

Hull College Further Education Corporation

Report and Financial Statements

For the year ended 31 July 2021

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

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Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

BOARD OF GOVERNORS, KEY MANAGEMENT PERSONNEL AND PROFESSIONAL ADVISERS

Board of Governors

A full list of Governors is given on pages 17 to 20 of these financial statements; including those appointed after the year end.

Lottie Thompson acted as Clerk to the Corporation for part of the period.

Key management personnel

Key management personnel are defined as the members of the Senior Leadership Team and were the following during the financial year ended 31 July 2021:

Tony Lewin	Interim Chief Executive, Principal and Accounting Officer (resigned 31 December 2020)
Lowell Williams	Interim Chief Executive, Principal and Accounting Officer (appointed 4 January 2021 and resigned 11 April 2021)
Christopher Malish	Chief Executive, Principal and Accounting Officer (appointed 12 April 2021 and resigned 6 August 2021)
Lizann Lowson	Interim Deputy Principal (resigned 31 July 2021)
Lynette Leith	Vice Principal of Curriculum (appointed 12 July 2021)
Lottie Thompson	Director of Governance; Clerk to the Corporation.
Liz Winn	Vice Principal of Commercial Business Development & Higher Education (resigned 19 March 2021)
Ian Harmer	Interim Finance Director (appointed 24 August 2020 and resigned 4 December 2020)
David Rose	Interim Finance Director (appointed 4 January 2021 and resigned 31 July 2021)
Barbara Jones	Vice Principal of Human Resources (resigned 31 January 2021)
Susan Brady	Vice Principal of Human Resources (appointed 20 January 2021)
Sarah Kerwin	Assistant Principal Further and Higher Education (appointed 1 October 2020, role changed in-year to Senior Director Technical Study Programmes)
Victoria Isaac	Assistant Principal Employment and Skills (appointed 1 October 2020 and resigned 30 September 2021)
Rachel Waudby-Richardson	Assistant Principal - Quality and Learning Support (appointed 8 October 2020, role changed in-year to Director of Teaching and Learning)

Since 31 July 2021 the following appointments has been made to the Strategic Leadership Team:

Lowell Williams	Interim Chief Executive, Principal and Accounting Officer (appointed 11 August 2021)
Ranjit Singh	Vice Principal Quality and Learner Experience (appointed 16 August 2021)
Gino Tommasi	Director of Finance (appointed 26 August 2021)

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BOARD OF GOVERNORS, KEY MANAGEMENT PERSONNEL AND PROFESSIONAL ADVISERS (CONTINUED)

Professional advisers

Financial statements auditors and reporting accountants

RSM UK Audit LLP
Two Humber Quays
Wellington Street West
Hull
HU1 2BN

Internal auditors

Audit One
Kirkstone Villa
Lanchester Road Hospital
Durham
DH1 5RD

Bankers

Co-operative Bank plc
22 Alfred Gelder Street
Hull
HU1 2BS

Natwest
1 Humber Quays
Hull
HU1 2DG

Solicitors

Rollits LLP
Citadel House
58 High Street
Hull
HU1 1QE

Principal place of business

Queen's Gardens
Wilberforce Drive
Kingston-Upon-Hull
HU1 3DG

Hull College Further Education Corporation

FINANCIAL STATEMENTS

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REPORT OF THE BOARD OF GOVERNORS

Nature, objectives and strategies

The Members of Hull College Further Education Corporation present their report and the audited financial statements for the year ended 31 July 2021.

Legal status

The Hull College Further Education Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Hull College business. The Hull College Group is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

For the year ended 31 July 2021 the Hull College Further Education Corporation consisted of Hull and Goole campuses (albeit the Goole campus was closed during the financial year). The financial statements are consolidated financial statements and together with the two campuses include two subsidiaries; Hull College Enterprises Limited and HCUK Resourcing Limited.

Hull College Further Education Corporation trades as the Hull College Group and is referred to as "the Corporation" or as "the College" throughout this Report and Financial Statements.

COVID-19

As with all organisations, the COVID-19 pandemic has had and continues to have a fundamental impact on the college's operations. There were several lockdown periods during FY21, the longest period of lockdown that operational affected the college was November 2020 to March 2021. This closure affected the college's day to day operations in which it forced the college to return to on-line learning.

The College utilised funds to provide students with laptops and or dongles to facilitate continued access to College resources on-line. Alongside this, academic staff made increasing and varied resources available to students to facilitate their learning. Many students progressed well with their learning on-line. However, due to the significant challenge of digital poverty in Hull, not all students made adequate progress during the lockdown.

The College was forced to furlough several staff in commercially focused areas such as catering and the nursery.

As the pandemic progressed the College was able to re-open its facilities from April 2021 and commenced teaching and learning opportunities for our learners.

The pandemic has had a conflicting impact on the College's finances under the following guises;

Income

Following on from the ESFA's intervention, much of the College's student funding related income has been guaranteed by the Agency. The College was able to retain 85% of its adult education budget (AEB). The College managed this through the ability to deliver 70% of its allocation, the DFE lower reconciliation threshold of a further 10% and a further 5% through the AEB business case.

However, the College's commercial activities were severely hit due to the enforced closure of the College, though some of this was mitigated by reductions in operating costs including the furloughing of staff. Income decreased by approximately £2m as a result of the Covid restrictions. The income reduction was seen in the commercial aspects of the College i.e., Apprenticeships and Skills Support for the Workforce. These income streams are directly related to the commercial markets and due to Covid restriction were materially impacted with little migration possibilities. These services have continued to be impacted despite the College re-opening much of its provision as the number on site during an average week has been deliberately reduced to maximise social distancing practices.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

REPORT OF THE BOARD OF GOVERNORS (Continued)

Expenditure

Initially following on from the closure of college sites, the College made initially savings in a number of premises related areas, as expenditure on utilities and maintenance in particular saw reductions.

However, following the re-opening of the College during the summer and beyond the College has been required to increase expenditure to ensure that the site became COVID secure with increased social distancing, the erection of screens and other barriers as well as the installation of numerous sanitising stations, at a cost of approximately £135,000.

The College expects that this trend will continue through the first quarter of 2022. The impact of this increased expenditure has been incorporated into the cash flow and profit projections.

Public benefit

The College provides technical skills training programmes and general education to young people aged 14-19 years and adults, predominantly in Hull and the wider Humber region.

Review of levels of deprivation and the educational attainment of young people and adults in Hull makes for depressing reading. The national Index of Multiple Deprivation (IMD) 2019 shows that of Hull's lower super output areas (LSOAs) 45.2% are ranked in decile 1, the most deprived 10% of LSOAs in England. 13,664 (26.4%) of children in Hull live in families with absolute low income and 15,880 (30.7%) live in families with relative low income. This compares to national rates of 15.3% and 18.4%. Simply put nearly half of the city's communities are the most deprived in England and more than a half of children live in families with absolute or relatively low income.

At age 19, the number of young people achieving a level 3 qualification lags 12.6% behind national rates and 8.2% behind the rate for Yorkshire and Humberside. At level 2 young people fall 5.6% behind national rates and 2.9% behind Yorkshire and Humberside. In these measures, Hull is ranked 146 out of 150 local authorities in England for level 3 attainment and 131 out of 150 for level 2.

Inevitably, the attainment of adults at higher levels, level 4 and above, is weak. Currently only 33% of Hull & East Riding residents hold a qualification at Level 4 and above compared with 43% nationally. The proportion is particularly low in Hull at 23%.

Covid has heightened the challenge for disadvantaged individuals. Young people, women, and those from black and minority ethnic communities have all seen greater impacts in the number of job losses, unemployment claimants, and those furloughed.

Over 70% of all the College's learners are from areas with the highest levels of deprivation. The College's technical and inclusive provision seeks to provide young people and adults with the skills and knowledge they need to succeed in a changing world and to help lift them from deprivation.

The College is inherently, in its mission and in everything it does, an organisation providing public benefit.

Mission

The College's mission as approved by its members is as follows:

"Inspiring, empowering, educating young people and adults in Hull to realise their full potential."

Hull College Further Education Corporation

FINANCIAL STATEMENTS
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REPORT OF THE BOARD OF GOVERNORS (Continued)

Mission (continued)

The College's vision for 2025 is:

Hull College in 2025 will be a vibrant, sustainable, and inclusive college meeting the diverse needs of young people and adults. With our reputation fully restored, our stakeholders and partners will recognise and respect the significant role we play in supporting prosperous futures for the people of Hull and the wider Humber region.

The College's values are:

We are inclusive.

- We celebrate diversity and value individuality.
- We thrive on understanding and helping each other.
- We provide a safe, friendly and welcoming environment for all.

We are empowering.

- We build our students' confidence, knowledge, understanding and skills.
- We help our students find their strengths.
- We support our students both when they are struggling and when they are succeeding.

We have integrity.

- We are open, honest and respectful.
- We always act transparently and with consideration for others.
- We are never afraid to do the right thing.

We are resilient.

- We are positive and focus on what we can do, not what we can't.
- We welcome feedback and challenge.
- We take responsibility for our own actions.

We are ambitious.

- We embrace innovation, creativity and change.
- We push ourselves and aspire to best practice.
- We are passionate about our college, our students, their dreams and their futures.

For the year ended 31 July 2021, the College has the following strategic KPIs driven by the Recovery Plan to 31 July 2022:

Adjusted EBITDA	The Group forecasts to improve adjusted EBITDA as a percentage of income by 2021/22 to at least 5%. It achieved a positive EBITDA of 2.36%.
Adjusted current ratio	The Group forecasts to improve the current ratio to at least 1.4 by 2021/22. This KPI was achieved in 2020/2021 with an adjusted current ratio of 1.45.
Staff costs	The Group forecasts to reduce staff costs as a percentage of income to 65% in the short to medium term. In 2020/21 the ratio was 71.24% due to lower than anticipated income.
Financial health grading	The Group forecasts to improve the financial health grading to at least "Good" in the short to medium term. The College achieved a grading of "Good" in 2020/21.
Estate utilisation	The Group has commissioned an external consultancy firm to create an estates prospectus which will identify significant improvement in estates utilisation and align our facilities to the curriculum and quality strategy.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

REPORT OF THE BOARD OF GOVERNORS (Continued)

Mission (continued)

Gross margin by course

The Group forecasts to improve gross margin by course, with a minimum departmental average of 40% in the short to medium term. The Group achieved this target with an average of 49% gross margin.

In addition to the above, the College is committed to observing the importance of sector measures and indicators and uses the FE choices data available on the Gov.UK website which looks at measures such as success rates.

The College is required to complete the annual Finance Record for the ESFA. Based on 2020/21 data the College is assessed by the ESFA as having a "Good" financial health grading.

As highlighted earlier in this report the College like all other organisations has been significantly affected by the pandemic, in that it was forced to switch increasing levels of delivery "on-line", facilitate "home working" for large groups of staff and upon re-opening take significant measures to promote safer operating practices through increased social distancing and enhanced hygiene routines.

It has also had a significant impact on its work with employers through its Apprenticeship and Skill Support for the Workforce (SSW) provision where, as a result of apprentices and SSW staff being furloughed, the College has been unable to progress their studies nor work with employers to address their training needs.

However, the impacts of the pandemic have also given the College the opportunity to review its on-going strategy surrounding its operating practices, recognising that the necessary movement to remote/on-line working by students and staff alike was likely to become the norm.

Consequently, the College has taken the opportunity to commission an external consultancy firm to create an estates prospectus which will identify significant improvement in estates utilisation and align our facilities to the curriculum and quality strategy. The estates prospectus focuses on options to reduce the size of the estate whilst improving the condition and quality of the resources for learners. When completed, it will fully embrace the future curriculum development plans and the needs of local stakeholders.

Financial Position and Results

For the financial year ended 31 July 2021, the College group generated a deficit before taxation of £2,253,000 (2020 - deficit £2,223,000). The deficit for the year is after charging £207,000 (2020 - £731,000) in respect of restructuring costs.

As at 31 July 2021, the College group has an accumulated adverse reserve on the income and expenditure account of £875,000 (2020 - £890,000). This was after recognising a pension fund liability of £23,795,000 (2020 - £25,132,000) in its financial statements.

Financial Notice of Concern

On 11 November 2016 the College received a Financial Notice of Concern from the Skills Funding Agency due to being rated "inadequate" for financial health for 2015/16 and as a result of a request for Exceptional Financial Support. The latest revision was issued on 13 January 2021 which requires the College to address the following: continued progress to ensure that governance is effective; delivery of a viable curriculum offer and continued improvements in quality; continue to improve underlying financial performance; completion of the updated estates strategy. Progression towards achieving the above key points continues to evolve and develop throughout the end of 2020/2021 to 2021/2022. A positive further education commission team visit took place at the College at the beginning of 2021/2022 highlighting the distance travelled and improvements that have been implemented and embedded within the College.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

REPORT OF THE BOARD OF GOVERNORS (Continued)

Financial Position and Results (continued)

Recovery Plan – Five years to 31 July 2022

The College continues to work closely with the FE Commissioner and ESFA in line with the approved Recovery Plan. The College has made significant progress towards achieving this plan up to the date of approval of this report and financial statements.

The College has developed a three-year strategic plan for the period 2022-2025, with the support and participation of Hull College staff members. The key features of this plan are:

- A carefully set out curriculum plan for each of the College's technical institutes aligned to the current and future skills needs the region's employers.
- A carefully set out curriculum plan for each of the College's inclusive institutes.
- A comprehensive approach to the development of teaching and learning across the College's provision.
- A considered approach to developing the digital capacity of the College including a digital skills measure as part of the self-assessment process ensuring that digital development remains a priority within development plans for all living institutes and College services.
- An approach to making best use of the College's current estate whilst developing a detailed and ambitious prospectus for the future development of Queens Gardens.
- A commitment to develop a long-term carbon reduction strategy aligned to and meeting standards set out in the FE Climate action road map.
- A three year approach to maintain financial viability without placing a reliance on income growth. This does not mean that the College will not set and work towards stretching growth targets, particularly in apprenticeships, study programmes and adult programmes.

The draft strategic plan is currently being implemented throughout the College to ensure targets are set, monitored, managed and achieved. A detailed set of operational development plans (ODP), key performance indicators (KPI) and key impact measures have been established and is presented within a newly implemented database. The new database is used to clearly communicate the operational targets and ensure the strategic plan is achieved. The OPD, KPI and KIM's are monitored, managed and updated on a monthly basis. The new database also houses a revised risk register. The risk register, its risk and mitigation are explained further within this report.

Cash flows and liquidity

The College group had an operating cash inflow of £3,129,000 (2020 outflow - £3,048,000); the increase in 2020/2021 reflects the ending of Restructuring Grant expenditure, additional grant funding, favourable timing variances surrounding income receipt vs associated claw backs and a slight improvement to the operational college performance.

The College's cash position has improved due to the ESFA's decision to continue funding the College's major income streams so that the College was able to continue meeting its obligations to its staff and suppliers. Much of the reason for the significant cash inflow in the year was that the College received a £1.1m Further Education Capital Allocation grant which the College was able to align to most of its planned estates capital expenditure, and also favourable timing of the adult education budget which recognises a claw back of £1.3m in 2021/2022.

Covid restrictions however had little detrimental impact upon the College's cash position up to July 2021, as a result of the expenditure savings and furlough receipts. The College recognise that its operational financial performance was impacted by circa £1m, however due to operational savings and furlough receipts the College was able to achieve a small operational cash inflow.

Hull College Further Education Corporation

FINANCIAL STATEMENTS
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REPORT OF THE BOARD OF GOVERNORS (Continued)

Financial Position and Results (continued)

Treasury policies and objectives

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

The College has a separate treasury management policy in place and undertakes regular reviews of actual cash flow performance, forecast cash flows and appropriate banking investments and positions.

Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

Reserves policy

The College has seen a lower operational performance in 2020/2021 due to the pandemic of circa £1m. The £1m reduced operational performance has impacted the statement of comprehensive income and therefore has affected reserves. This reduction however has not had a fundamental impact upon the bank balance due to other sources of income i.e., further education capital allocation.

The College recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. The College maintains cash reserves to cover pay and non-pay costs for at least the next month.

It is the College's intention to increase reserves over the life of the strategic plan by the generation of operating surpluses. The policy will be reviewed in light of the impact of Covid-19 and the draft four-year strategic plan.

Capital investment programme

Considerable capital investment has taken place in the year ended 31 July 2021. Major projects included continued investment in the improvement of the estate's infrastructure and computer hardware for teaching and software to support both teaching and the College MIS.

The College made an application to the DFE for £60m as part of the FE Capital Transformation Fund. The bid was unsuccessful. However, despite the result surrounding the bid the College have commissioned an external consultancy firm to create an estates prospectus which will identify significant improvement in estates utilisation and align our facilities to the curriculum and quality strategy. The prospectus is designed to give a competitive advance to any potential capital investment opportunities in the near future and provide a blueprint to the future of how and what the estates, its facilities and structure could potentially look like in order to deliver its curriculum strategy.

Resources

The College has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include the main college site at Queen's Gardens, the CITB Engineering Building, the Horncastle and Maxwell Bird buildings in Hull.

Financial

The College group had £875,000 of net liabilities (including £23,795,000 of pension liability) and creditors falling due after more than one year of £5,025,000 at 31 July 2021.

Hull College Further Education Corporation

FINANCIAL STATEMENTS
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REPORT OF THE BOARD OF GOVERNORS (Continued)

Resources (continued)

People

During the year ended 31 July 2021, the College group employed 586 people, of whom 180 were teaching staff.

Events after the end of the reporting period

Following the end of the Financial Year in July 2021, the following reportable events took place:

- **Resignation of New Chief Executive Officer**

As of 6 August 2021 the Chief Executive Officer, Christopher Malish resigned from his position with the College. Subsequent to this resignation and as of 16 August 2021, Lowell Williams rejoined the College as interim Chief Executive Officer.

Current and future Developments and performance

The impact of Covid during the 2020-21 academic year adversely affected student numbers and curriculum developments at the College. There has been a decline in participation rates of young people on study programmes and on higher education programmes. Covid also adversely impacted apprenticeship starts and delayed end point assessments. Consequently, the College did not achieve forecast student numbers.

Covid also contributed to declining achievement rates, particularly at entry and level 1. Whilst achievement rates and the overall quality of provision is very good or better on programmes for students aged 14-16 years and on higher education programmes, the College recognises that further improvements are required for learners aged 16-19 years following study programmes, and to a lesser extent on apprenticeships.

The College has set out the following targets for future performance by 2025.

Participation

- 1,715 students aged 16-18 years on full time study programmes.
- 2,100 young people and adults following apprenticeships.
- 4,900 adults on skills programmes.
- 440 adults on higher skills and degree programmes.

Skills for priority sectors

- 10% increase in participation on engineering, manufacturing and construction sector specific programmes.
- 30% increase in participation on health and social care sector specific programmes.
- 100% increase in participation on tourism and culture sector specific programmes.
- 20% increase in participation on digital related programmes.

Inclusion

- We will increase the opportunity for Black, and Asian minority ethnic students to participate in apprenticeships: 12% BAME participation in apprenticeship programmes.
- More students with high needs and or education health care plans achieve their qualifications: 90% of students considered high needs and or hold an EHCP achieve their qualifications.
- More students residing from the city's highest areas of deprivation achieve their qualifications: 89% achievement rate disadvantaged students.
- Increase the participation of females in STEM related programmes: 160 (or 10%) female learners participate in STEM related technical learning programmes.

Hull College Further Education Corporation

FINANCIAL STATEMENTS
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REPORT OF THE BOARD OF GOVERNORS (Continued)

Current and future Developments and performance (continued)

Student destinations

- 90% onto a positive destination.
- 40% progression from level 3 to level 4 or higher study.
- 75% progression from level 2 to level 3.

Principal risks and uncertainties

The College has undertaken a comprehensive review of its approach to risk and utilising new software has created a risk register with live access for the Corporation. The risks have been identified against the 10 strategic objectives for the College.

The risk register is reviewed monthly by the Executive and all Governors have live access to the risk register, in addition to termly reporting to the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their status, assurance lines and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. Respective sub-committees are encouraged to discuss and challenge respective risks concerning their areas of responsibility.

Each risk has clear mitigation in place identifying systems and procedures, including specific preventable actions to improve any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions.

The principal risks currently included on the risk register are:

Objective 1:

Develop and deliver a technical and responsive curriculum which is carefully aligned to regional skills needs:

Risk:

- The College is unable to recruit industry experts to deliver new technical programmes.

Mitigation:

- Positive links with employers through employer reference groups provides access to individuals to support the Institutes. We are developing enhanced pay scales for industry experts. We are also developing other packages, such as funded service agreements with employers to share very specific technical expertise.

Objective 2:

Provide all students with a challenging, engaging and highly effective teaching and learning experience.

Risk:

- Ofsted assess the College's provision as requires improvement or worse leading to further reputational damage.

Mitigation:

- The College SAR based on last year is highly likely to be graded as RI. The longer we go without inspection the more chance there is to demonstrate improvement. This would be done through the improvement of TLA via the deep dive process.

Hull College Further Education Corporation

FINANCIAL STATEMENTS
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REPORT OF THE BOARD OF GOVERNORS (Continued)

Principal risks and uncertainties (continued)

Objective 3:

Harness the power of digital technologies to transform our approach to teaching and learning and our business operations.

Risks:

- Failure to safeguard college IT systems from cyber attack.
- Insufficient capital funds to realise the IT investment strategy.

Mitigation:

- IT ensure that systems are constantly updated. Bi-annual penetration testing, ICT audits, ICT best practice, evaluating security products and emerging cyber risks. Internal audit projects are completed to identify any internal and external control weaknesses with recommend actions. Third part accreditation cyber essentials
- The development of the IT and estates strategy complemented with the planned Hull College development prospectus are currently underway. This inline with the quality and curriculum review will capture the business and operational requirements for the College.

Objective 4:

Make best use of our current estate and develop a deliverable vision for the future transformation of the estate.

Risks:

- Building closures due to failure in building systems.
- Unable to attract investment in the future development of the estate.

Mitigation:

- Long term maintenance plan complemented with the routine proactive maintenance regime
- The development of the estates strategy complemented with the planned Hull College development prospectus.

Objective 5:

Ensure the long-term future sustainability of the College.

Risks:

- Failure to set, monitor and achieve income targets in line with annual budget.
- Failure to develop in mid to long term business plans incorporating methods to achieve future investment into the College infrastructure.

Mitigation:

- Regular reviews, constructive challenge and support meetings have been established on a biweekly and monthly basis. These meetings assess and review AEB, SSW and Apprenticeship income associated with its forecasts, risks and opportunities to ensure the FY22 income targets are achieved.

Hull College Further Education Corporation

FINANCIAL STATEMENTS
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REPORT OF THE BOARD OF GOVERNORS (Continued)

Principal risks and uncertainties (continued)

Objective 6:

Create an organisational culture which is open, transparent, challenging and dynamic.

Risks:

- Senior and middle managers lack the leadership skills to create an appropriate organisational culture.

Mitigation:

- External staff development programme planned for spring term for middle leaders. Mentoring arrangements in place for executive leaders.

Objective 7:

Ensure effective, coherent and consistent leadership is demonstrated at all times across the College

Risks:

- Governors fail to appoint a suitably qualified Principal & CEO with the requisite leadership skills to successfully lead the College.

Mitigation:

- Appointment of a specialist recruitment consultant company to support the process. Clearly articulated process approved and led by the Board in line with sector good practice. National advertisement campaign and well articulated "shop window" information pack to showcase the opportunity. Robust interview and assessment process using key stakeholders.

Stakeholder Relationships

In line with other Colleges and with universities, the College has many stakeholders. These include (non-exhaustive list):

- Employers.
- FE institutions, including Bishop Burton College, TEC Partnership (including East Riding College), Wilberforce College, Wyke College.
- Hull Business Improvement District.
- Hull Chamber of College.
- Hull Post 16 Partnership and local schools
- Humber and East Yorkshire Local Enterprise Partnership.
- Local authorities, specifically Hull City Council and Riding of East Yorkshire Council.
- Local community groups.
- Parents and caregivers.
- Professional bodies.
- Trade unions.
- Staff.
- Students.
- Universities, including The University of Hull.

The College recognises the importance of these relationships and engages in regular communication with stakeholders. Employer reference groups support each of the College's technical institutes.

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FINANCIAL STATEMENTS
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REPORT OF THE BOARD OF GOVERNORS (Continued)

Equal opportunities and employment of disabled persons

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively the diversity of our internal community and pay particular regard to those protected characteristics as defined within the Equality Act 2010.

We strive vigorously to remove barriers which place people at a disadvantage and actively combat discrimination.

The College's provides Governors with an annual Equality and Diversity report, which is also made available on the College's internal and external websites.

The College actively promotes vacancies using appropriate methods to appeal to a diverse range of people. The College is 'Disability Confident' guaranteeing interviews for any applicants with a disability that meet the essential criteria on the person specification; providing an inclusive and accessible recruitment process, with reasonable adjustments made where required and continued support for disabled employees, again, making reasonable adjustments where needed. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees.

The College has also committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College ensures that all staff undertake regular training on safeguarding, the Prevent duty and equality and diversity.

Disability, equality and diversity statement

The College seeks to fulfil the requirements of the Equality Act 2010 and Special Educational Needs and Disability Act 2011 as follows:

- Disability considerations are built into the College's accommodation strategy.
- The College has a member of staff appointed as the Equality & Diversity Officer and who provides information, advice and arranges support where necessary for students with disabilities as well as Director of Learner and Customer Services who has responsibility for supporting SEND learners
- The College can provide a range of specialist equipment for students to use and has a variety of assistive technology available.
- Specialist programmes are described in the College's prospectuses, and achievement and destinations are recorded and published on the College website and within appropriate publications.
- Counselling and welfare services are outlined in student Induction and available on CANVAS

Corporate and social responsibility statement

The College, by its very nature develops young people and adults to realise their potential and develop skills needed for the businesses of Hull.

Nearly half of the city's communities are the most deprived in England and more than half of our children live in families with absolute or relatively low income. Over 70% of our students come from areas of deprivation. Hull College plays a pivotal role in re-engaging those young people and adults at risk of becoming distanced and excluded from employment and wider society.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

REPORT OF THE BOARD OF GOVERNORS (Continued)

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College.

Relevant Union officials

Numbers of employees who were relevant Union officials during the relevant period	FTE employee number
5	4.4

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	
1-50%	5
51-99%	
100%	

Percentage of pay bill spent on facility time

Total cost of facility time	£2,782
Total pay bill	£17,646,000
Percentage of total bill spent on facility time	0.01%

Paid Trade Union activities

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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Going concern

The College maintains a close focus on balancing strength and availability of liquid resources to meet both short-term and longer term financial needs, taking into account the continuing financial, operational and structural developments within the FE sector.

After making appropriate enquiries, the College has determined that it has adequate financial resources to continue in operational existence to at least 31 July 2024, the period of our current financial plan and cashflow and continues to adopt the going concern basis in preparing these financial statements.

This assessment is based upon the following:

- The three year Financial Plan for the period to 31 July 2024; which includes Income & Expenditure, cashflow and balance sheets by month.
- An assessment of the College's short, medium and long term cash flow forecasts and requirements.
- Financial forecast based upon no income growth apart from an operational recovery of adult education budget and apprenticeship provision associated with Covid impacts upon delivery
- The robustness of the majority of the College's operating income from the ESFA.
- A review of the College's risk register which addresses both financial and non-financial issues concerning future risk and liability as explained previously within the report.
- The proactive and detailed nature of the Estates Strategy that underpins educational delivery in key priority areas.
- The continued monitoring and review of ODP, KPI and KIM's my management and senior leadership teams

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

REPORT OF THE BOARD OF GOVERNORS (Continued)

Going concern (continued)

The COVID pandemic has not impacted greatly upon the College's reflection on its assessment of the Going Concern concept. As explained earlier within the report, Covid has impacted the income generation ability in 2020/2021, however the operational cash reserves have been managed to ensure an overall cash inflow.

Therefore, the Board of Governors considers that the College has adequate resources to continue in operational existence to at least 31 July 2024, the period of our current financial plan and cashflow. For this reason, the College continues to adopt the going concern basis in preparing the financial statements.

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 15/12/2021 and signed on its behalf by:



Lesley Davies
Chair

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2020 to 31 July 2021 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- In accordance with The Code of Good Governance for English Colleges ("the Code") updated and reissued by the Association of Colleges in October 2021, which it formally re-adopted in October 2021 and;
- By having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the further education sector.

The Corporation undertakes annual reviews of the corporate governance arrangements measured against the Code through the Corporation and triennial external reviews of the governance arrangements, the most recent of which was January 2021.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2021. This opinion is based on a programme of Governance improvement work completed throughout 2020/21 with a National Leader in Governance and the newly appointed and experienced Chair of Governors in January 2021. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear within these financial statements.

Name	Date of Appointment	Term of Office	Date of Resignation/ Retirement	Committees Served	Corporation Meeting Attendance
Ms Lesley Davies <i>Appointed Chair</i>	January 2021	2 years	N/A	Audit Standards Remuneration	24/02/2021 11/03/2021 29/04/2021 17/05/2021 26/05/2021 21/07/2021
Mr D Williams	January 2019	3 years	January 2021	Finance Remuneration	15/09/2020 21/10/2020 19/11/2020 01/12/2020 16/12/2020
Mr C Fenwick	April 2010 Reappointed April 2014 Reappointed April 2018 Co-Opted from May 2019	1 year	December 2021	Audit (Chair) Remuneration	15/09/2020 21/10/2020 19/11/2020 01/12/2020 16/12/2020 21/01/2021 29/01/2021 24/02/2021 11/03/2021 29/04/2021 17/05/2021 26/05/2021 21/07/2021

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Councillor G Lunn	September 2017	3 years	N/A	Standards	15/09/2020 21/10/2020 19/11/2020 01/12/2020 16/12/2020 21/01/2021 29/01/2021 24/02/2021 11/03/2021 29/04/2021 26/05/2021 21/07/2021
Ms E Palmer	July 2019	3 years	February 2021	Standards Remuneration	15/09/2020 21/10/2020 19/11/2020 01/12/2020 16/12/2020 21/01/2021 29/01/2021
Mr T Lewin	June 2020	Ex Officio	December 2020	Finance	15/09/2020 21/10/2020 19/11/2020 16/12/2020
Mr J Taylor <i>Academic Staff Governor</i>	May 2017	4 years	July 2022	Standards	15/09/2020 21/10/2020 11/03/2021 29/04/2021 17/05/2021 26/05/2021 21/07/2021
Mr D Wills	September 2018	3 years	N/A	Standards (Chair) Audit	15/09/2020 21/10/2020 19/11/2020 01/12/2020 16/12/2020 21/01/2021 29/01/2021 24/02/2021 11/03/2021 29/04/2021 17/05/2021 26/05/2021 21/07/2021
Ms B Dickinson- Fry	May 2019	3 years	November 2020	Finance	15/09/2020 21/10/2020
Ms J Pomone	May 2019	3 years	October 2021	Standards	15/09/2020 21/10/2020 19/11/2020 16/12/2020 21/01/2021 29/01/2021 24/02/2021 11/03/2021 21/07/2021

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Mr G Toplass	January 2020	3 years	November 2020	Finance (Chair)	15/09/2020 21/10/2020 19/11/2020
Mr G Lilley	January 2020	3 years	N/A	Finance (Chair)	15/09/2020 21/10/2020 19/11/2020 16/12/2020 21/01/2021 24/02/2021 29/04/2021 26/05/2021
Mr J Duncan	June 2020	3 years	N/A	Finance	15/09/2020 21/10/2020 19/11/2020 16/12/2020 21/01/2021 24/02/2021 11/03/2021 17/05/2021 26/05/2021 21/07/2021
Mr T Colombari	June 2020	3 years	November 2021	Audit (Vice Chair)	15/09/2020 21/10/2020 19/11/2020 16/12/2020 29/01/2021 11/03/2021 29/04/2021 17/05/2021 26/05/2021 21/07/2021
Ms M Stokes (Co-Opted)	June 2020	3 years	September 2020		N/A
Ms Kay Moffitt	August 2020	3 years	N/A	Remuneration Finance	15/09/2020 21/10/2020 19/11/2020 16/12/2020 21/01/2021 24/02/2021 11/03/2021 29/04/2021 26/05/2021
Ms Rachel Storr	August 2020	3 years	N/A	Remuneration Finance	15/09/2020 21/10/2020 16/12/2020 29/01/2021 <i>Sabbatical</i>
Mr Andrew Arundel	August 2020	3 years	N/A	Finance	15/09/2020 21/10/2020 19/11/2020 16/12/2020 24/02/2021 11/03/2021 29/04/2021 17/05/2021 26/05/2021 21/07/2021

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Mr Joey Greenwood	August 2020	3 years	N/A	Audit	15/09/2020 21/10/2020 19/11/2020 16/12/2020 21/01/2021 29/01/2021 24/02/2021 29/04/2021 17/05/2021 26/05/2021 21/07/2021
Mr Simon Alsop	August 2020	3 years	N/A	Finance	15/09/2020 19/11/2020 16/12/2020 21/01/2021 11/03/2021 29/04/2021 17/05/2021 26/05/2021 21/07/2021
Emma Marshall <i>Support Staff Governor</i>	January 2021	3 years	November 2021	Audit	21/01/2021 29/01/2021 24/02/2021 29/04/2021 26/05/2021 21/07/2021
Liam Hughes <i>Student Governor</i>	October 2020	1 year	June 2021	Standards	21/10/2020 19/11/2020 16/12/2020 21/01/2021 29/01/2021 24/02/2021
Lowell Williams	January 2021	3 months	April 2021	Corporation, Finance, Standards	21/01/2021 29/01/2021 24/02/2021 11/03/2021
Christopher Malish	April 2021	4 months	August 2021	Corporation, Finance, Standards	29/04/2021 17/05/2021 26/05/2021 21/07/2021

Advisor

Since the financial year end the following have been appointed Governors; Ms Rachael Hardcastle-Pearce and Mr Alastair Brooks together with Samuel Kind as a Co-Opted Advisor to the Finance and Resources Committee. All were appointed in August 2021.

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, quality, resources and standards of conduct.

The Corporation, through the scrutiny provided by its meetings and sub-committees, is updated with regular and timely information on the overall financial performance of the Hull College Group together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation drives the strategy and quality of the College and monitors outcomes.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

During the financial year, the Corporation conducted its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation and an annual work plan. These committees are:

- Audit
- Finance
- Remuneration
- Search Committee
- Standards

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are published on the College website, together with copies of full Board meetings.

The Clerk to the Corporation maintains a register of financial and personal interests of the Governors. The register is available for inspection at all meetings of the Corporation and its committees and during office hours at the above address.

All Governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Corporation meetings. Briefings are also provided on a regular basis. Papers remain available to all Governors through an electronic and secure portal, this helps to ensure transparency of decision-making of all Committees.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. This applies equally to the Clerk to the Corporation who has an annual statement passed by Remuneration Committee to ensure the Clerk's total independence of action.

There is a clear division of responsibility in that the roles of the Corporation Chair and Accounting Officer are separate.

The Corporation has continued to meet throughout the year embedding the use of virtual meetings to minimise the impact of COVID-19 restrictions. The Corporation have engaged well in virtual meetings continuing to apply scrutiny, challenge and support to the work of the Corporation and its Committees. Additional meetings have taken place to ensure the operations of the College are able to meet the changing requirements for curriculum delivery during the pandemic and regular updates are provided at Board meetings on health and safety matters relating to the pandemic.

The Corporation has continued to be advised of circumstances where the College has been unable to meet its usual Procurement Policy requirements during the pandemic to ensure that through any interim arrangements the College continues to obtain value for money.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Search Committee. The Search Committee is responsible for the selection and appointment of any new governor or co-opted member for the Corporation. The Corporation is responsible for ensuring that appropriate training is provided as required and the Clerk, and relevant senior staff, delivers to new Governors and co-opted members a full induction training programme.

Members of the Corporation are appointed for a term of office not exceeding three years and are able to undertake three terms subject to a reappointment process. Any extension beyond this timescale is for a specified period or task where the Corporation has been unable to recruit a suitable replacement skillset.

Corporation performance

Each of the committees of the Corporation considers its performance and effectiveness at the end of each academic year. As previously stated, the Corporation undertook an independent review of Governance as against the Code of Good Governance for English Colleges. All recommendations of this review have been considered by the Corporation and/or implemented.

Remuneration Committee

During the year ending 31 July 2021, the Group's Remuneration Committee consisted of five members, all Governors. The committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer, Clerk and Senior Leadership Team. Details of staff remuneration for the year ended 31 July 2021 are set out in note 7 to the financial statements.

Through the appropriate Senior Post Holder policies the Corporation has applied the principles of both the AoC's Senior Staff Remuneration Code and the Higher Education Senior Staff Remuneration Code.

Finance Committee

During the year ending 31 July 2021, the Group's Finance Committee consisted of four members, all Governors. The committee's responsibilities are to advise the Corporation on the financial health and solvency of the Group, the financial implications of new initiatives and ventures and proposed capital expenditure for the Group and successful implementation of the Group's Estates Strategy.

Audit Committee

The Audit Committee comprised of four members of the Corporation (excluding the Accounting Officer and Chair who are not eligible for membership). The committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets at least once per term and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who also have access to the committee for independent discussion, without the presence of the College's management. The committee also receives and considers reports from the main FE funding body, as they affect the College's business. The Audit Committee takes an active role to ensure adequate risk management processes are in place within the College, undertaking a risk assurance mapping exercise at each meeting, receiving regular reports on the risk register. The Audit Committee regularly reviews and monitors progress in mitigating risks in the Group's risk register.

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Audit Committee (continued)

The Group's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management are responsible for the implementation of agreed audit recommendations, and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal auditors, regularity reporting accountants and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

The Audit Committee met 5 times in the year to 31 July 2021. The members of the committee and their attendance records are shown below:

Name	Attendance
Mr C Fenwick	5 of 5
Mr D Wills	5 of 5
Ms B Dickinson Fry (to November 2020)	1 of 5
Mr S Clark (to September 2020)	0 of 5
Mr T Colombari	3 of 5
Mr J Greenwood (from February 2021)	1 of 5
E Marshall (from January 2021)	3 of 5

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable, not absolute, assurance against material misstatement or loss.

The Corporation has delegated the day to day responsibility to the Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Conditions of Funding between Hull College and the Funding Body. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Hull College Group for the year ended 31 July 2021 and up to the date of approval of the annual report and financial statements.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Internal control (continued)

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls and arrangements for compliance with legal and regulatory matters including those relating to the regularity and propriety of the use of public funding that have been implemented to mitigate those risks.

The Board of Governors is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2021 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Governors.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which is agreed by the Corporation and financial forecasting, including risk and sensitivity assessment
- regular reviews by the Finance & Resources Committee (meeting on a termly basis) of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

The College has outsourced the internal audit function to a third party audit firm, which operates in accordance with the requirements of the ESFA's Post-16 Audit Code of Practice. The work of the internal auditor is informed by mandatory audit reporting requirements and an analysis of the risks to which the College is exposed, with annual internal audit plans being based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of Governors on the recommendation of the Audit Committee. On an annual basis, the Internal Auditor provides the Corporation with a report on internal audit activity in the College. The report includes the independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

The Corporation quickly adapted to COVID-19 circumstances moving to virtual meetings and convening additional meetings as required. Throughout the lockdown period and beyond the Corporation continued to steps to approve and monitor the College response to COVID-19, in particular around site closure and re-opening. The work of the College to support its learners during the pandemic was recognised as sector leading by the FE Commissioner's Team during their routine monitoring visits.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Internal control (continued)

The risk and control framework (continued)

Statement from the audit committee

The audit committee has advised the board of governors that the corporation has an effective framework for governance and risk management in place. The audit committee believes the corporation has effective internal controls in place.

The specific areas of work undertaken by the Audit Committee in 2020/21 targeted areas where complexities were known with a view to informing and supporting improvement work. The areas reviewed were:

Report	Assurance Level			
	Substantial	Good	Reasonable	Limited
Cyber Security and Resilience		√		
Health and Safety: COVID19		√		
Follow Up		√		
MIS Core Processes			√	
Health and Safety Permits to Work			√	
Apprenticeships			√	
Recruitment and Induction			√	
Additional ILR Audit			√	

Audit One have completed their audit program of work and concluded their opinion that they are able to offer reasonable assurance on the adequacy and effectiveness of the College's risk management, control and governance processes. In their view, governance, risk management and control arrangements provided reasonable assurance that the risks identified were managed effectively however compliance with the control framework was not found to be taking place in a consistent manner and some moderate remedial action is required.

During 2020/2021 the audit committee requested an internal audit review of Hull College's apprenticeship provision. The audit followed the Education and Skills Funding Agency (ESFA) funding assurance review methodology for eligibility, existence and participation. A sample of 30 learners were selected, out of a total of circa 1400 apprenticeship learners. The report identified 2 high risks associated with providing sufficient evidence for two areas; the ILR evidence pack, and knowledge, skills and behaviours (assessment and outcomes). Immediate action was taken by the management to rectify these high risks.

With support and oversight by the Audit Committee and Corporation, improvements were implemented by management and embedded in college processes and procedures.

Review of effectiveness

Through a planning workshop with the Executive team and Internal Auditor the Audit Committee has overseen a comprehensive programme of internal audit work together with risk assurance mapping and training and development on risk.

Where the College was unable to proceed with planned procurement activity, any deviations from normal procedures were considered by the Corporation for approval. Any subsequent contract extensions were given clear time limits only as reasonably necessary in the circumstances.

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Review of effectiveness (continued)

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. The Chief Executive's review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- observations made by the College's financial statements auditors in their management letters and other reports
- the input of the Audit Committee, including the annual report of the Audit Committee to the Corporation.

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor and other sources of assurance. Where weaknesses are identified, plans to address such weakness and ensure continuous improvement of the system are in place.

The Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. Performance Review Boards are held with each curriculum area each term to consider key performance and risk indicators as well as other possible control, quality and operational issues.

The Senior Leadership Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit Committee. At the Corporation meeting on December 2021, the Corporation carried out the initial annual assessment for the year ended 31 July 2021 by considering documentation from the senior management team and internal audit, taking into account of events since 31 July 2021.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control. This will enable it to fulfil its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

Approved by order of the members of the Corporation on 15/12/2021
behalf by:

and signed on its



Lesley Davies
Chair

Lowell Williams
Interim Chief Executive and Accounting Officer



Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreements and contracts with the ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

We confirm on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the Corporation, or material non-compliance with the terms and conditions of funding under the Corporation's grant funding agreements with contracts with the EFSA or any other public funder.

We confirm that the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the ESFA. If any instances are identified after the date of this statement, these will be notified to the ESFA:

As set out in the previous financial statements for 2019/20 the College entered into an irregular transaction with Hull Kingston Rovers for sponsorship rights for the College at a total value of £240,000 plus vat for 3 years from 2019 (£80,000 per year plus VAT). As this contract was for a 3 year period this irregular transaction continued for the full 2020/21 financial year, albeit a reduction in the annual value of £10,000 was negotiated with Hull Kingston Rovers who acted in good faith in entering into the transaction and have continued to work collaboratively with the College during 2020/21. Since the end of the 2020/21 financial year Hull Kingston Rovers have agreed with the College to terminate the agreement early as of November 2021 removing this irregular transaction for the 2021/22 financial year.

We confirm that regular updates have been provided to the members of the College and the ESFA. If any instances are identified after the date of this statement, these will be notified to the members of the College and the ESFA.



Lesley Davies
Chair



Lowell Williams
Interim Chief Executive and Accounting Officer

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The members of the Corporation who act as trustees for the charitable activities of the Group are required to present audited financial statements for each financial year.

Within the terms and conditions of the Corporation's Conditions of Funding with the ESFA and any relevant bodies, the Corporation through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education F & E HE SORP and with the College Accounts Direction 2020 to 2021 issued by the Education and Skills Funding Agency, which give a true and fair view of the state of affairs of the Group and of the results for that year.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Group will continue in operation.

The Corporation is also required to prepare a report of the Governing Body which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

Approved by order of the members of the Corporation on 15/12/2021
behalf by:

and signed on its

Lesley Davies
Chair



Independent Auditors' Report to the Hull College Further Education Corporation

Opinion

We have audited the financial statements of Hull College Further Education Corporation (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2021 which comprise the consolidated and College statement of comprehensive income, the consolidated and College balance sheets, the consolidated and College statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2021 and of the Group's and the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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.

Independent Auditors' Report to the Hull College Further Education Corporation (continued)

Opinion on other matters prescribed by the Office for Students' Accounts Direction

In our opinion, in all material respects:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2020 to 2021 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

We have nothing to report in respect of the following matters where the Office for Students' accounts direction requires us to report to you if:

- the College's grant and fee income, as disclosed in the note 4 to the financial statements, has been materially misstated.
- the College's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the Corporation of Hull College Further Education Corporation

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 28 the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Group's and the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent Auditors' Report to the Hull College Further Education Corporation (continued)

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

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

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

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

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

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Further and Higher Education SORP, the College Accounts Direction published by the Education and Skills Funding Agency and Regulatory Advice 9: Accounts Direction published by the Office for Students'. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

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

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

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

Independent Auditors' Report to the Hull College Further Education Corporation (continued)

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 29 October 2021. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
Two Humber Quays
Wellington Street West
Hull
HU1 2BN

17/12/2021

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2021

CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME

	Notes	2021		2020	
		Group £'000	College £'000	Group £'000	College £'000
Income					
Funding body grants	3	26,040	26,040	26,887	26,887
ESFA restructuring facility	3	-	-	501	501
Tuition fees and education contracts	4	4,547	4,547	5,396	5,396
Other income	5	622	461	1,138	1,006
Investment income	6	-	47	-	-
Total income		<u>31,209</u>	<u>31,095</u>	<u>33,922</u>	<u>33,790</u>
Expenditure					
Staff costs	7	18,283	18,295	18,663	18,571
Restructuring costs	7	207	207	731	735
Other operating expenses	8	10,988	10,845	12,797	12,743
Depreciation	11	3,442	3,442	3,182	3,182
Impairment		186	186	533	533
Interest and other finance costs	9	356	356	239	239
Total expenditure		<u>33,462</u>	<u>33,331</u>	<u>36,145</u>	<u>36,003</u>
Deficit before tax		(2,253)	(2,236)	(2,223)	(2,213)
Taxation	10	-	-	-	-
Deficit for the year		(2,253)	(2,236)	(2,223)	(2,213)
Re-measurement of net defined benefit pension liability	18	2,268	2,268	(13,888)	(13,888)
Other comprehensive income for the year		2,268	2,268	(13,888)	(13,888)
Total comprehensive income for the year		<u>15</u>	<u>32</u>	<u>(16,111)</u>	<u>(16,101)</u>
Deficit for the year attributable to the Corporation of the College		<u>(2,253)</u>	<u>(2,236)</u>	<u>(2,223)</u>	<u>(2,213)</u>
Total comprehensive income for the year attributable to the Corporation of the College		<u>15</u>	<u>32</u>	<u>(16,111)</u>	<u>(16,101)</u>

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

CONSOLIDATED AND COLLEGE BALANCE SHEET AS AT 31 JULY 2021

	Notes	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Fixed assets					
Tangible assets	11	26,081	26,081	27,658	27,658
Investments	12	1	1	1	1
		<u>26,082</u>	<u>26,082</u>	<u>27,659</u>	<u>27,659</u>
Current assets					
Stocks		120	118	119	118
Debtors	13	2,713	2,685	2,599	2,593
Cash at bank and in hand		9,147	9,146	8,069	8,068
		<u>11,980</u>	<u>11,949</u>	<u>10,787</u>	<u>10,779</u>
Current liabilities					
Creditors – amounts falling due within one year	14	(9,349)	(9,366)	(7,541)	(7,598)
Net current assets		<u>2,631</u>	<u>2,583</u>	<u>3,246</u>	<u>3,181</u>
Total assets less current liabilities		<u>28,713</u>	<u>28,665</u>	<u>30,905</u>	<u>30,840</u>
Creditors – amounts falling due after more than one year	15	(5,025)	(5,025)	(5,909)	(5,909)
Provisions for liabilities					
Defined benefit pension scheme	18	(23,795)	(23,795)	(25,132)	(25,132)
Other provisions	16	(768)	(768)	(754)	(754)
Total net liabilities		<u>(875)</u>	<u>(923)</u>	<u>(890)</u>	<u>(955)</u>
Reserves					
Income and expenditure reserve		(875)	(923)	(890)	(955)
Attributable to the College Corporation and total unrestricted reserves		<u>(875)</u>	<u>(923)</u>	<u>(890)</u>	<u>(955)</u>

The financial statements on pages 33 to 59 were approved and authorised for issue by the Corporation on 15/12/2021 and were signed on its behalf on that date by:



Lesley Davies
Chair



Lowell Williams
Interim Chief Executive and Accounting Officer

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2021

	Income and expenditure reserve £'000	Total £'000
Group		
Balance at 1 August 2019	15,221	15,221
Deficit for the year	(2,223)	(2,223)
Other comprehensive income	(13,888)	(13,888)
Total comprehensive income for the year	<u>(16,111)</u>	<u>(16,111)</u>
Balance at 31 July 2020	<u>(890)</u>	<u>(890)</u>
Deficit for the year	(2,253)	(2,253)
Other comprehensive income	2,268	2,268
Total comprehensive income for the year	<u>15</u>	<u>15</u>
Balance at 31 July 2021	<u>(875)</u>	<u>(875)</u>
College		
Balance at 1 August 2019	15,146	15,146
Deficit for the year	(2,213)	(2,213)
Other comprehensive income	(13,888)	(13,888)
Total comprehensive income for the year	<u>(16,101)</u>	<u>(16,101)</u>
Balance at 31 July 2020	<u>(955)</u>	<u>(955)</u>
Deficit for the year	(2,236)	(2,236)
Other comprehensive income	2,268	2,268
Total comprehensive income for the year	<u>32</u>	<u>32</u>
Balance at 31 July 2021	<u>(923)</u>	<u>(923)</u>

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2021

	Notes	2021 £'000	2020 £'000
Operating activities			
Net cash generated from operations	17	3,129	(3,048)
Net cash from/(used in) operating activities		<u>3,129</u>	<u>(3,048)</u>
Investing activities			
Purchase of tangible fixed assets		(2,051)	(1,831)
		<u>(2,051)</u>	<u>(1,831)</u>
Increase/(decrease) in cash and cash equivalents in the year		<u>1,078</u>	<u>(4,879)</u>
Cash and cash equivalents at beginning of the year		8,069	12,948
Cash and cash equivalents at end of the year		<u>9,147</u>	<u>8,069</u>
Relating to:			
Bank balances included in cash at bank and in hand		9,147	8,069
Cash and cash equivalents at end of the year		<u>9,147</u>	<u>8,069</u>

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

General information

Hull College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 3. The nature of the College's operations is set out in the Report of the Board of Governors.

Basis of accounting

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (the F & E and HE SORP) the College Accounts Direction for 2020 to 2021, Regulatory Advice 9: Accounts Direction issued by the Office for Students and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) under the historical cost convention. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Reduced disclosures

In accordance with the F & E and HE SORP, the College in its separate financial statements, which are presented alongside the consolidated financial statements, has taken advantage of the disclosure exemptions available to it in respect of presentation of a cash flow statement and financial instruments.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Hull College Enterprises Ltd and HCUK Resourcing Ltd, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or sold are consolidated using the purchase method for the periods from or to the date that control passes. All financial statements are made up to 31 July 2021.

All intra-group transactions, balances and unrealised gains on transactions between Group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Going concern

The College group maintains a close focus on balancing strength and availability of liquid resources to meet both short-term and longer term financial needs, taking into account the continuing financial, operational and structural developments within the FE sector. The College has developed a three-year strategic plan for the period 2021-2024 incorporating financial cash flows and forecasts, with the support and participation of Hull College staff members

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 Accounting policies (continued)

Going concern (continued)

The financial position of the College group, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes and this summary highlights that the College group made a deficit of £2,253k, has net current assets of £2,631k and net liabilities of £875k.

However, the College group has a strong level of liquidity, with a closing bank balance of £9,147k and no external borrowings. The College maintains robust forecasts, which expect to see this position continue. These forecasts have taken into account COVID impacts and the potential for changes in funding as a result.

Accordingly the College group has a reasonable expectation that it has adequate resources to continue in operational existence for the period to at least 31 July 2024, the period of our current financial plan and cashflow and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Grants – government and non-government

Government revenue grants are accounted for under the accrual model and are recognised where a reliable estimate of the fair value of the asset received or receivable can be made on a systematic basis over the periods in which the related costs for which the grant compensates are recognised.

Funding body recurrent grants are measured in line with best estimates for the year of what is receivable and depend on the particular income stream involved. Any under achievement of the Adult Education Budget (outside of permitted tolerance levels) is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end.

For 2020-21 in light of Covid-19, the ESFA have announced that there will be a tolerance of 90% for clawback of AEB. In addition they have also announced pre-year end that they are developing arrangements to allow Colleges to apply for support either as a result of local circumstances which made it impossible to deliver at or close to 90% and recovery of funds at 90% would not cover the AEB delivery costs, or applying the full amount of AEB claw back would cause significant financial difficulties for the College. Therefore a further AEB business case was submitted and a successful further 6% of the allocation was awarded. This meant the College was able to retain circa 86% of its £7.3m AEB allocation.

16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments and is recognised when receivable.

The recurrent grant from Office for Students represents the funding allocations attributable to the current financial year and is recognised when received or receivable.

Grants from non-government sources, including grants relating to assets, are recognised in income when the College has met the performance-related conditions and the grant will be received. Income received in advance of performance related conditions being met is recognised as a liability.

Government capital grants for assets, other than land, are accounted for under the accrual model. The grant income received or receivable will be recognised over the expected useful life of the asset, with any amount of the asset-related grant that is deferred being recognised as deferred income. The deferred income is allocated between creditors due within one year and those due after more than one year.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 Accounting policies (continued)

Other income

Income from the supply of services is recognised at fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration.

Income from tuition fees is recognised over the period for which it is received.

All income from short-term deposits is accrued in the period in which it is earned on a receivable basis.

Retirement benefits

Retirement benefits to employees of the College are principally provided by Teachers' Pensions Scheme (TPS) and the East Riding Pension Fund (ERPF), which are multi-employer defined benefit plans.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The ERPF is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Short term employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. The cost of any unused holiday entitlement the College expects to pay in future periods is recognised in the period the employees' services are rendered.

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to comprehensive income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Fixed asset investments

College

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses in the separate financial statements of the College.

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in comprehensive income.

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Land and buildings are stated at cost or deemed cost (for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

Equipment

Equipment costing less than £1,000 per individual item or set of items acquired together is recognised as expenditure in the period of acquisition. All other equipment is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

Depreciation and residual values

Freehold land is not depreciated. Depreciation on other assets is calculated, using the straight line basis, to write off the cost of each asset to its estimated residual value over its expected useful lives, as follows:

- Freehold buildings - 5-40 years
- Portable buildings - 5-10 years
- Motor vehicles - 4 years
- Furniture, fixtures and fittings - 3-10 years
- Computer equipment - 3 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Subsequent costs, including replacement parts, are only capitalised when it is probable that such costs will generate future economic benefits. Any replaced parts are then derecognised. All other costs of repairs and maintenance are expenses as incurred.

Impairments of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. All impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Operating leases

All leases are operating leases and annual rents are charged to comprehensive income on a straight line basis over the lease term.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 Accounting policies (continued)

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the statement of comprehensive income, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College receives no similar exemption in respect of value added tax (VAT). For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Capital costs and non-pay expenditure are therefore shown inclusive of VAT with any partial recovery netted off against these figures.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 Accounting policies (continued)

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and the amount of the obligation can be reliably measured.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period in which it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be reliably measured.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Agency arrangements

The College acts as an agent in distributing discretionary support funds from the funding bodies. Payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College does not have control of the economic benefit related to the transaction.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Critical accounting judgements and estimation uncertainty

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

Critical areas of judgement

In preparing these financial statements, management have made the following judgement:

- Leases

Leases are classified as either operating or finance leases following an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Critical accounting estimates and assumptions

- East Riding Pension Fund

The present value of the East Riding Pension Fund defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 18, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, maintenance programmes, economic utilisation and physical condition of the assets are taken into account. Residual value assessments consider issues such as future market conditions and the remaining life of the asset.

- Impairment of fixed assets

The Group considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. These will require an estimation of the future cash flow and selection of an appropriate discount rates in order to calculate the net present value of those cash flows.

- Provisions

Provisions have been made in relation to properties, primarily related to the expected future costs of vacant leasehold properties, current leases considered to be onerous and dilapidations on leasehold properties. The timing in relation to the utilisation of these provisions is dependent on the lease terms. These provisions are estimates and the actual costs and timings for future cash flows are dependent on future events.

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
ESFA - 16 -18	9,789	9,789	10,514	10,514
ESFA – adult	10,217	10,217	10,541	10,541
ESFA – apprenticeships	3,477	3,477	2,853	2,853
Office for Students	300	300	528	528
Specific grants -				
Teacher Pension Scheme contribution grant	603	603	768	768
Releases of government capital grants	1,654	1,654	1,683	1,683
	<u>26,040</u>	<u>26,040</u>	<u>26,887</u>	<u>26,887</u>
ESFA - restructuring facility	-	-	501	501
Total	<u>26,040</u>	<u>26,040</u>	<u>27,388</u>	<u>27,388</u>

4 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Tuition fees	3,478	3,478	4,478	4,478
Education contracts	1,069	1,069	918	918
Total	<u>4,547</u>	<u>4,547</u>	<u>5,396</u>	<u>5,396</u>

Details of grant and fee income

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£000	£000	£000	£000
Grant income from Office for Students	300	300	528	528
Grant income from other bodies	25,740	25,740	26,860	26,860
Fees income for taught awards (exclusive of VAT)	4,547	4,547	5,396	5,396
Total grant and fee income	<u>30,587</u>	<u>30,587</u>	<u>32,784</u>	<u>32,784</u>

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Other income

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering	81	81	194	194
Other income generating activities	6	6	11	11
Examination fees income	6	6	12	12
Coronavirus Job Retention Scheme grant	157	95	350	222
Miscellaneous income	372	273	571	567
Total	622	461	1,138	1,006

The Corporation furloughed staff from the following areas; catering, nursery, student services, library, curriculum administrators and business support staff in the apprenticeship and SSW area, under the Government's Coronavirus Job Retention Scheme. The funding received of £157,000 relates to staff costs of £191,000, which are included within the staff costs note below as appropriate.

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Gift aid from subsidiaries	-	47	-	-
	-	47	-	-

7 Staff costs and key management personnel remuneration – Group and College

The average number of persons employed by the Group (including key management personnel) during the year, expressed as average headcount and calculated on a monthly basis, was:

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	No.	No.	No.	No.
Teaching staff	180	180	172	172
Non-teaching staff	406	235	446	288
	586	415	618	460

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Staff costs and key management personnel remuneration – Group and College (continued)

Staff costs for the above persons:

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	13,660	10,088	13,319	9,479
Social security costs	1,176	908	1,212	918
Other pension costs	3,113	3,042	2,963	2,798
Payroll sub-total	17,949	14,038	17,494	13,195
Contracted out staffing services	334	4,257	1,169	5,376
	18,283	18,295	18,663	18,571
Restructuring costs – Contractual	190	190	642	646
– Non contractual	17	17	89	89
Total staff costs	18,490	18,502	19,394	19,306

The staff restructuring costs were approved by the Corporation.

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team. During the year ended 31 July 2021 the Senior Leadership Team comprised the Accounting Officer & Principal, Deputy Principal, Vice Principal Commercial Business Development & HE, Director of Governance, Director of Finance, Executive Director of Human Resources and Corporate Services, Vice Principal of Human Resources and Turnaround Director.

The emoluments below relate to the key management personnel and Accounting Officers who were in post during the year ended 31 July 2021.

Emoluments of key management personnel and Accounting Officer

	2021	2020
	No.	No.
The number of key management personnel including the Accounting Officer was:	<u>11</u>	<u>11</u>

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Staff costs and key management personnel remuneration – Group and College (continued)

	Key management personnel	
	2021 No.	2020 No.
£20,001 to £25,000	-	3
£60,001 to £65,000	-	2
£70,001 to £75,000	2	-
£75,001 to £80,000	-	1
£80,001 to £85,000	-	1
£90,001 to £95,000	1	-
£105,001 to £110,000	1	-
£110,001 to £115,000	1	-
£115,001 to £120,000	1	1
£130,001 to £135,000	1	-
£125,001 to £130,000	-	1
£140,001 to £145,000	1	-
£155,001 to £160,000	-	1
£<£160,001	3	1
	<u>11</u>	<u>11</u>

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

	2021 £'000	2020 £'000
Salaries	440	586
Severance pay	-	89
Invoiced costs	222	245
Benefits in kind	-	-
	<u>662</u>	<u>920</u>
Pension contributions	48	59
Total emoluments	<u>710</u>	<u>979</u>

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

In addition to the above is national insurance amounting to £52,000 (2020: £78,000)

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Staff costs and key management personnel remuneration – Group and College (continued)

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

	Accounting Officer £'000	Interim Accounting Officer 1 £'000	Interim Accounting Officer 2 £'000	Total 2021 £'000
Salaries	46	-	52	98
Invoiced	-	111	20	131
Pensions	11	-	-	11
Total emoluments	57	111	72	240

	Accounting Officer £'000	Interim Accounting Officer 1 £'000	Interim Accounting Officer 2 £'000	Interim Accounting Officer 3 £'000	Total 2020 £'000
Salaries	162	21	-	-	183
Severance pay	57	-	-	-	57
Invoiced	-	-	126	21	147
Pensions	-	3	-	-	3
Total Emoluments	219	24	126	21	390

The remuneration of the accounting officers for the financial year ended 31 July 2021 were determined by the College's Remuneration Committee. The Accounting Officer was not involved in setting their remuneration. The factors taken into account by the Committee in determining the Accounting Officer's remuneration for the year to 31 July 2021 included: AoC Benchmarking data, together with the current and anticipated turnover for the College and current financial position.

A similar approach was used to determine the remuneration of other key management personnel. Factors taken into account included consideration of the AoC benchmarking data, respective portfolio size/responsibility and turnover of the College.

The relationship between the accounting officer's emoluments, expressed as a multiple of all other employees based on full-time equivalents, is set out below for both basic salary and total remuneration.

	2021 No	2020 No
Basic salary as a multiple of median basic salary of staff	8.69	16.32
Total remuneration as a multiple of median total remuneration of staff	8.69	17.21

The salaries of all full time equivalent staff in position as at 31 July, excluding agency workers, has been used in calculating the basic salary and total remuneration as a multiple of median salary of staff.

Compensation for loss of office paid to former key management personnel

	2021 £'000	2020 £'000
Compensation paid to two former post holders – non-contractual	-	89

The severance pay was approved by the Corporation.

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 Staff costs and key management personnel remuneration – Group and College (continued)

Emoluments of higher paid staff

	Higher Paid Staff	
	2021 No.	2020 No.
£60,001 to £65,000	2	-
£65,001 to £70,000	2	-
	<u>4</u>	<u>-</u>

Governors' remuneration

The Accounting Officer and the staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the College in respect of their roles as Governors.

The total expenses paid to or on behalf of the Governors during the year was £15,000 (2020: £nil) to 4 governors. This represented travel and subsistence expenses and other out of pocket expenses incurred in attending Governor Meetings and charity events in their official capacity.

No governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2020: None).

8 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Teaching costs	4,140	4,136	6,330	6,326
Non-teaching costs	4,991	4,852	5,224	5,174
Premises costs	1,857	1,857	1,243	1,243
Total	<u>10,988</u>	<u>10,845</u>	<u>12,797</u>	<u>12,743</u>

Deficit before taxation is stated after charging:

	Year ended 31 July		Year ended 31 July	
	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Auditors remuneration, excluding VAT:				
Financial statements audit - College	55	55	60	60
Financial statements audit - subsidiaries	4	-	3	-
Internal audit	20	20	20	20
Other services provided by financial statements auditors:	23	19	11	11
Operating lease rentals	<u>168</u>	<u>168</u>	<u>217</u>	<u>217</u>

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 Other operating expenses (continued)

Access and participation expenditure

	2021 Group and College £'000	2020 Group And College £'000
Access Investment	147	20
Financial Support provided to students	61	51
Support for disabled students	9	9
	<u>217</u>	<u>80</u>

The College's access and participation plan is available on the College's website at www.hull-college.ac.uk/study/degree-level/regulations-office-for-students-and-policies-and-procedures.

9 Interest and other finance costs

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Net interest on defined pension liability (note 18)	<u>356</u>	<u>356</u>	<u>239</u>	<u>239</u>
Total	<u>356</u>	<u>356</u>	<u>239</u>	<u>239</u>

10 Taxation – Group

	2021 £'000	2020 £'000
Current tax		
United Kingdom Corporation tax	-	-
Deferred tax		
Origination and reversal of timing differences	<u>-</u>	<u>-</u>
Total tax on Deficit	<u>-</u>	<u>-</u>

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 Tangible fixed assets (Group and College)

	Freehold land and buildings £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2020	48,776	18,132	66,908
Additions	651	1,400	2,051
At 31 July 2021	<u>49,427</u>	<u>19,532</u>	<u>68,959</u>
Depreciation and Impairment			
At 1 August 2020	24,333	14,917	39,250
Charge for the year	1,487	1,955	3,442
Impairment losses	142	44	186
At 31 July 2021	<u>25,962</u>	<u>16,916</u>	<u>42,878</u>
Carrying amount at 31 July 2021	<u>23,465</u>	<u>2,616</u>	<u>26,081</u>
Carrying amount at 31 July 2020	<u>24,443</u>	<u>3,215</u>	<u>27,658</u>

The gross book value of freehold land and buildings includes land with a value of £6,857,000 (2020: £6,999,500), which is not depreciated.

Inherited land and buildings were valued in 1994 at depreciated replacement cost by Edward Rushton Son & Kenyon, a firm of independent chartered surveyors. These assets have subsequently been impaired to market value/depreciated replacement cost in 2016. The historic cost of the assets is £nil.

If inherited land and buildings had not been valued, before deemed being at cost on transition to FRS 102, they would have been included at the following amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	<u>Nil</u>
Carrying amount based on cost	<u>Nil</u>

The Corporation has decided to cease operations on the Goole site with effect from the end of the 2020/2021 Academic Year.

As a result of this decision the College has made an impairment charge against the asset value of the Goole Campus so that more fairly reflects its current position.

The assets were impaired from £771,000 to £238,000 in the previous year. These have been further impaired by £186,000 to £nil in the current year. This amount has been charged to the Statement of Comprehensive Income.

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Investments

	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
Cost and carrying amount			
At 1 August 2020 and at 31 July 2021	-	1	1

The College owns 100% of the issued ordinary share capital of Hull College Enterprises Ltd, the principal business activity being the provision of fitness training and leisure facilities to the general public, the cost of the shares being £10. The College also owns 100% of the issued ordinary share capital of HCUK Resourcing Ltd, the principal business activity being the resourcing of staff, the cost of the shares being £10.

Both companies are incorporated in Great Britain and registered in England and Wales and their registered offices are Hull College, Queens Gardens, Wilberforce Drive, Hull, East Yorkshire, HU1 3DG.

13 Debtors

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Amounts falling due within one year:				
Trade debtors	1,010	993	918	912
Prepayments and accrued income	1,703	1,692	1,666	1,666
Amount owed by Funding Body	-	-	15	15
Total	<u>2,713</u>	<u>2,685</u>	<u>2,599</u>	<u>2,593</u>

During the year impairment losses of £182,000 (2020: £70,000) were recognised in respect of trade debtors which were not expected to be recovered.

14 Creditors - amounts falling due within one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Trade creditors	345	331	417	379
Amounts owed to group undertakings	-	261	-	215
Other taxation and social security	729	668	617	605
Other creditors	91	45	143	60
Accruals and deferred income	4,394	4,271	3,006	2,981
Government capital grants	2,001	2,001	1,654	1,654
Amounts owed to Funding Body	1,789	1,789	1,704	1,704
Total	<u>9,349</u>	<u>9,366</u>	<u>7,541</u>	<u>7,598</u>

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 Creditors - amounts falling due after more than one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Government capital grants	5,025	5,025	5,909	5,909
Total	5,025	5,025	5,909	5,909

16 Provisions for liabilities

	Enhanced Pension £'000	Other £'000	Total £'000
Group and College			
At 1 August 2020	625	129	754
Amounts utilised	(45)	-	(45)
Additions in the year to income and expenditure account	59	-	59
At 31 July 2021	639	129	768

Provisions have been made in relation to properties, primarily related to the expected future costs of vacant leasehold properties, current leases considered to be onerous and dilapidations on leasehold properties. The timing in relation to the utilisation of these provisions is dependent on the lease terms. These provisions are estimates and the actual costs and timings for future cash flows are dependent on future events.

The enhanced pension provision is in respect of the future enhanced pension benefits for former employees following early retirements and has been calculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2021	2020
Price inflation	2.60%	1.30%
Discount rate	1.60%	1.40%

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 (a) Notes to the cash flow statement

	2021 £'000	2020 £'000
Deficit after tax for the year	(2,253)	(2,223)
Adjustment for:		
Depreciation and impairment	3,628	3,715
Interest payable	356	239
Increase/(decrease) in provisions	14	(1,095)
Pension costs less contributions payable	575	274
Operating cash flow before movements in working capital	<u>2,320</u>	<u>910</u>
Increase in stocks	(1)	(36)
(Increase)/decrease in debtors	(114)	593
Increase/(decrease) in creditors	<u>924</u>	<u>(4,515)</u>
Net cash generated from/(used in) operations	<u>3,129</u>	<u>(3,048)</u>

(b) Analysis of changes in net funds

	At 1 August 2020 £'000	Cash flows £'000	At 31 July 2021 £'000
Cash and cash equivalents	8,069	1,078	9,147
Borrowings	-	-	-
Total	<u>8,069</u>	<u>1,078</u>	<u>9,147</u>

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 Retirement benefits

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the East Riding Pension Fund (ERPF) for non-teaching staff, which is managed by East Riding Council. Both are multi-employer defined-benefit plans. The employees of the subsidiaries may also be members of a defined contribution stakeholder pension scheme.

The group also operates a defined benefit contribution scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. There were no contributions payable to the fund as at 31 July 2021 (2020: £nil).

Total pension cost for the year	2021	2020
	£'000	£'000
Teachers' Pension Scheme: contributions paid	1,357	1,355
East Riding Pension Fund:		
Contributions paid	851	750
Deficit funding	107	391
FRS 102 (28) charge	575	274
Charge to the Statement of Comprehensive Income	1,533	1,415
Defined contributions paid	164	148
Enhanced pension charge to Statement of Comprehensive Income	59	44
Total pension cost for the year within staff costs	3,113	2,962

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

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, and are credited to the Exchequer. The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 Retirement benefits (continued)

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

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

The pension costs paid to TPS in the year amounted to £1,357,000 (2020: £1,355,000).

The next valuation result is due to be implemented from 1 April 2023.

As a result of the valuation, new employer contributions rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year, and currently through to March 2022.

East Riding Pension Fund

The East Riding Pension Fund is a funded defined-benefit plan, with the assets held in separate funds administered by the local authority. The total contributions made for the year ended 31 July 2021 were £1,167,000, of which employer's contributions totalled £958,000 and employees' contributions totalled £209,000. Additional deficit funding of £107,000 has been paid during the year and is included in the figures above. The contribution rates up to 31 March 2021 were 21.30% for employers and ranged from 5.50% to 12.50% for employees, depending on salary. The agreed contribution rates for future years from 1 April 2021 are 24.50% for employers and range from 5.50% to 24.50% for employees, depending on salary. Additional deficit funding of £107,000 has been agreed to March 2022 respectively.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 Retirement benefits (continued)

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by a qualified independent actuary.

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	1.95%**	1.2%**
Future pension increases	2.65%	1.9%
Discount rate	1.65%	1.4%
Inflation assumption (CPI)	2.65%	1.9%
Commutation of pensions to lump sums	See note*	See note*

* 60% for pre April 2008 service and 80% for post April 2008 service.

** 0% to 31 July 2023 and CPI thereafter. 2019 - 0% to 31 July 2023 and 2.2% thereafter.

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

	At 31 July 2021 Years	At 31 July 2020 Years
<i>Retiring today</i>		
Males	20.9	20.9
Females	23.3	23.3
<i>Retiring in 20 years</i>		
Males	21.8	21.8
Females	24.8	24.8

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

	Fair value at 31 July 2021 £'000	Fair value at 31 July 2020 £'000
Equity instruments	59,688	48,538
Debt instruments	16,677	12,694
Property	9,655	8,961
Cash	1,756	4,480
Total fair value of plan assets	87,776	74,673
Actual return on plan assets	13,626	(3,731)

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 Retirement benefits (continued)

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2021	2020
	£'000	£'000
Fair value of plan assets	87,776	74,673
Present value of plan liabilities	(111,532)	(99,763)
Present value of unfunded liabilities	(39)	(42)
Net pensions liability	(23,795)	(25,132)

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2021	2020
	£'000	£'000
Current service cost	(1,480)	(1,415)
Past service cost	(53)	-
Net interest on defined benefit pension liability	(356)	(239)
Total	(1,889)	(1,654)

Amount recognised in other Comprehensive Income

Re-measurement of net defined benefit pension liability	2,268	(13,888)
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	2021	2020
	£'000	£'000

Changes in the present value of defined benefit obligations

Defined benefit obligations at start of period	99,805	89,502
Current service cost	1,480	1,415
Past service cost	53	-
Interest cost	1,397	1,972
Contributions by scheme participants	209	228
Actuarial loss	10,317	8,424
Benefits paid	(1,690)	(1,736)
Defined benefit obligations at end of period	111,571	99,805

Changes in fair value of plan assets

Fair value of plan assets at start of period	74,673	78,771
Interest income	1,041	1,733
Return on plan assets (excluding net interest on the net defined benefit liability)	12,585	(5,464)
Employer contributions	958	1,141
Contributions by scheme participants	209	228
Benefits paid	(1,690)	(1,736)
Fair value of plan assets at end of period	87,776	74,673

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		College	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Payment due				
Not later than one year	168	213	168	213
Later than one year and not later than five years	234	341	234	341
Later than five years	707	784	707	784
	<u>1,109</u>	<u>1,338</u>	<u>1,109</u>	<u>1,338</u>

20 Related party transactions

Key management compensation disclosure is given in note 7.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO HULL COLLEGE FURTHER EDUCATION CORPORATION AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 29 October 2021 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA") or any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by Hull College Further Education Corporation during the period 1 August 2020 to 31 July 2021 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, except for the matters listed below nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Matters arising

During the financial year ended 31 July 2019 the then Accounting Officer entered into an agreement with Hull Kingston Rovers Football Club Limited (Hull KR) whereby the Corporation agreed to make annual payments of £80,000 plus VAT, over a three year period in return for exclusive official club stadium naming rights sponsor.

The second payment under the contract for £80,000 plus VAT, was reduced after negotiations between the College and Hull KR due to the global pandemic. The agreed sum for 2020/21 of £70,000 plus VAT was paid during the period 1 August 2020 to 31 July 2021. The sole approval by the then Accounting Officer (in post during the year ended 31 July 2019) of this agreement was in breach of the Corporations financial regulations.

During the year a second supplemental payment was made of £7,500 plus VAT to Hull KR for shirt sponsorship, the first being in the previous financial year ended 31 July 2020.

The cumulative total of this arrangement and the naming rights arrangement breach the Corporations financial regulations and were entered into without appropriate authority.

The Corporation is unable to provide evidence that there were business case or value for money assessments in respect of these arrangements prior to the contract being signed on 5 July 2019. However, retrospective approval for the stadium naming rights sponsor has been made by the Corporation.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) data returns, for which the ESFA has other assurance arrangements in place.

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

Responsibilities of Corporation of Hull College Further Education Corporation for regularity

The Corporation of Hull College Further Education Corporation is responsible, under the grant funding agreements and contracts with the ESFA and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The Corporation of Hull College Further Education Corporation is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO HULL COLLEGE FURTHER EDUCATION CORPORATION AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY (CONTINUED)

Reporting accountant's responsibilities for reporting on regularity

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

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

Use of our report

This report is made solely to the Corporation of Hull College Further Education Corporation and the Secretary of State for Education acting through the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Hull College Further Education Corporation and the Secretary of State for Education acting through the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Hull College Further Education Corporation and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

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17/12/2021
