim Frazer	7 (9)		1 (1)	1(1)
Amanda Godfrey	7 (9)	4 (4)	1 (1)	
John Grubb	6 (8)	2 (3)	1 (1)	
Tracey Healy	1 (1)			
Chris Ingate	7 (9)		1 (1)	1(1)
Graham Lane	1 (1)			
Nigel Ludlow	2 (2)	1 (1)		
Simon Newland	9 (9)	4 (4)	1 (1)	
Jan Paine	9 (9)	4 (4)	1 (1)	
Kate Smith	8 (9)	3 (4)	0 (1)	

In addition all board members have attended induction relevant to their experience and role.



Our business and customers

HfL is a specialist provider of school improvement services on offer to educational providers within Hertfordshire and beyond.

Traded business services	Traded school improvement	Statutory contract
<ul style="list-style-type: none"> Schools' IT (SITSS) Connectivity Schools' HR Finance Governance 	<ul style="list-style-type: none"> consultancy advice courses conferences training packages bespoke training curriculum materials 	<p>Schools and settings:</p> <ul style="list-style-type: none"> in an Ofsted category causing concern below floor requiring improvement

Our business is made up of 75% traded income with schools and settings, whilst the other 25% is through a contract with HCC to deliver its statutory school improvement functions. Our key performance indicators are linked to both aspects of our business.

Our traded services

Our traded services include the full range of school improvement services designed to support schools with issues related to curriculum design, subject specialisms, newly qualified teachers, teaching and learning, assessment, leadership and management. These are delivered through bespoke consultancy, a HIP (Hertfordshire Improvement Partner) programme, in-school training, conferences, courses and developmental programmes.

We also offer a range of business support services that contribute to the smooth running of schools and settings, freeing up leaders to focus on improving teaching and learning. These include a range of connectivity and IT services, schools HR, governance and financial services. We see this as a growth area, and new school business manager services will be on offer in the next academic year.

Our traded services have clear objectives in their delivery plans which include:

1. Retaining current customers through providing high quality services
2. Achieving agreed income targets set by the Board
3. Developing and providing further services that our customers want to buy

In 2013-14, we are pleased to report that HfL has retained and, in fact, grown its traded customer base on the existing 2012-13 trading base. You, our shareholding customers, purchase high volumes of services from HfL and all of our traded services have achieved or exceeded their income targets. In summary, we have made good progress against all of the KPIs that relate to the traded aspects of our business and this has allowed us to make some important investments for the future.

Our core contract with HCC

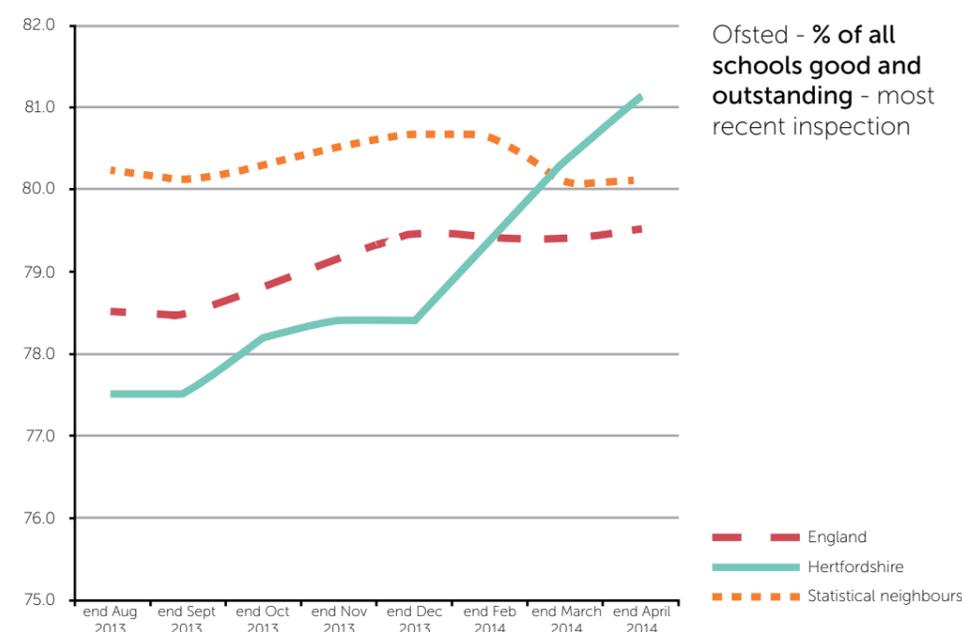
In addition to our traded services, HCC commissions HfL to carry out a large piece of non-traded core contract work through which we monitor, support, challenge and intervene in schools causing concern or those at risk of becoming a school causing concern. This work is carried out by a team of advisers working across all districts. HfL also carries out the monitoring function of the council with regard to academies and free schools and makes recommendations to the council with regard to any concerns that emerge.

Under new arrangements, Hertfordshire County Council, as the local authority (LA), can now expect to be inspected by Ofsted about the effectiveness of its arrangements to support school improvement. HfL therefore plays a key role in making sure that the LA Strategy for School Improvement is in place and is being fulfilled. It is responsible for ensuring that the functions it is commissioned to deliver are carried out effectively to bring about a positive impact on outcomes for all children (see the Hertfordshire School Improvement Strategy at www.thegrid.org.uk/leadership/improvement/index.shtml).

There are over 70 key performance indicators associated with successfully delivering the core contract for school improvement services, but these can be distilled into three main groups which include supporting and influencing schools and settings to:

1. Increase the number of schools/settings good or better and reduce the number of schools requiring improvement as judged by Ofsted
2. Narrow the gap in outcomes for more vulnerable pupils
3. Achieve greater consistency in standards across geographical districts

The graph below illustrates the significant progress that has been made with regard to Ofsted inspections in schools across the county since the launch of HfL. The trajectory suggests that we are on track to help to achieve the county's aspiration as stated in the 2014 Hertfordshire School Improvement Strategy - to have a good school for every child in every district by 2017.



The gap in outcomes between our most vulnerable groups of children and their peers, however, remains too great in Hertfordshire and hard work is taking place with schools and settings to address these issues through, for example, the primary RANGe project (Raising achievement, narrowing gaps effectively) and the Exchanging Excellence Closing Gaps programme. Performance data from this summer's test and examination results is not yet published for inclusion in this report. We anticipate that progress will have been made but know that this priority will need to remain a key performance indicator going forward and an area for investment and focus.

The variation in standards of achievement across districts in Hertfordshire is also a focus of our attention. Good progress has been made in Stevenage this year where the percentage of good and better schools has improved significantly from 53% at the end of July 2013 to 67% at the end of May 2014, but there is still work to do to close regional differences in outcomes for children.

Investing in new services and responding to your feedback

We have spent more time this year asking you - through the main headteacher and governor associations and interest groups, at conferences and events - to tell us what you would like your company to develop on your behalf. At the point of finalising the business plan in September 2013, that wish list included support for:

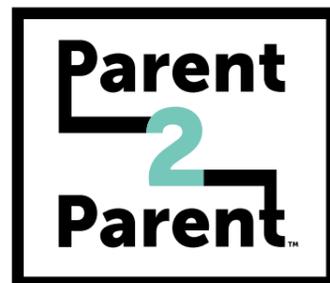
- parental engagement
- learning behaviour/independent learners
- iPad learning and maintenance
- a school business manager service
- a holistic approach to understanding assessment, target setting and performance
- closing gaps for vulnerable children – in particular the use of pupil premium
- delivering the new national curriculum
- distance learning

All of these strands of work have been developed in line with our business plan over the past few months.

As a result of strong trading and offering new training in our first year, we have been able to invest in the new services you requested as detailed below.

Parental engagement

We have developed a new programme called Parent2Parent (P2P) which involves HfL specialist staff training a team of parents to become trainers of other parents. The programme is designed to help parents support their child's learning and incorporates evidence based practice, tools and strategies frequently used by teachers to promote a learning culture. The advantages of the programme are that it takes some pressure off teaching staff in schools to deliver programmes for parents and is likely to enhance both parental engagement and pupil learning. The programme is being piloted in some Hertfordshire schools and will then be rolled out more widely across the county in the next few months. An action research project and full evaluation is running alongside the programme.



Learning behaviour/independent learners

Although learning behaviour was not a discrete offer as part of HfL at inception and transfer from the council's services, we have gradually built this service up, in response to your feedback. We can now offer advice and support to enhance behaviour for learning and have developed toolkits that many schools have started to use. This team can be expanded, but that will be determined by the level of demand for this service.

Learning with iPads/tablets and maintenance of iPads

Many schools have invested in iPads as learning tools but have found that they can benefit from support for some teachers in maximising their use. This new technology also needs some servicing from time to time. Members of our IT team have gained specific Apple qualifications as Apple Distinguished Educators and have now started to offer both training in gaining most use from tablets for teachers and back-up technical support. HfL has also invested in iPads for use on training of both teachers and parents; they are particularly useful for eSafety training where the reality of the subject can be immediately demonstrated.

School business manager services

Many primary schools asked whether HfL could support them with getting the expertise into school that is often enjoyed by secondary schools employing full time specialist business managers. We are now piloting a business manager service where primary schools can purchase a number of hours of business manager time through HfL without the need to employ their own. In addition, we have developed a range of services which include support to recruit your own business manager and training and support for existing business managers, which serve all school phases.



The Business of Running a School

A holistic approach to understanding assessment, target setting and performance

The purpose of this service is to provide in-depth training in understanding performance data for school governors, senior leadership teams, middle leaders and teachers to identify key improvement priorities for the school. Schools are then supported to develop a plan to make the necessary improvements. The package is currently being trialled in one primary and one secondary school and initial feedback is very positive. The assessment team is expanding in September which will allow further development of this service.

Additional requests and responses

Closing gaps for vulnerable children - use of pupil premium

We decided that this priority required significant investment, as it is a county wide issue, and both HCC and HfL have provided funding to support the first phase of work this year.

Our new Exchanging Excellence programme is our framework for wider exchange of best practice. Our first project using our Exchanging Excellence framework has been the Closing Gaps project which has gathered and synthesised best practice in use of the pupil premium to improve outcomes for those pupils and to help to close gaps between their achievements and that of other pupils. The project has brought together both local and national best practice from a wide variety of schools in different circumstances, providing us all with ideas for improvement. It encompasses and has added to the work already taking place including the primary RANGe project, which is operating in areas where gaps are particularly wide.



Following a conference on 7th July 2014 at Stevenage to disseminate findings, HfL will be sharing and promoting best practice and supporting schools in Phase 2 of the project in the 2014-15 academic year to take many of these ideas forward.

Delivering the new national curriculum - new curriculum materials

This has been a huge priority for all schools this year and HfL has developed training and resources to support all aspects of the changes from strategic oversight to classroom delivery. This work is continuing into the next academic year as schools start to deliver the new curriculum. We anticipate there will be high demand for the new curriculum subject materials and new assessment criteria that are now becoming available through subscription on our web site. Sales of those materials outside Hertfordshire, will of course, bring opportunities for further investment into Hertfordshire for the benefit of our shareholders.



Distance learning

Schools have told us that they are keen for us to offer alternative methods of service delivery which reflect their increasing workload and difficulties in accessing training. As a result we are reviewing our provision on the HfL website. HfL is committed to offering new services and support that maximise new technologies, so we will be working over the next year to refresh our website services. We hope to offer a number of distance learning mechanisms in the future, including video conferencing and online learning videos, website subscription materials and forums.

All of these developments are in their infancy and will continue to be shaped in response to the pilots and your feedback. We will continue to contribute the start-up and early investment costs wherever possible to develop new sustainable traded services and will also contribute to issues that address the common good in Hertfordshire, where finances allow.

As is to be expected other requests have emerged as the year has progressed and we have also tried to be responsive to your additional requests and suggestions. Requests to provide the following have emerged more recently:

- a coaching service for school leaders
- support with recruitment and retention of teachers and leaders
- provision of a staff sickness insurance scheme

We are pleased to report that we have also managed to respond helpfully to two of these requests

Coaching service

Plans for delivering an accredited executive coaching service are well underway. Twelve coaches will complete their accreditation to ILM level 5 within the next few months; the coaching cadre is made up of seven Hertfordshire head teachers and five Herts for Learning staff who, together, will offer the new service from early 2015. The service is being co-produced between headteachers and HfL to ensure it meets the needs of our customers. HfL is investing in the service through funding the accredited training for all of the coaches; ensuring that the coaches will have professional supervision and that the quality of the service will be sustainable and assured.

Recruitment

In February 2014, HfL ran a recruitment campaign on behalf of all of Hertfordshire schools, funded by HfL as part of our commitment to making sure your company is able to re-invest in Hertfordshire for the benefit of all shareholders. This has triggered further interest in working together to address the very pressing issues facing schools and settings in recruiting high-quality staff and supporting leadership capacity across the county. We plan to co-produce this work with the teaching school alliances and the headteacher and governor associations.



Staff sickness insurance scheme

We have investigated HfL becoming a provider of a staff sickness insurance scheme; however, this would take us into a different type of business sector and would require us to become registered with the Financial Services Authority (FSA). This type of business requires significant reserves or facility to draw upon funding should there be excessive claims, which clearly in its infancy the company is not in a position to do; this would represent too high a risk. However, we are continuing to seek other ways of supporting schools with this very important issue.

Other developments

Some of these new services have the potential to be traded beyond Hertfordshire's borders and are likely to contribute to the success of the company and further re-investment for Hertfordshire's schools.

To support new lines of business and add capacity, we have recruited a team of paid graduate interns including a graphic designer, a journalist, a researcher and a support for school finance. The intern team has brought invaluable new skills and are playing a key part in supporting the development of new strands of business. We are also, where possible, introducing apprenticeships as part of the company policy of supporting the career aspirations of young people locally.

In order to keep our customers up to date with developments we have recently introduced a free publication, Training Times, which is sent into schools each month through the internal post. The publication includes research articles, and spotlights HfL's approach to educational policy changes as well as highlighting new initiatives, progress on our new growth strands, examples of Exchanging Excellence, pilot opportunities and forthcoming training.

In the run up to the next general election in 2015, we can expect to hear more from the different parties on their plans for future education policy and HfL will play a role in keeping you all abreast of those announcements and where possible, analysing the potential implications for Hertfordshire schools and your School Company.

In the meantime we are investing in direct research into what works well in parental engagement, teacher recruitment, best practice for middle leaders and strategies that have most impact for BME pupils. We are considering greater involvement in supporting a masters programme of action research opportunities for staff in schools and HfL to work together on issues of most interest in Hertfordshire.

A new Schools' View button on the HfL web site will provide further opportunities for customer feedback at a time to suit you which we hope you will use.

Managing risks

As HfL commenced trading in September 2013, a SWOT analysis was undertaken with staff and the Board and an initial analysis of risks was compiled. The risk register is a standing item on all board agendas and has been adjusted regularly throughout the year. Some risks have since diminished as the company start-up phase has progressed, whilst others have emerged, but as the company is newly established the main risks are financial.

The top risks facing the company in June 2014 are as follows;

- A.** Building up sufficient reserves to enable the company to weather pressures arising from:
 - national policy changes and any changes to the statutory functions of LAs (which could have an impact on the value of the core contract between HCC and HfL)
 - any reductions or pressures in school budgets (which could have an impact on trading with HfL)
- B.** Ensuring liquidity by managing direct debits and working capital
- C.** Recruiting and retaining high quality staff
- D.** Identifying an appropriate next generation solution for some products or services
- E.** Competition from both private and public sector providers

Our team

Herts for Learning employs 281 members of staff and also draws upon the skills of a number of other people who are employed in schools or are self-employed associates of the company. The company also employs 68 clerks to governors, employed for occasional school governing body clerking duties as required.

The majority of the workforce is based in Stevenage but is very mobile in nature, working mainly in and with schools and settings. As a result the technology and infrastructure to support mobile working is critical to enable the teams to do the best job they can and support the overall success of the company. As a result, ageing and poor equipment was replaced during the first few months of the company's operation and this has had a positive impact on both morale and performance.

279 staff were transitioned across to the new company under TUPE legislation on 1st September 2013 on HCC terms and conditions of employment. 20 staff have been recruited since the start of the academic year (September 13) on HfL terms and conditions, four of whom have been paid as graduate interns, adding richness and variety to the work of HfL. We have successfully recruited some very high calibre teaching and learning advisers as well as a marketing and communications manager and head of human resources. In March 2014, after several months of negotiations with the trade unions and our staff, most of our staff transferred onto the new terms and conditions, making us more efficient as a company dealing with one set of procedures and policies. As part of those changes, the performance year will now run on an academic year cycle so that the performance of our staff working with schools can more accurately be measured for impact on outcomes for children.

Our staff voluntary turnover rates remain steady at 10%. The majority of turnover has been due to schools recruiting our staff, particularly from some infrastructure services. Our absence rates due to sickness are well below the national average at 2.9 days per employee per annum.

3.3% of staff are known to have a disability and 6.7% are from a black or ethnic minority group. HfL has an equalities policy in place and strives to ensure that fair and full consideration is given to all applications for employment, including from disabled people. Our policy also ensures equal treatment of all staff in matters of access to training and development opportunities, career grade movement, promotion and secondment opportunities. No members of staff are known to have become disabled during the first year of trading.

Financial review

A comprehensive staff survey was carried out in September 2013, which served as a barometer for how the staff were feeling as the new company got underway. The results of that survey were shared widely with team leaders and the whole staff as well as the Board. A staff conference was scheduled to follow up on the areas identified as needing attention and a comprehensive improvement plan is in place to address those areas. The improvement plan is regularly reviewed and good progress is being made against the actions within that plan. The intention is to re-survey staff in the autumn term 2014 to assess the impact of the improvements that have been made and to give the staff an additional voice in helping to shape the culture of the company.

We have kept all staff involved and up to date through regular communications directly from the managing director to all staff and through Hertbeat – our fortnightly update for staff on issues of interest and concern to them as employees of the company.

There are five staff conference days per year where the whole staff are involved in helping to shape the company. Staff are invited to share their expertise across different teams. At each conference the staff are updated on company financial progress, future outlook and risks, as well as progress on our growth strategy and improvement plan. Feedback from the staff conferences has been very positive since the inception of the company and any issues raised have been acted upon quickly.

In order to ensure that the staff employed in your company are highly skilled and up to date with the latest tools and research, we have conducted a comprehensive skills audit across the entire company. The new head of HR will lead a programme of professional development in the autumn term based on need as identified through the audit and in line with our performance management scheme.

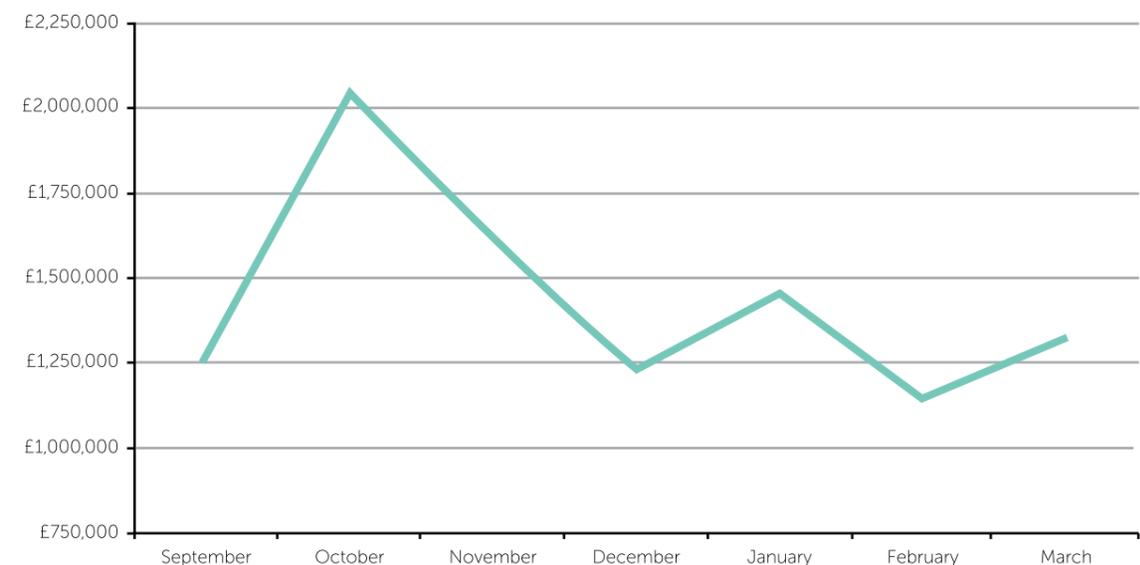
Under the new terms and conditions of employment, staff are not entitled to an automatic annual pay rise in addition to the cost of living pay rise awarded by the Board. However, in its place, a performance bonus scheme has been agreed, based on the overall success of the company and for all staff fully meeting their objectives. The percentage of bonus paid will be determined by your board of directors in September each year.

As previously noted, the company is able to report a strong financial position for the opening seven months of trading. Most importantly, turnover of £13.35m and profit after tax of £599k are both ahead of plan and enable the company to build up some reserves this year. Starting as a new company in September 2013 with no cash or other funds, our three-year business plan requires the company to build up funds equivalent to 12% -15% of turnover in order that we can be sustainable, plan ahead confidently and invest in new services requested by our customers.

TURNOVER	13,353,661
Cost of sales	(11,044,826)
GROSS PROFIT	2,308,835
Administrative expenses	(1,519,906)
OPERATING PROFIT BEFORE TAX	788,929
Taxation	(189,666)
PROFIT FOR THE FINANCIAL PERIOD	599,263

The strong turnover figure has been boosted by higher delegate numbers on traded CPD training courses than anticipated. This, coupled with savings generated from a number of staff vacancies, has contributed to the operating profit. The strong financial start enables us to recruit to these vacancies and ensure that the quality of service provided by Herts for Learning is not compromised due to capacity issues.

The strong financial performance was also boosted by the commencement of trading on 1 September. The autumn and spring terms are traditionally the two terms with highest earnings from CPD training and consultancy. The summer term and school summer holiday are far quieter, and the strong operating margin of 6.6% reported in the opening seven months will not be replicated in the period April through to August. The profit retained and cash generated in this opening seven month period will ensure the business is able to progress through the quieter summer period without any financial difficulties.



Profile of monthly turnover September 2013 – March 2014

Strong trading and good internal cost control have ensured that the balance sheet is also in a healthy state at 31 March 2014.

FIXED ASSETS	8,742
CURRENT ASSETS	
Stocks	102,277
Debtors	1,010,944
Cash at bank and in hand	<u>2,960,724</u>
	4,073,945
CREDITORS: due within 1 year	<u>(3,467,724)</u>
NET CURRENT ASSETS	606,221
TOTAL ASSETS LESS CURRENT LIABILITIES	614,963
CAPITAL AND RESERVES	
Called up share capital	15,700
Profit and loss account	599,263
TOTAL SHAREHOLDERS' FUNDS	614,963

The cash position has also been enhanced by the willingness of our customers to enter into direct debit arrangements to ensure prompt payments of invoiced activity. At year-end, the business reported a cash balance of £2.9m and trade debtors amounted to £348k. This trade debtor balance generates a debtor days figure of only 9.5 days, which reflects the fact that over 500 customers now pay their invoices by direct debit. Cash balances will be invested in interest-bearing accounts in the new financial year, in order to maximise the return available.

The share capital at 31 March 2014 comprised 125 shares (20%) owned by Hertfordshire County Council, and 503 (80%) owned by Hertfordshire schools. Since 31 March, the number of shares issued to schools has increased to 509, representing over 97% of Hertfordshire's publicly funded schools.

In February 2014 school customers received a free month's connectivity provision, representing a saving to shareholder schools equating to £250k, and the company invested in a recruitment campaign on behalf of all Hertfordshire schools. The strong trading performance in the first six months of operation enabled the company to offer these benefits. As a not-for-profit company, we will continue to seek ways to use good performance to offer our shareholders benefits through the provision of services and discounts rather than through dividend payments.

Further financial details can be obtained from the company financial statements, which are available on request.

Herts for Learning



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