

Hull College Further Education Corporation

Report and Financial Statements

For the year ended 31 July 2019

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

Contents

	Page number
Board of Governors, Key Management Personnel, and Professional Advisors	2
Report of the Chairman of the Board of Governors	4
Report of the Chief Executive Officer	5
Report of the Board of Governors	7
Statement of Corporate Governance and Internal Control	20
Governing Body's statement on the College's regularity, propriety and compliance with Funding Body terms and conditions of funding	27
Statement of Responsibilities of the Members of the Corporation	28
Independent Auditors' Report to the Hull College Further Education Corporation	29
Consolidated and College Statement of Comprehensive Income	31
Consolidated and College Balance Sheets as at 31 July	32
Consolidated and College Statement of Changes in Reserves	33
Consolidated Statement of Cash Flows	34
Notes to the Financial Statements	35
Reporting Accountant's Assurance Report on Regularity	

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2019

BOARD OF GOVERNORS, KEY MANAGEMENT PERSONNEL AND PROFESSIONAL ADVISERS

Board of Governors

A full list of Governors is given on pages 20 to 22 of these financial statements; including those appointed after the year end.

Lottie Thompson acted as Clerk to the Corporation throughout the period (see page 22).

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 2019:

Michelle Swithenbank	Chief Executive, Principal and Accounting Officer (appointed as Interim Chief Executive on 8 June 2017 and appointed as permanent CEO on 27 August 2018), (resigned 31 December 2019)
Darryn Hedges	Finance Director (appointed 22 January 2019), appointed Acting Chief Executive, Principal and Accounting Officer from 4 October 2019 to 27 November 2019.
Keith Oxspring	Interim Director of Finance (appointed 8 October 2018 and resigned 22 January 2019)
Matthew Vaughan	Deputy Principal (appointed 3 January 2019 and resigned 19 August 2019)
Lizann Lowson	Vice-Principal Quality (Appointed 2 January 2019, appointed Interim Deputy Principal on 1 September 2019)
Matthew Smith	Executive Director of Apprenticeships (appointed 10 December 2018 and resigned 31 May 2019)
Julie Milad	Executive Director of Human Resources and Corporate Services (Appointed 14 November 2018, resigned 31 December 2019)
Matthew Rockett	Director of Finance and Corporate Services (resigned 30 September 2018)
Lottie Thompson	Head of Legal and Governance; Clerk to the Corporation.
Steven Yardley	Vice Principal Corporate and Commercial (Appointed 1 August 2018 and resigned 30 April 2019)
Kim Wilcox	Principal, Hull College (Appointed 1 August 2018 and resigned 21 December 2018)
Caron Wright	Principal, Goole College (resigned 31 August 2018)
Kevin Williams	Interim Principal, Harrogate College (Appointed 6 February 2018 and resigned 31 July 2019)
Joanne Hepi	Principal, Goole College (Appointed 31 August 2018)
Steve Bengier	Turnaround Director (Resigned 31 December 2019)
John Morgans	Fresh Start Project Director (Resigned 31 May 2019)

Since 31 July 2019 the following appointments has been made to the Strategic Leadership Team:

Liz Winn	Vice Principal of Commercial Business Development & Higher Education (11 September 2019)
Derek O'Toole	Interim Chief Executive, Principal and Accounting Officer (27 November 2019)
Barbara Jones	Director of Human Resources ((13 January 2020)

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2019

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

Mazars LLP
Mazars House
Gelderd Road
Gildersome
Leeds, LS27 7JN

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

Stone King LLP
1 Park Row
Leeds
LS1 5HN

Principal place of business

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

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

REPORT OF THE CHAIRMAN OF THE BOARD OF GOVERNORS

This year has seen considerable change continue within the Hull College Further Education Corporation, known as the Hull College Group (the College).

The Governance has continued to develop with changes to the Board of Governors as detailed within this report and it is the first year that I report as the Chairman of the Board of Governors.

The College students and learners have continued to achieve great results and many of these are identified in the Report of the Board of Governors. I would like to single out the catering awards achieved by our students at a national level; supported by many long serving and committed members of staff.

In my short time as Chairman I have been repeatedly struck by the range of training and teaching the College provides to many thousands of students and learners. With the financial stability that the Recovery Plan has provided it is now incumbent upon the College leadership and all staff to ensure that we use this sound basis to improve all student and learner outcomes for the future.

Hull College Group has continued with the second full year of the five year Recovery Plan through until July 2022. We concluded the “Fresh Start” programme in April 2019; which was the first critical stage of the Recovery Plan. This has enabled the College Senior Leadership Team to focus on the continued work to improve learner outcomes and ensure the College has a long-term sustainable financial future.

During early May 2019 we had a full Ofsted inspection. It is disappointing that the Ofsted overall grading was “Requires Improvement.” However, this validated our own internal assessment and, together with the conclusion of Fresh Start now provides a clear basis for continued improvement to return the College to its central role in the training and education of the people of Hull, Goole and the surrounding areas. Within this overall grading we are very proud of the 14 to 16 School grading of “Outstanding” which demonstrates that we have the capability to achieve significant improvement by the time of the next Ofsted inspection.

Harrogate College was transferred to Luminare Education Group on 31 July 2019 and we wish them every future success. This enables the College to now focus on Hull and Goole for the future.

It is with regret that both Michelle Swithenbank, CEO and Principal, and Julie Milad, Executive Director of Human Resources and Corporate Services, have both left the college on 31 December 2019. The continuing Senior Leadership Team and the interim appointments made to CEO and Principal and Director of Human Resources have the full confidence of the Board of Governors.

I would like to thank all of the leadership and staff at the College for all of their continued hard work in striving for the College to achieve success and for the future.

Dafydd Williams
Chairman of the Board of Governors
27 February 2020

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

REPORT OF THE CHIEF EXECUTIVE OFFICER

The year to 31 July 2019 has been a year of change during which we completed the second year of the five year Recovery Plan to 31 July 2022.

Key achievements in the year to 31 July 2019

Hull College Group (the College) has continued with its core mission of “Innovative and enterprising people enabling excellent learning for employability and social fulfilment.” The College’s key achievements in the year to 31 July 2019 include:

- Total student numbers at the college were 14,559.
- These included 3,356 apprentices and 3,126 employment services learners.
- The College learner achievement in the academic year for retention was 94.0% above the GFE rate of 92.8%; pass rate was 91.3% below the GFE rate of 92.6% and achievement was 85.8% below the GFE rate of 85.9%.
- A range of student and learner success stories are identified below which demonstrates the capability of the College and the fantastic students we support.
- During July 2019, the College celebrated the success of our staff with an “Oscars style” evening of awards.

The financial position of the College continued to consolidate as reported in the financial section of the Report of the Board of Governors.

Financial highlights

The College financial position has continued to improve. During the year we received the final amounts of cash from the ESFA Transaction Unit to fund the Recovery Plan. The final tranche of cash of £5,642,500 was received in March 2019; to bring the total amount received to £52,200,000. During this financial year £12,807,000 has been recognised in the Consolidated Statement of Comprehensive Income. As a result the College had £12,948,000 of cash at the year end. The financial plans for the period to 31 July 2022 and conclusion of the Recovery Plan confirm that the College will continue to have strong finances to underpin our mission.

The College Senior Leadership Team continue to work closely with the FE Commissioner and the ESFA on the financial position of the College and the financial stability of the College for the future.

Harrogate Disaggregation

At 31 July 2019, Harrogate College left the Hull College Group and was transferred to Luminate Education Group, based in Leeds. This transfer arose from a strategic review of the future of Harrogate College as part of the Recovery Plan. The transfer gave rise to a deficit on transfer of £1,400,000.

The College has retained some land in Harrogate for future sale. This development land is approximately five acres and it is expected to be sold during the financial period up to 31 July 2022. The proceeds of the sale will benefit the College and enable the repayment of some funds to the ESFA that were received during the Recovery Plan. The exact amount to be repaid to the ESFA depends upon the total sale proceeds.

We wish our colleagues in Harrogate College every success within the Luminate Education Group.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

REPORT OF THE CHIEF EXECUTIVE OFFICER (Continued)

Looking forward

The last few years have been a challenge for the College; however our financial position for the medium term is now assured and considerable investment has already been made in the College for the future.

Our current financial position now enables the College to plan for the longer term and this will be a key process in the next financial year.

Derek O'Toole
Interim Chief Executive Officer and Principal
27 February 2020

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

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 2019.

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 2019 the Hull College Further Education Corporation consisted of Hull, Goole and Harrogate campuses. The financial statements are consolidated financial statements and together with the three 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.

Public benefit

In setting and reviewing the College’s strategic objectives, the Board of Governors has had due regard for the Charity Commission’s guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate explicitly, that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High quality teaching
- High quality outcomes
- Widening participation and tackling social exclusion
- Excellent progression opportunities
- Strong student support systems
- Links with Local Enterprise Partnerships (LEPs)

Further areas covering the delivery of public benefits from the College are to be found throughout this Report of the Board of Governors.

Mission

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

“Innovative and enterprising people enabling excellent learning for employability and social fulfilment.”

The College’s mission is delivered through the Strategic Plan. The Governing Body monitors the performance of the College against its Strategic Plan through a Board of Governors committee structure and the use of Key Performance Indicators (KPIs). The Strategic Plan is updated annually by the Senior Leadership Team and approved by the Board of Governors.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

REPORT OF THE BOARD OF GOVERNORS (Continued)

Governors have set out that the College's mission will be realised by delivering the following strategic priorities:

- Pay our own way and get value for money
- We are Hull College Group and have valued and supportive staff
- To have more learners than ever before and improve the reputation with Learners and employers
- An inviting and warm environment that is fit for purpose and where things work
- Learners leave with more than they came with

The College's culture code is:

- We are open, honest and respectful: Transparency, integrity and consideration of others is present in everything we do.
- We are accountable: We enjoy the freedom to make our own decisions and take ownership of them.
- We have a can do spirit: We believe anything is possible.
- We celebrate difference: We are not mere cogs in a machine.

For the year ended 31 July 2019, 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.
Borrowings	The Group forecasts to reduce borrowings as a percentage of income to less than 20% by 2021/22.
Adjusted current ratio	The Group forecasts to improve the current ratio to at least 0.7:1 by 2021/22.
Staff costs	The Group forecasts to reduce staff costs as a percentage of income to 65% in the short to medium term.
Financial health grading	The Group forecasts to improve the financial health grading to at least "Requires Improvement" in the short to medium term.
Estate utilisation	The Group forecasts to improve estate utilisation to 32% by 2021/22.
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.

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 2018/19 data the Group is assessed by the ESFA as having a "Requires Improvement" financial health grading.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

REPORT OF THE BOARD OF GOVERNORS (Continued)

Financial Position and Results

For the financial year ended 31 July 2019, The College generated a surplus before taxation of £986,000 (year ended 31 July 2018 a surplus £22,055,000). The surplus for the year is after charging £256,000 (2017/18 £6,590,000) in respect of restructuring costs.

The underlying deficit, excluding Restructuring Facility Grant monies received as part of the Recovery Plan was £11,821,000 (year ended 31 July 2018 £12,132,000).

As at 31 July 2019, the College has an accumulated reserve on the income and expenditure account of £15,221,000 (year ended 31 July 2018 £21,965,000). This was after recognising a pension fund liability of £10,731,000 (year ended 31 July 2018 £2,873,000) 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 notice remains in force as at the financial year end and the date of these financial statements.

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 Group 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 five year recovery plan, in conjunction with the ESFA, securing a Restructuring Facility Grant in February 2018 to support the “Fresh Start” of the College within the Recovery Plan, returning the College to financial stability. The key features of this plan are:

- Growth of income within existing areas of operation
- Diversification of income into less traditional areas
- Control of staffing costs to reduce expenditure to the long term target
- Investment in infrastructure in areas of need to reduce inefficiency and to support the delivery of teaching and learning
- The potential disaggregation of Harrogate College

The “Fresh Start” element of the five year Recovery Plan was formally concluded in April 2019.

The College received a total of £13,383,231 during the financial year; to bring the total Restructuring Facility Grant to £52,200,000 with the final payment being received in March 2019.

The College has made substantial progress towards achieving financial stability by:

- Achieving significant staff cost savings and initiating an organisational restructure to reduce staff costs further over future years. This programme was delivered during August 2018 in advance of the start of the next academic year in September 2018.
- Improving estates utilisation, in particular by discontinuing the use of facilities at Park Street and West Park in Hull, with further consolidation of the estate planned.
- Closely monitoring and reducing non-pay costs across all area of the College’s activities.

The College confirms that all terms and conditions included in the ESFA Transaction Unit Restructuring Facility Grant agreement have been met for the financial year ended 31 July 2019 and up to the date of signing of this Report and Financial Statements.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

REPORT OF THE BOARD OF GOVERNORS (Continued)

Tangible fixed asset additions during the year amounted to £2,695,000. This was split between land and buildings of £64,000 and equipment purchases of £2,631,000. Further details about capital investment are included in note 10 to these financial statements.

Disaggregation of Harrogate College

The College disaggregated Harrogate College with the asset transfer to Luminate Education Group on 31 July 2019. This decision was taken by the Corporation at a meeting in April; with the involvement of the FE Commissioner and the ESFA.

Upon disaggregation, the College have recognised a loss of £1,400,000 arising from the transfer of the college premises and all equipment. The College did not receive any financial compensation for this disaggregation.

Hull College Group have retained the freehold development land in Harrogate and this land is currently being marketed for sale. Upon the sale of this development land, the College will receive proceeds of £1,300,000 plus the costs of sale; with a further sum of £322,000 for the costs of disaggregation. Any surplus the College generate over these amounts will be repaid to the ESFA upon completion of any sale.

Arising from the ESFA agreement to the disaggregation of the Harrogate College; the ESFA agreed to a variation to the Recovery Plan to 31 July 2022. The variation effectively recognises the position of the development land and the treatment of the total proceeds from the future sale.

Cash flows and liquidity

The College had an operating cash inflow of £1,697,000 (2017/18 £17,514,000); the reduction year on year reflecting the significantly lower receipt of Restructuring Grant monies.

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 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.

Capital investment programme

Considerable capital investment has taken place in the year ended 31 July 2019. Major projects included continued investment in computer hardware for teaching and software to support both teaching and the college MIS.

Resources

The Group 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 and the Boothferry Road building in

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

REPORT OF THE BOARD OF GOVERNORS (Continued)

Goole. The Hornbeam Park campus in Harrogate was part of the group throughout the financial year and left the Hull College Group on 31 July 2019.

Financial

The College had £15,221,000 of net assets (including £10,731,000 of pension liability) and creditors falling due after more than one year of £6,826,000 at 31 July 2019.

People

During the year ended 31 July 2019, the College employed 574 people (expressed as full time equivalents), of whom 184 were teaching staff.

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 2022, 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 2022; which includes Income & Expenditure, cashflow and balance sheets by month. This is also the remaining period covered by the recovery plan and the ESFA Restructuring Grant Facility.
- An assessment of the College's short, medium and long term cash flow forecasts and requirements.
- The ESFA Restructuring Facility Grant approved in February 2018.
- 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.
- The proactive and detailed nature of the estates strategy that underpins educational delivery in key priority areas.

Events after the end of the reporting period

There were no reportable events after the end of the reporting period.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

REPORT OF THE BOARD OF GOVERNORS (Continued)

Current and future Developments and performance

Student numbers

In the year ended 31 July 2019, the Group delivered activity that produced £35,009,000 in main body allocation funding. The Group had 2,257 students funded under the ESFA Young People's allocation, 267 under 16s funded as Direct Entry students, 4,626 adults on classroom based provision and 3,356 apprentices either new starts in the year or continuing from the previous year. In addition, we had 710 Higher Education students.

Student achievements

Individual student and staff achievements include:

- The BBC national poetry and spoken word festival returned to the College for a second year. Performances occurred in the College and the catering students provided food and drink for the performers.
- Three College students were recognised for their creative talents in Hull Young Artists of the Year Awards.
- The Construction and Engineering Department welcomed forty students from Cottingham High School to help them understand what learning life is for vocational studies in a hands-on learning environment.
- Dr Chris Chase from Hull Royal Biomedical Pathology department visited the College to give a Biomedical careers talk to level 3 students.
- Photographs, painting and drawings created by surgeons, nurses and consultants was displayed in Hull School of Art and Design throughout November. The creations came from the Creative Side of Caring Team, who care for thousands of patients in East Yorkshire every year. The exhibition gave students the opportunity to work on a live project, allowing them to gain experience of the work involved in putting on a show.
- The College Engineering students manufactured aluminium Christmas trees to sell during the festive period, to raise money for the Nice2BNice children's charity.
- The College and Bambu Scaffolding collaborated to install possibly the highest Christmas tree in Hull. The Queens Gardens Hull College Christmas tree project was a dynamic collaboration involving electrical installation students and external scaffolding contactor, Bambu, who worked as a partner and sponsor to the project.
- Employers were invited in to meet BA(Hons) Young Children's Learning and Development students, to learn more about the research they have done around child development. Learners showcased their work on topics including outdoor play, professionalisation of the workforce and the role of male carers. A total of 20 students invited their mentors, who work in nursery providers across the area, to view their findings.
- After weeks of training, trails and tribulations, a team of 21 hospitality and catering students from the College participated at Salon Culinare, the largest live industry competition in the UK. Held at the NEC Birmingham, the aspiring chefs went head to head against professional chefs and learners from some of the leading colleges in the UK. The College team returned with 50 medals; 9 gold, 25 silver, 14 bronze, 1 Best in Class for Bread, 1 Chair-persons award for Most Outstanding Competitor.
- Emma Hardy MP officially opened the College's Innovation, Quality and Staff Development (IQ) Lab. The IQ Lab is a place for staff to experiment with new technology and enhance the learning resources delivered to students. With the approach of 'thinking differently', staff are encouraged to test and practice using the new technology, before rolling them out into lesson plans.
- The Royal Opera House annual Design Challenge competition gives students from across the country the opportunity to test and develop their design skills, based around an opera or ballet production. A student's set design entry stood out from the competition and was awarded Director's Choice.
- The ceramics and glass department had a busy few months designing and crafting the 2019 REYTA Awards. Now in its 10th year, the REYTA's are an annual celebration of Hull and East Yorkshire's tourism industry. The department themed this year's awards by taking inspiration from Hull's architecture and landmarks and the picturesque Yorkshire Wolds.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

REPORT OF THE BOARD OF GOVERNORS (Continued)

- Over 20 College sport students took part in a football masterclass with Hull City players Jackson Irvine and Reece Burke. The event took place on the 3G all-weather pitch at Hull College's Steve Prescott Centre, and was an outreach session between Hull City and Level 1, 2 and 3 sport students.
- College students geared up for the UK's first closed road electric street race. Motor vehicle students from Hull College had an exciting yet challenging few months building an electric kit car from scratch to race in the city centre. The project, which started back in February, was an initiative developed by Greenpower to provide electric kit cars to young people, to encourage them to get involved in STEM (science, technology, engineering and maths) subjects.
- Teams of construction students have been sharing their skills with the city. The College Construction department have worked with the local communities on a number of projects, sharing their skills in welding, plastering, painting, joinery and bricklaying. Four female students and two tutors from the College took the time to help out on the BBC One series DIY SOS when the team recently came to Hessle to transform a local family's home.
- Students have also been involved in an ongoing urban agriculture project to rejuvenate a derelict dry dock near Drypool Bridge, with Rooted in Hull.
- Thirty-five students across several subject areas, from further and higher education courses, shared their creative talents in the production of ten shows that took place at Hull Truck Theatre. Performing Arts students performed alongside the band for the finale tracks in the show, wearing costumes designed and made by Fashion and Design students. Foundation degree Live Events Production students shadowed lighting and sound professionals as they set up the technical elements of the show.
- A team of catering students competed against top southern colleges and industry professionals, returning with 26 medals – 9 gold, 11 silver and 6 bronze. Wessex Salon Culinaire is one of the UK's largest live culinary competitions, held in association with The Craft and Guild of Chefs.
- A group of College degree level music graduates had the opportunity to record their own tracks at the world-famous Abbey Road Studios in London. The graduates won the recording session as part of a competition for their course, which selects the best pieces of coursework across performance, song writing and studio production. The six lucky budding song writers won a 5-hour mastering session with world renowned artist Geoff Pesche, a Mastering Engineer who has worked with top artists including Coldplay, Pulp and Lily Allen.
- Hull Kingston Rovers and the College are pleased to announce a bespoke educational partnership for 2020 onwards which will also see the stadium renamed as Hull College Craven Park.
- The College Catering students teamed up with Cranswick PLC to cater for Freedom Festival 2019, delighting festival goers with a street food stall.

Curriculum developments

The College continued the curriculum review as part of the Recovery Plan. New systems were invested in to assist in the planning of more up to date delivery that is both efficient and meets local needs. In addition, the curriculum lead on the Senior Leadership Team has restructured the approach to curriculum planning building upon the new developments implemented in 2018. This will continue as we approach curriculum planning for the 2020 academic year.

New reporting and analysis has been implemented to critically monitor and challenge curriculum performance throughout each term taking into account predicted outcomes and achievement, attendance and student behaviour, staffing and teaching performance, financial performance at curriculum level. These processes include the wider management team. The same level of scrutiny is applied to the support areas of the College.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

REPORT OF THE BOARD OF GOVERNORS (Continued)

Ofsted Inspection

During May 2019, the College received a full Ofsted inspection; a copy of the report is on the Ofsted website. The overall grading received was "Requires Improvement" with the following specific areas of effectiveness:

• Leadership and management	Good
• Quality of teaching, learning and assessment	Requires Improvement
• Personal development, behaviour and welfare	Requires Improvement
• Outcomes for learners	Requires Improvement
• 16 to 19 study programmes	Requires improvement
• Adult Learning programmes	Good
• Apprenticeships	Requires improvement
• Full time provision for 14 to 16 year olds	Outstanding

The summary of the key findings including the following:

- The quality of teaching, learning and assessment is not yet consistently good across all types of provision.
- Managers have been too slow to address the weaknesses in the quality of apprenticeships. Too many current apprentices are making slow progress.
- Too many learners are not challenged sufficiently to reach their full potential.
- Not enough learners aged 16 to 19 achieve their qualifications, including in English and mathematics.
- Rates of attendance are too low on 16 to 19 study programmes and for a minority of adult learners.

The following strengths were also identified:

- Leaders and managers have taken decisive action to resolve the significant financial difficulties faced by the group.
- Leaders and managers have recently quickened the pace of improvement. They are tackling effectively the weaknesses in the quality of education and training.
- Almost all pupils aged 14 to 16 make exceptional progress from their starting points.
- Staff have a very thorough understanding of the needs of vulnerable groups of learners. They provide very effective support and care to enable these learners to succeed at College.

This report confirmed the College's own self-assessment in respect of quality and has provided the base line for the quality improvement plan implemented after the visit and which continues to drive assessment across the College.

Because of the assessment, Ofsted will visit the College again in the spring of 2020 to review progress and the College will receive a full inspection within the next three years.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

REPORT OF THE BOARD OF GOVERNORS (Continued)

Principal risks and uncertainties

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the Strategic Plan, the Senior Leadership Team review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions that should mitigate 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. In addition to the annual review, the Senior Leadership Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained by the College which is reviewed at least annually by the Audit Committee, and continually by the Senior Leadership Team. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College 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.

The principal risks currently included on the risk register are:

- Learner Recruitment in the 16-18 FE market
- Ofsted inspection in the monitoring visit in Spring 2020 and a failure to achieve improvement
- Delivery contract risk in Skills Support for the Workforce and Apprentices
- Inability to maintain continued financial stability and achieve overall surplus in the period to 31 July 2022
- Exposure to pension funding for local government and teachers
- Loss of critical data systems and MIS
- IT access control failure and GDPR risk of failure
- Adverse media coverage as a result of the Recovery Programme

Outlined below is a description of the principal risk factors that may affect the College. Not all factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

Learner Recruitment and Government funding

As with all Further Education colleges the College relies on continued government funding through the Further Education sector funding and OfS. In 2018/19 the majority of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms. The precise nature of the funding is determined by learner recruitment.

Changes to the funding of post-16 provision, the apprenticeship reform and the departure from the European Union may all have an impact on future government funding. Additionally, the introduction of 16-19 academies and a UTC in the Group's operating area may impact upon recruitment and thus funding.

However, the College does have opportunities for alternative income streams through College enterprises which continue to develop and offer net income and also the opportunity for students to work on Real Working Environments (RWEs).

This risk of reliance on learner recruitment and government funding is mitigated in a number of ways:

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

REPORT OF THE BOARD OF GOVERNORS (Continued)

- Funding is derived through several direct and indirect contractual arrangements.
- Ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment on maintaining and managing key relationships with the various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- The continued development of non-grant income.

Ofsted Inspection

As reported above, the Ofsted inspection has to feature as a principal risk given the importance of quality to everything that the College does. This is managed through the quality improvement plans and structures in place and reported every month to the Board of Governors; giving a high degree of visibility.

Tuition fee policy

In line with the majority of other colleges, The College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated by ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students. Close monitoring of the demand for courses as prices change.

Delivery under contract risk

Both Skills Support for the Workforce and Apprenticeships are critical areas for the College; with large complex delivery across multiple contracts. The risk of failure would have significant adverse financial consequences and both these areas are monitored closely with monthly performance evaluation.

Failure to maintain continued financial stability and achieve an overall surplus in the period to 31 July 2022

The College financial viability is critical to the continued improvement across the College, to successful exit of the Recovery Plan in July 2022 and the long term delivery to all learners. Financial performance and stability is monitored monthly and reported to Board of Governors; as well as to the ESFA and FE Commissioner.

Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102. This risk is mitigated by an agreed deficit recovery plan with the East Riding Pension Fund.

Loss of critical data systems and MIS

The college holds and manages a huge amount of data upon which it is reliant to deliver our purpose. Loss of this data and the systems used for holding and managing the data would cause significant difficulties. The risk management of this data and the systems is a priority for the MIS and the IT teams and covers adequate back up (including testing) and resilience of systems.

IT access control failure and GDPR risk

The College IT systems are housed in two data centres with all of the appropriate back up and resilience. The IT systems include appropriate security which is tested periodically and which is regularly reviewed and enhanced.

Adverse media coverage as a result of the Recovery Programme

The college manages the media coverage and its reputation through the use of professional advisors and in close cooperation with the Board of Governors and key stakeholders.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

REPORT OF THE BOARD OF GOVERNORS (Continued)

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, the College has many stakeholders. These include:

- Students
- FE Commissioner
- Funding bodies, specifically the ESFA
- Staff
- Employers (with specific links for employability and apprentices)
- Local Authorities
- Government Offices
- The local community
- Other FE institutions
- Trade unions
- Professional bodies
- Advisors
- OFSTED
- QAA
- Local Enterprise Partnerships
- Governors

The College recognises the importance of these relationships and engages in regular communication with them through the College website and by meetings. Each of the College's has in place an employer consultative committee to connect directly with the local community.

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 Single Equality Scheme sets out the plans for managing equality and describes how we will ensure that less favourable treatment of the protected characteristics within the Equality Act 2010 can be eliminated. This policy is resourced, reviewed by users, implemented and monitored on a planned basis, including reporting to the College's Board of Governors. It is 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 considers all applications from disabled people and takes reasonable steps to accommodate individual needs. 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 committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The Group ensures that all staff undertake regular training on safeguarding, the prevent duty and equality and diversity.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

REPORT OF THE BOARD OF GOVERNORS (Continued)

Disability, equality and diversity statement

The Group 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.
- The College can provide a range of specialist equipment for students to use and has a variety of assistive technology available.
- The admissions policy for all students is described in the College student charter.
- The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Specialist programmes are described in the Colleges' prospectuses, and achievement and destinations are recorded and published on the College website and within appropriate publications.
- Counselling and welfare services are described in the Student Journal, which is issued to students at their induction and incorporates the Praise and Complaints procedure.

Corporate and social responsibility statement

The College focuses on the economic and social well-being of its students, staff and wider communities. It sets clear annual targets published within its Corporate Social Responsibility Strategy, supporting community cohesion through partnerships, activities and use of facilities.

Equality and Diversity objectives include the following:

- To closely monitor the College's Single Equality Scheme Action and Improvement Plan, reviewing termly in October, January and May ensuring we listen and respond to our community needs.
- To use Equality Analysis to measure the impact of our policies and practices as part of the College annual cycle.
- To carry out training and staff development to ensure that staff and students understand the relevant equality duties and responsibilities in ensuring that the College is free from discrimination, harassment and victimisation, advances equality and fosters good relations between those with different protected characteristics.
- To monitor and enhance the use of data reporting and publish information on staff and students at all levels throughout the College for recruitment, retention, achievement, progression, disciplinary action, grievances and complaints (in termly Performance Reviews, SARs and annual E & D Report).
- To review annually our College Equality & Diversity Impact Measures (EDIMS) targets for the academic year.
- To assist schools and departments with actions to increase under-represented group involvement and community action.
- To provide a physically accessible environment at all College sites.
- To ensure the curriculum remains inclusive and reflects the College's commitment to Equality and Diversity.
- To take into account socio-economic disadvantages when making strategic decisions either as a College or as a strategic partner, with a view to positive action improvements.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

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	3.9

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	£19,742
Total pay bill	£23,075,000
Percentage of total bill spent on facility time	0.1%

Paid Trade Union activities

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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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 27 February 2020 and signed on its behalf by:

Dafydd Williams
Chairman
27 February 2020

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

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 2018 to 31 July 2019 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”) issued by the Association of Colleges in March 2015, which it formally adopted in July 2015 and;
- By having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The Corporation undertakes biannual reviews of the corporate governance arrangements measured against the Code through its Governance Committee.

In the opinion of the Board of Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2019. 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
Mr D Williams <i>Appointed Chair</i>	January 2019	3 years	N/A	Finance Remuneration	31/01/2019 28/02/2019 28/03/2019 23/05/2019 27/06/2019 18/07/2019
Mr S Clark	December 2014	4 years	N/A	Audit, Remuneration Fresh Start Finance	27/09/2018 25/10/2018 22/11/2018 20/12/2018 31/01/2019 28/02/2019 28/03/2019 18/07/2019
Mr C Fenwick	April 2010	4 years	N/A	Interim Chair of Corporation,	27/09/2018 25/10/2018
Reappointed	April 2014		N/A	Audit,	25/10/2018
Reappointed	April 2018		N/A	Governance	22/11/2018
Co-opted from	May 2019		N/A	(Vice Chair), Remuneration,	20/12/2018 28/02/2019 28/03/2019 25/04/2019 23/05/2019 27/06/2019 18/07/2019

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Name	Date of Appointment	Term of office	Date of resignation/ Retirement	Committees Served	Corporation meeting attendance
Ms A Hamid Re-appointed	August 2015 September 2017	4 years 4 years	July 2016 April 2019	Audit Finance	22/11/2018 31/01/2019 27/09/2018 28/02/2019
Mr L Harte	July 2017	4 years	February 2019	Audit	27/09/2018
Ms G Lunn	September 2017	4 years	N/A	Governance	25/10/2018 31/01/2019 25/04/2019 23/05/2019 18/07/2019
Ms R Oughtibridge <i>Appointed Chair of Corporation</i>	March 2017 October 2017	4 years	October 2018 November 2018	Finance Fresh Start Remuneration (Chair)	27/09/2018 25/10/2018
Ms E Palmer	July 2016	4 years	N/A	Governance (Chair), Remuneration	27/09/2018 25/10/2018 22/11/2018 20/12/2018 31/01/2019 28/02/2019 28/03/2019 25/04/2019 23/05/2019 27/06/2019
Ms A Rudolph	February 2018	4 years	February 2019	N/A	27/09/2018 20/12/2018 31/01/2019
Ms M Swithenbank	March 2017	Ex Officio	December 2019	Finance Governance	27/09/2018 25/10/2018 22/11/2018 20/12/2018 31/01/2019 28/02/2019 28/03/2019 25/04/2019 23/05/2019 27/06/2019 18/07/2019
Mr J Taylor <i>Academic Staff Governor</i>	May 2017	4 years subject to re-election	N/A	Governance	27/09/2018 25/10/2018 22/11/2018 20/12/2018 31/01/2019 28/02/2019 28/03/2019 25/04/2019 23/05/2019 27/06/2019 18/07/2019

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Name	Date of Appointment	Term of office	Date of resignation/ Retirement	Committees Served	Corporation meeting attendance
Mr I Watling	September 2016	4 years	April 2019	Finance & General Purposes (Chair), Fresh Start, Remuneration	22/11/2018 20/12/2018 28/02/2019 28/03/2019
Mr D Wills	February 2018	1 year	N/A	Fresh Start, Audit	27/09/2018 25/10/2018 22/11/2018 31/01/2019 28/02/2019 28/03/2019 25/04/2019 18/07/2019
Mr P Henry	May 2019	3 years	N/A	N/A	23/05/2019 27/06/2019 18/07/2019
Ms B Dickinson- Fry	May 2019	3 years	N/A	Finance	23/05/2019 27/06/2019 18/07/2019
Ms J Pomone	May 2019	3 years	N/A	N/A	23/05/2019 18/07/2019
Ms F Young <i>Co-opted Advisor</i>	May 2019	1 year	N/A	N/A	27/06/2019

Since the financial year end the following have been appointed Governors; Mr Gerard Toplass and Mr Graham Lilley; both appointed on 23 January 2020.

Ms Lottie Thompson acted as Clerk to the Corporation throughout the period; although she was on maternity leave from September 2018 until September 2019. The Clerk to the Corporation during the maternity leave was covered by Tracy Curtis from 30 September 2018 to 31 March 2019 and then Maria Semak from 5 March 2019 to 31 August 2019.

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.

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 (from March 2019)

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

- Governance
- Remuneration
- Fresh Start (until April 2019)

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available for inspection on request from the Clerk to the Corporation at Hull College, Queen's Gardens, Wilberforce Drive, Hull. HU1 3DG.

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.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Governance Committee. The Governance 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 four years.

Corporation performance

Each of the committees of the Corporation considers its performance and effectiveness at the end of each academic year. As previously stated through the Governance Committee, 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.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Remuneration Committee

During the year ending 31 July 2019, 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 2019 are set out in note 6 to the financial statements.

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.

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.

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.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

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 2019 and up to the date of approval of the annual report and financial statements.

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 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 2019 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 Corporation (meeting on a monthly 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.

Review of effectiveness

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.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

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. 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 27 February 2020, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, taking into account of events since 31 July 2019.

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".

Going Concern

The College has prepared a financial recovery plan covering the period to 31 July 2022 and secured a Restructuring Facility Grant from the ESFA in February 2018 to ensure that it can remain in operation over this period.

Therefore, the Board of Governors considers that the College has adequate resources to continue in operational existence to at least 31 July 2022, 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.

Approved by order of the members of the Corporation on 27 February 2020 and signed on its behalf by:

Dafydd Williams
Chairman

Derek O'Toole
Interim Chief Executive and Accounting Officer

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

BOARD OF GOVERNORS' STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

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 agreement 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 College, or material non-compliance with the terms and conditions of funding under the College's grant funding agreements with contracts with the EFSA.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Education and Skills Funding Agency.

Approved by order of the members of the Corporation on 27 February 2020 and signed on its behalf by:

Dafydd Williams
Chairman

Derek O'Toole
Interim Chief Executive and Accounting Officer

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

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 College's Conditions of Funding with the Funding Body, the Corporation through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education 2015 FE HE SORP and with the College Accounts Direction 2018 to 2019 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
- 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 College, 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 College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College 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 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. 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 are not put at risk.

Approved by order of the members of the Corporation on 27 February 2020 and signed on its behalf by:

Dafydd Williams
Chairman

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 2019 which comprise the consolidated and college statements 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 a summary of 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 2019 and of the Group's and the College's surplus 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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)

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 2018 to 2019 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.

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.

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.

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 24 July 2017. 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
Chartered Accountants
Two Humber Quays
Wellington Street West
HULL
HU1 2BN
28 February 2020

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2019

	Notes	2019				2018			
		Group	College			Group	College		
			Continuing Operations	Discontinued Operations	Total College		Continuing Operations	Discontinued Operations	Total College
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	
INCOME									
Funding body grants	3	35,009	31,536	3,473	35,009	35,737	31,750	3,987	35,737
ESFA restructuring facility	3	12,807	12,807	-	12,807	34,187	34,187	-	34,187
Tuition fees and education contracts	4	6,373	5,794	579	6,373	8,126	7,674	452	8,126
Other income	5	1,246	1,030	198	1,228	1,891	1,496	211	1,707
Total income		55,435	51,167	4,250	55,417	79,941	75,107	4,650	79,757
EXPENDITURE									
Staff costs	6	23,075	20,099	3,018	23,117	28,379	25,994	2,539	28,533
Restructuring costs	6	256	256	-	256	6,590	6,590	-	6,590
Other operating expenses	7	26,569	25,610	869	26,479	21,058	20,002	827	20,829
Depreciation	10	3,009	2,756	253	3,009	2,155	1,856	299	2,155
Interest and other finance costs	8	105	91	14	105	547	534	13	547
Total expenditure		53,014	48,812	4,154	52,966	58,729	54,976	3,678	58,654
Surplus before other gains and losses		2,421	2,355	96	2,451	21,212	20,131	972	21,103
(Loss)/profit on disposal of tangible fixed assets		(35)	(2)	(33)	(35)	843	843	-	843
Loss on Transfer of Harrogate College	23	(1,400)	-	(1,400)	(1,400)	-	-	-	-
Surplus before tax		986	2,353	(1,337)	1,016	22,055	20,974	972	21,946
Taxation	9	-	-	-	-	-	-	-	-
Surplus for the year		986	2,353	(1,337)	1,016	22,055	20,974	972	21,946
Re-measurement of net defined benefit pension liability	19	(7,730)	(7,730)	-	(7,730)	14,933	14,933	-	14,933
Other comprehensive income for the year		(7,730)	(7,730)	-	(7,730)	14,933	14,933	-	14,933
Total comprehensive income for the year		(6,744)	(5,377)	(1,337)	(6,714)	36,988	14,933	972	36,879
Surplus for the year attributable to the Corporation of the College		986	2,353	(1,337)	1,016	22,055	20,974	972	21,946
Total comprehensive income for the year attributable to Corporation of the College		(6,744)	(5,377)	(1,337)	(6,714)	36,988	14,933	972	36,879

Discontinued operations as presented above are also in respect of the Group.

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2019

CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY 2019

	Notes	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Fixed assets					
Tangible assets	10	29,542	29,542	34,226	34,226
Investments	11	1	1	1	1
		<u>29,543</u>	<u>29,543</u>	<u>34,227</u>	<u>34,227</u>
Current assets					
Stocks		83	81	158	156
Debtors	12	3,192	3,516	2,900	3,242
Cash at bank and in hand		12,948	12,599	14,007	13,620
		<u>16,223</u>	<u>16,196</u>	<u>17,065</u>	<u>17,018</u>
Current liabilities					
Creditors – amounts falling due within one year	13	(11,139)	(11,187)	(15,521)	(15,579)
Net current assets		<u>5,084</u>	<u>5,009</u>	<u>1,544</u>	<u>1,439</u>
Total assets less current liabilities		<u>34,627</u>	<u>34,552</u>	<u>35,771</u>	<u>35,666</u>
Creditors – amounts falling due after more than one year	14	(6,826)	(6,826)	(9,408)	(9,408)
Provisions for liabilities					
Defined benefit pension scheme	19	(10,731)	(10,731)	(2,873)	(2,873)
Other provisions	16	(1,849)	(1,849)	(1,525)	(1,525)
		<u>15,221</u>	<u>15,146</u>	<u>21,965</u>	<u>21,860</u>
Total net assets		<u>15,221</u>	<u>15,146</u>	<u>21,965</u>	<u>21,860</u>
Reserves					
Income and expenditure reserve		<u>15,221</u>	<u>15,146</u>	<u>21,965</u>	<u>21,860</u>
Attributable to the College Corporation and total unrestricted reserves		<u>15,221</u>	<u>15,146</u>	<u>21,965</u>	<u>21,860</u>

The financial statements on pages 31 to 57 were approved and authorised for issue by the Corporation on 27 February 2020 and were signed on its behalf on that date by:

Dafydd Williams
Chairman

Derek O'Toole
Interim Chief Executive and Accounting Officer

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2019

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2019

	Income and expenditure reserve £'000	Total £'000
Group		
Balance at 1 August 2017	(15,023)	(15,023)
Surplus for the year	22,055	22,055
Other comprehensive income	14,933	14,933
Total comprehensive income for the year	<u>36,988</u>	<u>36,988</u>
Balance at 31 July 2018	<u>21,965</u>	<u>21,965</u>
Surplus for the year	986	986
Other comprehensive income	(7,730)	(7,730)
Total comprehensive income for the year	<u>(6,744)</u>	<u>(6,744)</u>
Balance at 31 July 2019	<u><u>15,221</u></u>	<u><u>15,221</u></u>
College		
Balance at 1 August 2017	(15,019)	(15,019)
Surplus for the year	21,946	21,946
Other comprehensive income	14,933	14,933
Total comprehensive income for the year	<u>36,879</u>	<u>36,879</u>
Balance at 31 July 2018	<u>21,860</u>	<u>21,860</u>
Surplus for the year	1,016	1,016
Other comprehensive income	(7,730)	(7,730)
Total comprehensive income for the year	<u>(6,714)</u>	<u>(6,714)</u>
Balance at 31 July 2019	<u><u>15,146</u></u>	<u><u>15,146</u></u>

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2019

	Notes	2019 £'000	2018 £'000
Operating activities			
Net cash generated from operations	18	1,697	17,514
Taxation paid		-	-
Net cash from operating activities		<u>1,697</u>	<u>17,514</u>
Investing activities			
Purchase of tangible fixed assets		(2,695)	(1,524)
Proceeds on disposal of tangible fixed assets		-	1,003
		<u>(2,695)</u>	<u>(521)</u>
Financing activities			
Interest paid		(17)	(93)
Repayments of other loans		-	(264)
Repayments of borrowings		-	(4,635)
Payment of obligations under finance leases		(44)	(57)
		<u>(61)</u>	<u>(5,049)</u>
(Decrease)/Increase in cash and cash equivalents in the year		<u>(1,059)</u>	<u>11,944</u>
Cash and cash equivalents at beginning of the year		<u>14,007</u>	<u>2,063</u>
Cash and cash equivalents at end of the year		<u>12,948</u>	<u>14,007</u>
Relating to:			
Bank balances included in cash at bank and in hand		12,948	14,007
Cash and cash equivalents at end of the year		<u>12,948</u>	<u>14,007</u>

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

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 2015 (the 2015 FE HE SORP) the College Accounts Direction for 2018 to 2019 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 2015 FE 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 2019.

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.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 Accounting policies (continued)

Going concern

The Group has prepared a financial recovery plan covering the period to 31 July 2022 and has secured a Restructuring Facility Grant from the ESFA to support the "Fresh Start" of the Group.

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Board of Governors. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the period to at least 31 July 2022, 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.

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.

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.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 Accounting policies (continued)

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 2019

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.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 Accounting policies (continued)

Operating leases

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

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 measure 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.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 Accounting policies (continued)

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

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 2019

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 19, 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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. 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 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
ESFA - 16 -18	13,854	13,854	15,810	15,810
ESFA - adult	13,104	13,104	10,841	10,841
ESFA - apprenticeships	5,878	5,878	7,776	7,776
Office for Students	600	600	548	548
Specific grants				
ESFA - restructuring facility	12,807	12,807	34,187	34,187
Releases of government capital grants	1,573	1,573	762	762
Total	47,816	47,816	69,924	69,924

4 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Tuition fees	5,512	5,512	6,590	6,590
Education contracts	861	861	1,536	1,536
Total	6,373	6,373	8,126	8,126

Included within the above amounts are tuition fees funded by bursaries of £140,000 (2018 £11,000).

5 Other income

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering	463	450	575	575
Other income generating activities	24	24	27	27
Non-government capital grants	-	-	14	14
Examination fees income	41	41	71	71
Miscellaneous income	718	713	1,204	1,020
Total	1,246	1,228	1,891	1,707

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 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 full-time equivalents, was:

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	No.	No.	No.	No.
Teaching staff	184	184	276	276
Non-teaching staff	390	277	483	417
	<u>574</u>	<u>461</u>	<u>759</u>	<u>693</u>

Staff costs for the above persons:

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	15,291	11,953	20,848	18,425
Social Security costs	1,441	1,183	1,650	1,650
Other pension costs	4,117	3,999	4,600	4,532
Payroll sub-total	<u>20,849</u>	<u>17,135</u>	<u>27,098</u>	<u>24,607</u>
Contracted out staffing services	2,226	5,982	1,281	3,926
	<u>23,075</u>	<u>23,117</u>	<u>28,379</u>	<u>28,533</u>
Restructuring costs - contractual	256	256	5,944	5,944
- non-contractual	-	-	646	646
Total staff costs	<u>23,331</u>	<u>23,373</u>	<u>34,969</u>	<u>35,123</u>

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 2019 the Senior Leadership Team comprised the Accounting Officer, Deputy Principal, Principals of the three individual colleges, Vice Principal Corporate & Commercial, Vice Principal Quality Improvement, Executive Director of Apprenticeships, Head of Legal and Governance, Directors of Finance and Corporate Services, Director of HR, Turnaround Director and Fresh Start Director.

The emoluments below relate to the key management personnel and Accounting Officers who were in post during the year ended 31 July 2019.

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Emoluments of key management personnel and Accounting Officer

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	16	13
	Key management personnel	
	2019 No.	2018 No.
£10,001 to £11,000	-	1
£55,001 to £60,000	1	2
£65,001 to £70,000	-	1
£70,001 to £75,000	-	3
£75,001 to £80,000	1	-
£80,001 to £85,000		1
£85,001 to £90,000	4	-
£90,001 to £95,000	3	-
£95,001 to £100,000	2	-
£100,001 to £105,000	1	-
£105,001 to £110,000	-	1
£115,001 to £120,000	1	-
£120,001 to £125,000	1	-
£130,001 to £135,000	1	-
£140,001 to £145,000	1	-
£150,001 to £155,000	-	1
	<u>16</u>	<u>10</u>

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

	2019 £'000	2018 £'000
Salaries	623	751
Invoiced costs	428	172
Benefits in kind	1	1
National Insurance	78	89
	<u>1,130</u>	<u>1,013</u>
Pension contributions	69	80
Total emoluments	<u>1,199</u>	<u>1,093</u>

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

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 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 the key management personnel) of:

Accounting Officer

	2019	2018
	£'000	£'000
Salaries	140	150
Benefits in kind	-	-
	<hr/>	<hr/>
Total emoluments	<u>140</u>	<u>150</u>

The remuneration of the accounting officer for the financial year ended 31 July 2019 was determined on 13 August 2018 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 2019 included: AoC Benchmarking data, together with the current and anticipated turnover for the College and current financial position. It was recommended that the salary would remain at the level set in the year ended 31 July 2018.

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.

	2019	2018
	No	No
Basic salary as a multiple of median basic salary of staff	6.92	6.92
Total remuneration as a multiple of median total remuneration of staff	6.18	6.25

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.

Emoluments of higher paid staff

	Higher Paid Staff	
	2019	2018
	No.	No.
£60,001 to £65,000	2	-
	<hr/>	<hr/>
	<u>2</u>	<u>-</u>

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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 £1,406 to 4 governors (2018: £2,826, to 7 governors). This represents 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 (2018: None).

7 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	9,250	9,247	7,512	7,512
Non-teaching costs	10,791	10,724	7,463	7,234
Premises costs	6,528	6,508	6,083	6,083
Total	26,569	26,479	21,058	20,829

Surplus/(deficit) before taxation is stated after charging:

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Auditors remuneration:				
Financial statements audit - College	49	49	40	40
Financial statements audit - subsidiaries	5	-	8	-
Internal audit	22	22	55	55
Other services provided by financial statements auditors:	5	5	20	17
Loss/(profit) on disposal of tangible fixed assets	35	35	(843)	(843)
Operating lease rentals	876	876	1,003	1,003

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 Interest and other finance costs

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans, overdrafts and other loans	4	4	80	80
Finance leases	13	13	13	13
Net interest on defined pension liability (note 19)	88	88	454	454
Total	105	105	547	547

9 Taxation - Group

	2019	2018
	£'000	£'000
Current tax		
United Kingdom Corporation tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total tax on surplus	-	-

10 Tangible fixed assets (Group)

	Freehold land and buildings £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2018	54,151	18,294	72,445
Additions	64	2,631	2,695
Disposals	-	(57)	(57)
Transfer of Harrogate College	(5,940)	(4,066)	(10,006)
At 31 July 2019	48,275	16,802	65,077
Depreciation			
At 1 August 2018	22,668	15,551	38,219
Charge for the year	1,559	1,450	3,009
Disposals	-	(21)	(21)
Transfer of Harrogate College	(1,947)	(3,725)	(5,672)
At 31 July 2019	22,280	13,255	35,535
Carrying amount at 31 July 2019	25,995	3,547	29,542
Carrying amount at 31 July 2018	31,483	2,743	34,226

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 Tangible fixed assets (College)

	Freehold land and buildings £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2018	54,151	18,294	72,445
Additions	64	2,631	2,695
Disposals	-	(57)	(57)
Transfer of Harrogate College	<u>(5,940)</u>	<u>(4,066)</u>	<u>(10,006)</u>
At 31 July 2019	<u>48,275</u>	<u>16,802</u>	<u>65,077</u>
Depreciation			
At 1 August 2018	22,668	15,551	38,219
Charge for the year	1,559	1,450	3,009
Disposals	-	(21)	(21)
Transfer of Harrogate College	<u>(1,947)</u>	<u>(3,725)</u>	<u>(5,672)</u>
At 31 July 2019	<u>22,280</u>	<u>13,255</u>	<u>35,535</u>
Carrying amount at 31 July 2019	<u>25,995</u>	<u>3,547</u>	<u>29,542</u>
Carrying amount at 31 July 2018	<u>31,483</u>	<u>2,743</u>	<u>34,226</u>

The net book value of equipment includes an amount of £nil (2018: £179,000) in respect of assets held under finance leases. The depreciation charge for the year in respect of leased assets was £58,000 (2018: £58,000).

The gross book value of freehold land and buildings includes land with a value of £7,404,500 (2018: £9,759,500), which is not depreciated.

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>

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 Investments

	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
Cost and carrying amount			
At 1 August 2018 and at 31 July 2019	-	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.

12 Debtors

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts falling due within one year:				
Trade debtors	681	667	832	808
Amounts owed by group undertakings	-	338	-	366
Prepayments and accrued income	756	756	702	702
Amount owed by Funding Body	1,755	1,755	1,366	1,366
Total	<u>3,192</u>	<u>3,516</u>	<u>2,900</u>	<u>3,242</u>

During the year impairment losses of £75,000 (2018 £147,000) were recognised in respect of trade debtors which were not expected to be recovered.

13 Creditors - amounts falling due within one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Obligations under finance leases	-	-	58	58
Trade creditors	688	687	1,742	1,738
Amounts owed to group undertakings	-	163	-	208
Other taxation and social security	373	290	985	931
Other creditors	489	484	665	649
Accruals and deferred income	7,743	7,717	8,872	8,796
Government capital grants	1,545	1,545	1,090	1,090
Amounts owed to Funding Body	301	301	2,109	2,109
Total	<u>11,139</u>	<u>11,187</u>	<u>15,521</u>	<u>15,579</u>

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Creditors - amounts falling due after more than one year

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Obligations under finance leases	-	-	121	121
Government capital grants	<u>6,826</u>	<u>6,826</u>	<u>9,287</u>	<u>9,287</u>
Total	<u><u>6,826</u></u>	<u><u>6,826</u></u>	<u><u>9,408</u></u>	<u><u>9,408</u></u>

15 Borrowings

Finance leases

The total future minimum lease payments are payable:

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
In one year or less	-	-	58	58
Between one and five years	<u>-</u>	<u>-</u>	<u>120</u>	<u>120</u>
Total	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>178</u></u>	<u><u>178</u></u>

16 Provisions for liabilities

	Enhanced Pension £'000	Other £'000	Total £'000
Group and College			
At 1 August 2018	635	890	1,525
Amounts utilised	(45)	-	(45)
Additions in the year charged to income and expenditure account	<u>35</u>	<u>334</u>	<u>369</u>
At 31 July 2019	<u><u>625</u></u>	<u><u>1,224</u></u>	<u><u>1,849</u></u>

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:

	2019	2018
Price inflation	1.30%	1.30%
Discount rate	2.30%	2.30%

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 Financial instruments

The Group has the following financial instruments:

	2019	2018
	£'000	£'000
Financial assets		
Financial assets measured at fair value through profit or loss	-	-
Debt instruments measured at amortised cost:		
Trade debtors	681	832
Accrued income	344	-
Total	<u>1,025</u>	<u>832</u>
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost:		
Trade creditors	688	1,742
Obligations under finance leases	-	179
Other creditors	489	665
Accruals	6,262	5,863
Total	<u>7,439</u>	<u>8,449</u>

18 Notes to the cash flow statement

	2019	2018
	£'000	£'000
Surplus after tax for the year	986	22,055
Adjustment for:		
Taxation	-	-
Depreciation and impairment	3,009	2,155
Interest payable	105	547
Profit/(Loss) on disposal of fixed assets	35	(843)
Increase in provisions	324	308
Pension costs less contributions payable	40	991
Transfer of Harrogate College (including pension scheme transfer)	1,667	-
Operating cash flow before movements in working capital	<u>6,166</u>	<u>25,213</u>
(Increase)/decrease in stocks	(2)	(32)
Increase in debtors	(312)	(739)
(Decrease)/increase in creditors	<u>(4,155)</u>	<u>(6,928)</u>
Net cash generated from operations	<u>1,697</u>	<u>17,514</u>

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 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 2019 (2018: £10,421).

Total pension cost for the year	2019 £'000	2018 £'000
Teachers' Pension Scheme: contributions paid	1,153	1,583
East Riding Pension Fund:		
Contributions paid	2,119	1,570
Deficit funding	385	377
FRS 102 (28) charge	<u>307</u>	<u>991</u>
Charge to the Statement of Comprehensive Income	2,811	2,938
Defined contributions paid	118	68
Enhanced pension charge to Statement of Comprehensive Income	<u>35</u>	<u>11</u>
Total pension cost for the year within staff costs	<u>4,117</u>	<u>4,600</u>

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 2016.

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 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 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 £1,153,000 (2018: £1,583,000).

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 2019-20 academic year.

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 2019 were £2,407,000, of which employer's contributions totalled £2,119,000 and employees' contributions totalled £288,000. Additional deficit funding of £385,000 has also been paid during the year. The contribution rates up to 31 March 2019 were 21.3% for employers and ranged from 5.5% to 12.5% for employees, depending on salary. The agreed contribution rates for future years from 1 April 2019 are 21.3% for employers and range from 5.5% to 12.5% for employees, depending on salary. Additional deficit funding of £391,000 has been agreed to March 2020 respectively.

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Sector Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 Retirement benefits (continued)

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	1.4%**	1.3%**
Future pension increases	2.2%	2.2%
Discount rate	2.2%	2.9%
Inflation assumption (CPI)	2.4%	2.4%
Commutation of pensions to lump sums	See note*	See note*

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

** 1% until 31 July 2019, 0.5% until 31 July 2022, 2.5% thereafter. Is it 0% to 2023 and 2.2% thereafter.

2018 – 0.5% until 31 July 2019, 0.0% until 31 July 2023, 2.2% thereafter.

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

	At 31 July 2019 Years	At 31 July 2018 Years
<i>Retiring today</i>		
Males	20.8	21.7
Females	23.3	24.2
<i>Retiring in 20 years</i>		
Males	22.0	23.7
Females	24.9	26.4

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

	Fair value at 31 July 2019 £'000	Fair value at 31 July 2018 £'000
Equity instruments	56,715	53,116
Debt instruments	11,028	9,590
Property	8,665	8,853
Cash	2,363	2,213
Total fair value of plan assets	78,771	73,772
Actual return on plan assets	4,163	6,508

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 Retirement benefits (continued)

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

	2019 £'000	2018 £'000
Fair value of plan assets	78,771	73,772
Present value of plan liabilities	(89,459)	(76,600)
Present value of unfunded liabilities	(43)	(45)
Net pensions liability	<u>(10,731)</u>	<u>(2,873)</u>

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

	2019 £'000	2018 £'000
Losses on curtailments and settlements	(1,273)	(1)
Current service cost	(1,538)	(2,937)
Net interest on defined benefit pension liability	(88)	(454)
Total	<u>(2,899)</u>	<u>(3,392)</u>

Amount recognised in other Comprehensive Income

Re-measurement of net defined benefit pension liability	<u>(7,730)</u>	<u>14,933</u>
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	2019 £'000	2018 £'000
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Changes in the present value of defined benefit obligations

Defined benefit obligations at start of period	76,645	82,438
Current service cost	1,538	2,937
Interest cost	2,247	2,253
Contributions by scheme participants	288	452
Actuarial loss/(gain)	9,734	(10,224)
Benefits paid	(1,301)	(1,212)
Plan introductions, changes, curtailments and settlements	1,273	1
Harrogate College settlement transfer	(922)	-
Defined benefit obligations at end of period	<u>89,502</u>	<u>76,645</u>

Changes in fair value of plan assets

Fair value of plan assets at start of period	73,772	66,077
Interest income	2,159	1,799
Return on plan assets (excluding net interest on the net defined benefit liability)	2,004	4,709
Employer contributions	2,504	1,947
Contributions by scheme participants	288	452
Benefits paid	(1,301)	(1,212)
Harrogate College settlement transfer	(655)	-
Fair value of plan assets at end of period	<u>78,771</u>	<u>73,772</u>

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 Amounts disbursed as agent learner support funds

	2019 £'000	2018 £'000
Funding body grants – brought forward	115	-
Funding body grants	485	771
	<u>600</u>	<u>771</u>
Disbursed to students	(491)	(623)
Administration costs	(24)	(33)
	<u>85</u>	<u>115</u>
Balance unspent as at 31 July, included in creditors	<u>85</u>	<u>115</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

21 Commitments under operating leases

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

	Group		College	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Payment due				
Not later than one year	189	876	189	876
Later than one year and not later than five years	203	2,006	203	2,006
Later than five years	784	1,336	784	1,336
	<u>1,176</u>	<u>4,218</u>	<u>1,176</u>	<u>4,218</u>

22 Related party transactions

Key management compensation disclosure is given in note 6.

During the year, the partner of a senior post holder was paid £4,576. In addition Employers National Insurance costs of £535 was incurred.

The amounts paid to the above individual in the previous period (2018) was £36,640. In addition, Employers National Insurance costs of £4,266 were incurred.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 Transfer of Harrogate College

On 31 July 2019 Harrogate College was transferred to Leeds City College for £nil consideration. The transfer was accounted for using the acquisition method. The fixed assets, and associated liabilities transferred were valued at their fair value and derecognised in the Balance Sheet under the appropriate headings with a corresponding net amount recognised in the Statement of Comprehensive Income.

The surplus land at Harrogate College is retained by the Group, and is included within fixed assets in Note 10. The land is retained at a cost of £1,250,000, with a view to a sale being agreed in the near future.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the Statement of Comprehensive income.

	Value transferred £'000
Tangible Fixed Assets	
Freehold Land and Buildings	3,994
Equipment	341
	<hr/> 4,335
Current Assets	
Stock	77
Prepayments	20
	<hr/> 97
Liabilities	
Trade creditors	(15)
Obligations under finance leases	(135)
Government Capital Grants	(2,615)
Defined benefit pension scheme	(267)
	<hr/> (3,032)
Net Assets	<hr/> <hr/> 1,400

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 24 July 2017 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Hull College Further Education Corporation during the period 1 August 2018 to 31 July 2019 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, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the "ACoP") issued by the ESFA. 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) returns, for which the ESFA has other assurance arrangements in place.

We are independent of 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 Hull College Further Education Corporation for regularity

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 is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. Hull College Further Education Corporation is also responsible for preparing the Board of Governors Statement of Regularity, Propriety and Compliance.

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 ACoP.

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 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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)

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 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 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 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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28 February 2020
