



Hull College Group  
Financial Statements FY20





# **Hull College Further Education Corporation**

## **Report and Financial Statements**

**For the year ended 31 July 2020**

# Hull College Further Education Corporation

FINANCIAL STATEMENTS  
for the year ended 31 July 2020

---

## Contents

	Page number
Board of Governors, Key Management Personnel, and Professional Advisors	2
Report of the Chief Executive Officer	4
Report of the Board of Governors	6
Statement of Corporate Governance and Internal Control	24
Governing Body's statement on the College's regularity, propriety and compliance with Funding Body terms and conditions of funding	34
Statement of Responsibilities of the Members of the Corporation	35
Independent Auditors' Report to the Hull College Further Education Corporation	36
Consolidated and College Statement of Comprehensive Income	39
Consolidated and College Balance Sheets as at 31 July	40
Consolidated and College Statement of Changes in Reserves	41
Consolidated Statement of Cash Flows	42
Notes to the Financial Statements	43
Reporting Accountant's Assurance Report on Regularity	

# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

---

### BOARD OF GOVERNORS, KEY MANAGEMENT PERSONNEL AND PROFESSIONAL ADVISERS

#### Board of Governors

A full list of Governors is given on pages 25 to 28 of these financial statements; including those appointed after the year end.

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

#### Key management personnel

Key management personnel are defined as the members of the Senior Leadership Team and were the following during the financial year ended 31 July 2020:

Michelle Swithenbank	Chief Executive, Principal and Accounting Officer (resigned 31 December 2019)
Darryn Hedges	Finance Director (appointed Acting Chief Executive, Principal and Accounting Officer from 4 October 2019 to 27 November 2019 and resigned 17 July 2020)
Derek O'Toole	Interim Chief Executive, Principal and Accounting Officer (appointed 27 November 2019 and resigned 15 July 2020)
Tony Lewin	Interim Chief Executive, Principal and Accounting Officer (appointed 1 July 2020 and resigned 31 December 2020)
Matthew Vaughan	Deputy Principal (resigned 19 August 2019)
Lizann Lowson	Interim Deputy Principal (appointed Interim Deputy Principal on 1 September 2019)
Julie Milad	Executive Director of Human Resources and Corporate Services (resigned 31 December 2019)
Lottie Thompson	Director of Governance; Clerk to the Corporation.
Steve Bengier	Turnaround Director (Resigned 31 December 2019)
Liz Winn	Vice Principal of Commercial Business Development & Higher Education (appointed 11 September 2019 resigned 19 March 2021)
Barbara Jones	Vice Principal of Human Resources (appointed 13 January 2020 resigned 31 January 2021)

Since 31 July 2020 the following appointments has been made to the Strategic Leadership Team:

Gino Tommasi	Financial Controller (appointed 1 August 2020)
Ian Harmer	Interim Finance Director (appointed 24 August 2020 and resigned 4 December 2020)
Sarah Kerwin	Assistant Principal Further and Higher Education (appointed 1 October 2020)
Victoria Isaac	Assistant Principal Employment and Skills (appointed 1 October 2020)
Rachel Waudby-Richardson	Interim Assistant Principal - Quality and Learning Support (appointed 8 October 2020)
David Rose	Interim Finance Director (appointed 4 January 2021)
Lowell Williams	Interim Chief Executive, Principal and Accounting Officer (appointed 4 January 2021)

# **Hull College Further Education Corporation**

FINANCIAL STATEMENTS  
for the year ended 31 July 2020

---

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

### **Professional advisers**

#### **Financial statements auditors and reporting accountants**

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

#### **Internal auditors**

Audit One  
Kirkstone Villa  
Lanchester Road Hospital  
Durham  
DH1 5RD

#### **Bankers**

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

Natwest  
1 Humber Quays  
Hull  
HU1 2DG

#### **Solicitors**

Rollits LLP  
Citadel House  
58 High Street  
Hull  
HU1 1QE

Stone King LLP  
1 Park Row  
Leeds  
LS1 5HN

### **Principle 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 2020

---

### REPORT OF THE CHIEF EXECUTIVE OFFICER

The year to 31 July 2020 has been a year of change during which the College completed the third year of the five year Recovery Plan to 31 July 2022.

Hull College Group (the College) has continued with its core mission of "Innovative and enterprising people enabling excellent learning for employability and social fulfilment." Our fantastic students continued to develop their skills and produce remarkable achievements across the College's diverse curriculum areas.

Total student numbers at the College were 14,369. This included 1,794 apprentices and 729 employment services learners. The College learner achievement in the academic year for retention was 92.6% slightly below the GFE rate of 92.9; pass rate was 93.9% (slightly above the national rate of 93.3%) and achievement was 87.0% (above the national rate of 86.7%).

The College, like all other Colleges in the sector, was significantly impacted by the effects of the COVID-19 pandemic, firstly by being forced to close its doors to face to face Teaching and Learning in March 2020 as part of the initial national lockdown measures, secondly due to the on-going disruption that the College had to deal with since it re-opened in the Summer of 2020 until December 2020, and thirdly having to close again in January 2021 as a result of the third national lockdown.

The initial response of the College was exemplary as the College switched almost overnight to remote off-site delivery of both Teaching & Learning as well as its Support Services. To facilitate this the IT team facilitated the provision of wider remote access to College systems and services whilst the Student Services team ensured that those students suffering from "Digital Poverty" were still able to access Teaching & Learning through the provision of laptops and dongles. This was well received by the students.

Following on from re-opening the College set up a regular meeting of key staff who met twice weekly to address the key issues surrounding re-opening were addressed and both staff and students were kept regularly informed of developments. These moves allowed the College to fully re-open in September albeit with significant restrictions and remain open despite increasing numbers of cases.

In January 2021 the College seamlessly transferred its on-site delivery to remote learning, whilst remaining open for vulnerable learners. Engagement has been very good during this latest lockdown. The College has successfully implemented Covid tests for all staff and learners on site in accordance with Government guidance.

The College's approach to the above was highly commended by all parties including the Further Education Commissioner, the EFSA and Ofsted. This was further confirmed by the College's Internal Auditors who carried out a detailed advisory review into the College's response to the pandemic.

The total funds the College has received over the Fresh Start programme is £52,200,000. As a result the College had £8,069,000 (2019 £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 cash balances 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.

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 College 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.

# **Hull College Further Education Corporation**

FINANCIAL STATEMENTS

for the year ended 31 July 2020

---

## **REPORT OF THE CHIEF EXECUTIVE OFFICER (Continued)**

A handwritten signature in dark ink, appearing to read 'L. Williams', with a long, sweeping horizontal line extending to the right.

**Lowell Williams**

**Interim Chief Executive Officer and Principal**

# **Hull College Further Education Corporation**

## **FINANCIAL STATEMENTS**

for the year ended 31 July 2020

---

### **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 2020.

#### **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 2020 the Hull College Further Education Corporation consisted of Hull and Goole 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.

#### **COVID-19**

As with all organisations, the COVID-19 pandemic has had and continues to have a fundamental impact on the College's operations. The initial impact was the closure of the College's day to day operations in March which forced the College into the immediate switch to on-line learning. The College's IT department overnight switched the College's IT platform from internally focused to remote access.

However due to the large amount of "Digital Poverty" encountered by the College students and some staff, the College utilised existing funds to provide them with laptops and or dongles to facilitate continued access to College resources.

Alongside this, academic staff made increasing amounts of resources available to students to facilitate their learning, a fact that has been well received by all students. However alongside this the College was forced to furlough a number of staff in commercially focused areas such as Catering and the Nursery.

As the pandemic progressed the College was able to re-open its facilities before the end of the academic year for limited teaching and learning opportunities. The College though opened fully in September 2020 for the new academic year, though increases in the infection rates in the local area has required the College to move increasing amounts of its delivery on-line.

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

#### **Income**

Following on from the EFSA's intervention, much of the College's student related income has been guaranteed by the Agency provided certain minimum standards were reached. The College exceeded the Covid-adjusted income thresholds, delivering over 82% of the Adult Education Budget contract and there was no clawback of funds by the ESFA.

However, the College's commercial activities were severely hit due to the enforced closure of the College, though some of this was mitigated by reductions in operating costs including the furloughing of staff. Income decreased by approximately £0.5m as a result of the Covid restrictions. These services have continued to be impacted despite the College re-opening much of its provision as the number on site during an average week has been deliberately reduced to maximise social distancing practices.



# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

---

### REPORT OF THE BOARD OF GOVERNORS (Continued)

Since the start of the new academic year, the College has seen reductions in expected activity in its Apprenticeship provision as employers have either not recruited new staff, retained staff on furlough or made staff redundant.

#### Expenditure

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

However, following the re-opening of the College during the summer and beyond the College has been required to increase expenditure to ensure that the site became COVID secure with increased social distancing, the erection of screens and other barriers as well as the installation of numerous sanitising stations, at a cost of approximately £100,000.

The College expects that this trend will continue through the first quarter of 2021. The impact of this increased expenditure has been incorporated into the cash flow and profit projections.

#### 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.

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

# Hull College Further Education Corporation

FINANCIAL STATEMENTS  
for the year ended 31 July 2020

---

## REPORT OF THE BOARD OF GOVERNORS (Continued)

### Mission (continued)

- 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 2020, the College has the following strategic KPIs driven by the Recovery Plan to 31 July 2022:

<b>Adjusted EBITDA</b>	The Group forecasts to improve adjusted EBITDA as a percentage of income by 2021/22 to at least 5%. It achieved a negative EBITDA of 0.55%.
<b>Adjusted current ratio</b>	The Group forecasts to improve the current ratio to at least 0.7:1 by 2021/22. This KPI was achieved in 2019/20 with an adjusted current ratio of 1.88.
<b>Staff costs</b>	The Group forecasts to reduce staff costs as a percentage of income to 65% in the short to medium term. In 2019/20 the ratio was 73.4% due to lower than anticipated income.
<b>Financial health grading</b>	The Group forecasts to improve the financial health grading to at least "Good" in the short to medium term. However, it achieved a grading of "Requires Improvement" in 2019/20.
<b>Estate utilisation</b>	The Group is looking to update its existing estates strategy which will have a significant improvement in Estates Utilisation as one of its key components along with the reduction of the volume of poor quality accommodation.
<b>Gross margin by course</b>	The Group forecasts to improve gross margin by course, with a minimum departmental average of 40% in the short to medium term. The Group achieved this target with an average of 44% gross margin.

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

The College is required to complete the annual Finance Record for the ESFA. Based on 2019/20 data the Group is assessed by the ESFA as having a "Requires Improvement" financial health grading.

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

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

# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

---

### REPORT OF THE BOARD OF GOVERNORS (Continued)

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

Consequently, the College has taken the opportunity to commence a review of its Estates Strategy so it is more reflective of this fundamental change, making it more essential that the College addresses its significant underutilisation issues. The Strategy focuses on options to reduce the size of the estate whilst improving the condition and quality of the resources for learners. When completed, it will fully embrace the future curriculum development plans and the needs of local stakeholders.

### Financial Position and Results

For the financial year ended 31 July 2020, The College generated a deficit before taxation of £2,223,000 (2019 - surplus £986,000). The deficit for the year is after charging £731,000 (2019 - £256,000) in respect of restructuring costs.

As at 31 July 2020, the College has an accumulated adverse reserve on the income and expenditure account of £(890,000) (2019 - £15,221,000). This was after recognising a pension fund liability of £25,132,000 (2019 - £10,731,000) in its financial statements.

### Financial Notice of Concern

On 11 November 2016 the College received a Financial Notice of Concern from the Skills Funding Agency due to being rated "inadequate" for financial health for 2015/16 and as a result of a request for Exceptional Financial Support. The latest revision was issued on 13 January 2021 which requires the College to address the following: continued progress to ensure that governance is effective; delivery of a viable curriculum offer and continued improvements in quality; continue to improve underlying financial performance; completion of the updated Estates Strategy.

### 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 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 £52,200,000 of Restructuring Facility Grant with the final payment being received in March 2019.

# Hull College Further Education Corporation

FINANCIAL STATEMENTS  
for the year ended 31 July 2020

---

## REPORT OF THE BOARD OF GOVERNORS (Continued)

### Recovery Plan – Five years to 31 July 2022 (continued)

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. A further restructuring exercise was carried out in the Summer of 2020 as the College sought to rebalance its staffing base.
- 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. The College is now in the process of reviewing its Estates Strategy so that it is reflective of the change to remote working which will change the nature of the Estates portfolio that the College requires going forward. It is envisaged that whilst the College will require significantly less space more of the remaining space will need to increasingly technical and employment focused.
- Closely monitoring and reducing non-pay costs across all area of the College's activities.
- Enhanced forecasting processes has been introduced as the College looks increasingly to look at its potential financial position and the actions it requires to take to achieve it.

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 2020 and up to the date of signing of this Report and Financial Statements.

Tangible fixed asset additions during the year amounted to £1,831,000. This was split between land and buildings of £501,000 and equipment purchases of £1,330,000. 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 2019 with the involvement of the FE Commissioner and the ESFA.

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 up to £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.

The College has appointed Jones Lang LaSalle Inc. (JLL) as land agents to widely promote the site to as wide an audience as possible so as to maximise the return to the public purse. The College expects this approach to lead to a competitive process with a disposal being achieved by the summer of 2021.



# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

---

### REPORT OF THE BOARD OF GOVERNORS (Continued)

#### Cash flows and liquidity

The College had an operating cash outflow of £3,048,000 (2019 inflow - £1,697,000); the reduction year on year reflecting the ending of Restructuring Grant monies.

The College's cash position has been supported by the ESFA's decision to continue funding the College's major income streams so that the College was able to continue meeting its obligations to its staff and suppliers. Much of the reason for the significant cash outflow in the year was that the College had significantly reduced its creditor balances from July 2019, a fact facilitated by the ongoing receipt of its main income streams. The Covid restrictions had little detrimental impact upon the College's cash position up to July 2020, as a result of the expenditure savings and furlough receipts.

#### 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. The policy will be reviewed in light of the impact of Covid-19.

#### Capital investment programme

Considerable capital investment has taken place in the year ended 31 July 2020. 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 Goole.

#### *Financial*

The College had £890,000 of net liabilities (including £25,132,000 of pension liability) and creditors falling due after more than one year of £5,909,000 at 31 July 2020.

#### *People*

During the year ended 31 July 2020, the College employed 618 people (expressed as full time equivalents), of whom 172 were teaching staff.

# Hull College Further Education Corporation

FINANCIAL STATEMENTS  
for the year ended 31 July 2020

---

## REPORT OF THE BOARD OF GOVERNORS (Continued)

### Events after the end of the reporting period

Following the end of the Financial Year in July 2020, the following reportable events took place

- **Appointment of New Chief Executive Officer**

Following a rigorous recruitment and interview procedure, which was independently reviewed and approved, the College has appointed a new permanent Chief Executive Officer, Christopher Malish, who will be taking up the role of CEO in May 2021.

- **Goole Campus**

At its meeting in October 2020, the Corporation received a report on the viability of the Goole campus which contained a number of options facing the College. After discussion the Corporation decided that the only sustainable option was to cease operations on the current site with effect from the end of the 2020/2021 Academic Year.

The College is now undertaking a set of detailed consultations with students, staff and other stakeholders in order that all mitigating steps are undertaken.

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

- **Financial Notice to Improve**

The College during the 2018/2019 Financial Year received notice of concern from the EFSA surrounding its finances. This concern resulted in the receipt of over £52 million of exceptional support from the EFSA Transactional Unit in order to support the on-going operations of the College. The terms of this notice have been updated several times with the latest revision was issued on 13 January 2021 which requires the College to address the following: continued progress to ensure that governance is effective; delivery of a viable curriculum offer and continued improvements in quality; continue to improve underlying financial performance; completion of the updated Estates Strategy.

- **Ofsted Interim Visit - November 2020**

The Ofsted visit focused on three themes encompassing the actions of leaders, managers, teachers and stakeholders to meet the needs of learners, including keeping them safe and helping them to continue to build their knowledge and skills, through a period of significant change that required swift response and transformative practice. Overall the visit was extremely positive which clearly evidenced a team approach to supporting learners during lock-down and the reopening period. The report is available on the Ofsted website.

The College continues by necessity to be forward thinking as it seeks to exit from the Financial Notice to Improve (FNTI) as soon as possible whilst at the same time looking to improve its current Ofsted rating of "Requiring Improvement".

Recruitment within the critical 16-18 age group was disappointing as the College failed to achieve its internal recruitment targets and whilst recruitment elsewhere was much more positive as a consequence the College has reviewed its financial forecasting for the 2021/2022 Financial Year to establish where remedial action is required.

# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

---

### REPORT OF THE BOARD OF GOVERNORS (Continued)

#### Events after the end of the reporting period (continued)

The College continues to develop its Estates Strategy in conjunction with its strategic partners, the Education Funding & Standards Agency (EFSA) and the Further Education Commissioners (FEC) Office, through our regular reviews.

Recent feedback from both parties indicates general consent with the progress made by the College in addressing its financial position, though all parties note that this progress needs to be sustained if the College is to exit intervention in the next 18 months.

At the same time the College is addressing the quality of its provision through a rigorous quality improvement process, which is designed to significantly improve the quality of teaching and learning across the College in order that the College can improve outcomes for learners at all levels and types of provision.

#### Current and future Developments and performance

##### Student numbers

In the year ended 31 July 2020, the Group delivered activity that produced £28,392,000 in main body allocation funding. The Group had 1,758 students funded under the ESFA Young People's allocation, 192 under 16s funded as Direct Entry students, 3,677 adults on classroom based provision and 1,794 apprentices either new starts in the year or continuing from the previous year. In addition, we had 561 Higher Education students.

##### Student achievements

Individual student and staff achievements include:

- Catering students teamed up with Cranswick PLC to cater for Freedom Festival 2019, delighting festival goers with a street food stall.
- Travel and Tourism planned and booked a visit to Dubai.
- The Hull KR's rugby academy formed their first team.
- The Freshers' Fair took place in a marquee with the highest attendance in 4 years.
- The Saturday Club art project group reformed at the College.
- The Student Union designed and created a 'new look' uniform. They changed their brand to look 'cool'.
- The BBC Contains Strong Language event took place in the performance theatre for the third year running.
- Ibstock donated £30,000 worth of bricks to the construction department and entered into a partnership with the College.
- Hull College students worked with Love Your Street Hull and Yorkshire Wildlife Trust to clean the Stepney cycle path.
- Panthers Basketball Team formed at the Steve Prescott Centre.
- Themed weeks began at the College with #smileandbreathe.
- Higher Education Graduation took place in the City Hall with guest speakers from local businesses.
- Hull North and British Film Institute Network are bringing a day of northern indie cinema to Hull.
- Careers Fest took place with over 30 businesses and higher education providers visiting the college.
- 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 contractor, Bambu, who worked as a partner and sponsor to the project.
- The performing arts students produced a pantomime and invited the local primary schools to attend.
- A Christmas fair took place at the College involving local craft businesses and real reindeer. The College was open to the public as a community event.



# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

---

### REPORT OF THE BOARD OF GOVERNORS (Continued)

- The introduction of progression week which for the first time offered UCAS workshops and free applications for learners.
- A train carriage arrived at the College from the North Yorkshire Moors Railway. The carriage will be restored as part of a live project with our construction and engineering students.
- A production of Face Your Fear took place in the theatre which involved students completing escape room style tasks. The production was created by HE Technical Theatre students.
- National apprenticeship week encouraged the College to work closely with schools to explain the positives of apprenticeships and the progression routes they offer.
- Due to COVID-19 all lessons and activities moved to online delivery.
- Live facebook events improved the College's online presence with a record number of 50,000 reach being achieved. The events took place through the lockdown period covering various topics and departments.
- A 360-degree virtual tour was designed and created which covered the whole site.
- PPE equipment such as gloves and sanitiser was delivered to Hull Royal Infirmary to support with the rise in COVID cases.
- An online counselling service was introduced for the first time.
- Over 2000 class packs were copied and sent to learners who had limited IT provision.
- Over 250 laptops and dongles were delivered to learners who did not have access to IT facilities.
- The College staff tailor made over 1000 NHS uniforms to support with the pandemic.
- The next themed week was #unitedandproud took place with key messages introduced online.
- Staff took part in 'the happiest minute of the week' over Zoom, this saw staff dancing to chosen uplifting songs to keep everyone working as a team and communicating.
- Sports students produced fitness videos, these were shared online to encourage people to exercise at home during lockdown.
- Staff took part in online music lessons, sharing talents, encouraging students to take part.
- Visors were made by the IT department using the 3D printer, and were donated to the NHS.
- Students joined in with VE celebrations online. Beauty students produced VE nail art using various techniques.
- The next themed week was #thisisme focusing on equality and diversity.
- The College introduced a new online enrolment system to allow learners to enrol from home as they were unable to access the College. This enabled the College to open enrolment early using a minimum amount of staff.
- The College took part in Emma Hardy's Education Potential discussing business and education working together to improve education in the city. Progression routes available for students were also discussed.

### Curriculum developments

In 2019/20 a different approach to curriculum planning was implemented. Whilst this was different to the previous year, the approach is a well-tested one and similar to other colleges across the sector. The plan was implemented early with the first task set in October 2019. Some key differences include:

- A published and agreed planning framework.
- Communicated, collaborative and gatekeeper approach regarding key tasks and timescales.
- A prescribed study programme model.
- One recruitment (43rd day) target to work towards.
- English and mathematics timetable deadline – planned 2 months ahead of the previous year.
- Collaborative approach to the deployment of staff across departments.
- Less focus on the delivery of teaching and learning making a contribution and more focus on the hours needed to deliver a good quality curriculum.

A study programme model was prescribed for 2020/21. This model ensures all students, studying a particular level, have a set number of hours for their main programme. This has increased to improve student experience and achievement. The teaching year has also increased from 35 to 36 weeks. This is at no extra cost and instead will help to fully utilise teacher contracted delivery hours.



# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

---

### REPORT OF THE BOARD OF GOVERNORS (Continued)

In 2019/20 the Apprenticeship Team launched a pilot recruitment model for apprenticeships linked to construction and the built environment. Instead of staggered and rolling starts throughout the year it changed to a September and January starts model. This improved the quality and timeliness of new apprentices and enabled a more structured recruitment timetable for both the Apprenticeship Team and the Construction Department. As a result, retention improved. In 2020/21, the model will be maintained and a collaborative approach with the Construction Department and businesses is taking place to ensure flexibility and integrity of recruitment.

In addition to the original planned timetables, a contingency plan was put in place to respond to the COVID-19 restrictions in September. There are four types of delivery models that have been agreed with curriculum leaders and managers. This has also been in collaboration with teaching teams.

At the first national lockdown there was a swift shift to blended and remote learning, with teachers / assessors being supported to develop learning material; teachers benefited from being able to use methods of their choice to engage learners, for example a Teams or a Zoom platform. Staff provided exceptional support for learners to ensure they remained focused and engaged with their studies. Learners who were disadvantaged due to a lack of technology were provided with devices with over 200 delivered to learners by support teams. Teachers adapted quickly to remote learning and were supported by the quality team with new techniques to foster inclusive practice.

#### Quality

- Education and Training

The overall achievement rate for learners on classroom-based programmes has increased from 85.8% in 18/19 to 87.1% in 19/20. Achievement is now slightly above GFE national rate by 0.4%.

The rate of achievement for adults is 90.6%. This is a slight improvement on 19/20 and 0.7% above GFE national rate. Although there has only been a slight improvement to adult achievement rates in 19/20, this is significant considering the volume of adult qualification aims reduced by 50% in 19/20 due to the lockdown period where planned new starts were not realised. The achievement rate for adult provision, delivered directly in 19/20 is 88.2% compared to 85.2% the previous year.

Achievement rates remain high at 94.8% and above GFE national rate for sub-contracted adult provision. The vast majority of the curriculum is made up of short, industry specific courses. For example, warehousing and storage, data protection and safe handling of medication in health and social care.

There has been a 6% improvement on achievement rates for 16-18 year olds compared to 18/19 with rates now at 81.1%. However, whilst there has been improvement and a halt to a three year decline, achievement rates remain below the GFE national rate by 2.3%.

Achievement rates are above the GFE national rate for learners studying law and legal services (+16.8%); sociology and social policy (+15.5%); science (+9.9%); social sciences (+8.9%); mathematics and statistics (+6.9%); ICT practitioners (+4.6%); retailing and wholesaling (+4.3%); hospitality and catering (+4%); other languages, literature and culture (+3.4%); language and literature (+3.1%); service enterprises (+2.8%); ICT for users (+2.7%); and preparation for work (+1.6%).

Achievement rates, whilst not above GFE national rate, have significantly improved in 19/20 for learners studying ESOL (+8.8% to 85.8%); administration (+17.6% to 93.1%); business management (+15.8% to 87.2%); performing arts (+7% to 85.1%); and sport, leisure and recreation (+25.9% to 81.8%).

Achievement rates require significant improvement for learners studying travel and tourism; level 1 construction and the built environment; public services and basic skills English and mathematics; and for 16-18 year olds studying level 3 certificate and diploma qualifications.

# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

---

### REPORT OF THE BOARD OF GOVERNORS (Continued)

Adult learners studying employability courses, which forms 29.6% of adult provision delivered internally, make good progress and achievement rates remain high and above national rate at 94.6%. Learners who are closest to the labour market and study vocational courses to improve their skills progress to positive destinations. Despite the challenges of the pandemic, 45.2% of learners who are furthest from the labour market progressed into employment.

- Apprenticeships

The overall achievement rate for learners on apprenticeship programmes is 56.7% (49.3% direct and 65% partners). The timely achievement rate is 49.7% (34.6% direct and 74.8% partners). The achievement rates, overall and timely, have remained the same for apprenticeships delivered directly in 19/20. This is mainly due to an increased number of carry-in learners due to the impact of COVID and the final year of legacy issues. Overall achievement is 11.5% below the GFE national rate and timely is 10.2% below the national rate. 53% of the provision is below the 62% minimum standard.

Learners on intermediate and advanced apprenticeships (approx. 93% of the cohort) make better progress than those on higher apprenticeships. The timely achievement rate for 24+ year olds (approx. 34% of the cohort) is 60.8% which is 4.3% above the GFE national rate; and learners on intermediate apprenticeships (approx. 58% of the cohort) make better progress than those on advanced and higher apprenticeships. 36 apprentices in 19/20 undertook an End-Point Assessment. Of the 36 apprentices, 9 achieved passes (25%) 12 achieved merits (33%) and 15 achieved distinction grades (42%) and there were zero fails.

- 14-16 College

Learners in 14-16 College develop knowledge and skills to prepare them for a range of assessments. A well-constructed, well-taught core curriculum led to 98.6% core pass rate and 42.8% high pass rates. There has been a significant increase in high grades compared to 18/19. Learners have benefited from a different form of assessment in 19/20 with assessment being based on mock exams, class work and progress checks. Learner spiky profiles have also been taken into account and there have been no pressures examination preparation and taking an exam can present.

Disadvantaged learners and learners with SEND acquire the knowledge and skills they need to succeed in life with 100% planned positive destinations and specialist one-to-one IAG plans in place linked to their future learning and career goals. 33.9% achieved a grade 4 or above in GCSE English and mathematics to support their next step.

- English and Mathematics

GCSE English and mathematics achievement rates have improved. The good passes (grade 4+) profile shows improvement for both age categories in English and mathematics compared to 18/19. When making comparisons against national average high grades, GCSE mathematics is above GFE national rate with GCSE English remaining below. It is realistic to apportion some of this improvement to learners not having to sit an exam in 19/20 due to COVID. However, good passes have been based on work at the required standards which was internally moderated.

Functional skills achievement rates, whilst improved from the previous year, remain low and are significantly below the national rate for both age groups.

The key areas for improvement the College will be working on include:

- Improve the quality of teaching, learning and assessment across all types of provision.
- Improve achievement rates in functional skills and good pass achievement in GCSE English and mathematics.
- Improve the progress and, in particular, the timely achievement rates for learners on apprenticeship provision.

# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

---

### REPORT OF THE BOARD OF GOVERNORS (Continued)

- Improve achievement rates for learners on 16-19 study programmes, in particular for those studying level 3 certificate and diploma provision.
- Improve attendance for learners on 16-19 study programmes and narrow the gap between attendance to English and mathematics and main vocational aim.
- Improve the analysis and review of progression and destination data and information, to identify trends and themes for improvement; including the use of it to inform curriculum development.

### Principle 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 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 principle risks currently included on the risk register are:

- Learner Recruitment in the 16-18 FE market
- Failure to address Ofsted inspection issues in the monitoring visit and a failure to achieve an improvement in both teaching & learning as well as learner outcomes
- Inability to maintain continued financial stability and achieve overall surplus in the period to 31 July 2022
- Failure to meet the terms and conditions highlighted in the Financial Notice to Improve document
- 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
- Stability of the Senior Leadership Team

Outlined below is a description of the principle 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 2019/20 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, apprenticeship reform and the departure from the European Union may all have an impact on future government funding. Additionally, the introduction



# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

---

### REPORT OF THE BOARD OF GOVERNORS (Continued)

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:

- Funding is derived through several direct and indirect contractual arrangements.
- Ensuring the College is rigorous in delivering high quality education and training.
- Failure to meet the terms and conditions highlighted in the Financial Notice to Improve document 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.

The College benefited from the EFSA's decision to continue to make grant payments to the College during the pandemic without requiring it to meet its obligations in full. This has allowed the College to maintain its infrastructure in place despite the need to close the College for several months.

#### Ofsted Inspection

As reported above, the Ofsted inspection has to feature as a principle 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, and close monitoring of the demand for courses as prices change.

The Corporation approve on an annual basis the College's Fees Policy which sets the parameters for charging across of the College's delivery strands.

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

The College's 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 the Board of Governors, as well as to the ESFA and FE Commissioner.

#### Failure to meet the terms and conditions highlighted in the Financial Notice to Improve document

The EFSA has recently updated the conditions that the College must meet in order for the Notice to be lifted. The terms of this notice have been updated several times with the latest revision issued on 13 January 2021 which requires the College to address the following: continued progress to ensure that governance is effective; delivery of a viable curriculum offer and continued improvements in quality; continue to improve underlying financial performance; completion of the updated Estates Strategy.



# **Hull College Further Education Corporation**

## **FINANCIAL STATEMENTS**

for the year ended 31 July 2020

---

### **REPORT OF THE BOARD OF GOVERNORS (Continued)**

#### **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 but it is expected that contribution rates will continue to rise. The College like other educational organisations is heavily exposed to increased contributions to the unfunded Teachers Pension Scheme, a fact highlighted by the recent increase of over 7% in contribution rates for employers. The College is indebted to the EFSA for its ongoing financial support in funding the recent increase but there is some debate over the longevity of this support.

#### **Loss of critical data systems and MIS**

The College holds and manages a huge amount of data upon which it is reliant to deliver its 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.

This risk has been significantly increased due to several recent high profile attacks on educational institutions which have resulted in serious disruption and data loss.

#### **Adverse media coverage**

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.

#### **Stability of the Senior Leadership Team**

The College, due to its ongoing issues following the departure of its CEO in December 2019 along with all of the previous concerns both financial and academic, has been reliant on interim appointments in a number of key roles such as CEO, as well as Finance and HR leads.

It is therefore imperative that having appointed a new Chief Executive Officer, that the College promptly appoints permanently to a number of key roles.

# **Hull College Further Education Corporation**

FINANCIAL STATEMENTS  
for the year ended 31 July 2020

---

## **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. It also 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 2020

---

### 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 College's 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 2020

### 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
2	2

##### Percentage of time spent on facility time

Percentage of time	Number of employees
0%	
1-50%	2
51-99%	
100%	

##### Percentage of pay bill spent on facility time

Total cost of facility time	£7,949
Total pay bill	£18,312,000
Percentage of total bill spent on facility time	0.04%

##### Paid Trade Union activities

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

#### 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.



# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

---

### REPORT OF THE BOARD OF GOVERNORS (Continued)

#### Going concern (Continued)

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.

The COVID pandemic has not impacted greatly upon the College's reflection on its assessment of the Going Concern concept, as the impact has been largely neutral in the period ending 31 July 2020 and is factored into the forecast for the year ending 31 July 2021.

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.

#### 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 11<sup>th</sup> March 2021 and signed on its behalf by:



**Lesley Davies**  
Chair

# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

---

### 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 2019 to 31 July 2020 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 2018 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 Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2020. This opinion is based on a programme of Governance improvement work completed with a National Leader in Governance in early 2020 which reported to the board in March 2020. 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.

# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

### 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 Lesley Davies <i>Appointed Chair</i>	January 2021	1 year	N/A	N/A	N/A
Mr Lowell Williams <i>Interim Ex Officio</i>	January 2021	4 months	N/A	N/A	N/A
Mr D Williams <i>Appointed Chair</i>	January 2019	3 years	January 2021	Finance Remuneration	24/09/2019 15/10/2019 30/10/2019 11/11/2019 27/11/2019 18/12/2019 29/01/2020 27/02/2020 01/04/2020 22/04/2020 29/04/2020 22/05/2020 03/06/2020 24/06/2020 22/07/2020
Mr S Clark	December 2014	4 years	August 2020	Audit	24/09/2019 15/10/2019 30/10/2019 11/11/2019 27/11/2019 18/12/2018 29/01/2020 27/02/2020 01/04/2020 22/04/2020 29/04/2020 22/05/2020 03/06/2020 24/06/2020 22/07/2020
Mr C Fenwick	April 2010	4 years	N/A	Audit (Chair)	24/09/2019
Reappointed	April 2014		N/A	Governance,	15/10/2019
Reappointed	April 2018		N/A	Remuneration	30/10/2019
Co-opted from	May 2019		N/A		11/11/2019 27/11/2019 18/12/2019 29/01/2020 27/02/2020 22/04/2020 29/04/2020 22/05/2020 03/06/2020 24/06/2020 22/07/2020
Ms G Lunn	September 2017	4 years	N/A	Governance Finance	24/09/2019 15/10/2019 30/10/2019 11/11/2019 24/06/2020 22/07/2020



# Hull College Further Education Corporation

FINANCIAL STATEMENTS  
for the year ended 31 July 2020

## 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 E Palmer	July 2019	3 years	February 2021	Governance (Chair), Remuneration	24/09/2019 15/10/2019 30/10/2019 11/11/2019 27/11/2019 18/12/2019 29/01/2020 27/02/2020 01/04/2020 22/04/2020 29/04/2020 03/06/2020 24/06/2020 22/07/2020
Ms M Swithenbank	March 2017	Ex Officio	December 2019	Finance Governance	24/09/2019
Mr D O'Toole	January 2020	Ex Officio	July 2020	Finance Standards	27/11/2020 29/01/2020 27/02/2020 01/04/2020 22/04/2020 29/04/2020 03/06/2020 24/06/2020 22/07/2020
Mr T Lewin	June 2020	Ex Officio	N/A	Finance	24/06/2020 22/07/2020
Mr J Taylor <i>Academic Staff Governor</i>	May 2017	4 years subject to re-election	N/A	Governance, Standards	24/09/2019 30/10/2019 27/11/2019 18/12/2019 29/01/2020 27/02/2020 01/04/2020 22/04/2020 29/04/2020 22/05/2020 03/06/2020 24/06/2020
Mr D Wills	September 2018	3 years	N/A	Standards (Chair) Finance	24/09/2019 15/10/2019 30/10/2019 11/11/2019 27/11/2019 01/04/2019 22/04/2019 29/04/2019 22/05/2020 03/06/2020

# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

### STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Name	Date of Appointment	Term of office	Date of resignation/ Retirement	Committees Served	Corporation meeting attendance
					24/06/2020 22/07/2020
Mr P Henry	May 2019	3 years	April 2020	N/A	24/09/2019 15/10/2019 11/11/2019 01/04/2020
Ms B Dickinson- Fry	May 2019	3 years	November 2020	Finance	24/09/2019 15/10/2019 11/11/2019 27/11/2019 27/02/2020 01/04/2020 22/04/2020 29/04/2020 22/05/2020 03/06/2020 24/06/2020 22/07/2020
Ms J Pomone	May 2019	3 years	N/A	Standards	24/09/2019 15/10/2019 30/10/2019 11/11/2019 27/11/2019 29/01/2020 27/02/2020 01/04/2020 22/04/2020 29/04/2020 22/05/2020 03/06/2020 24/06/2020 22/07/2020
Ms F Young <i>Co-opted</i>	May 2019	1 year	December 2019	N/A	24/09/2019 30/10/2019 27/11/2019
Mr G Toplass	January 2020	3 years	November 2020	Finance (Chair)	29/01/2020 01/04/2020 22/04/2020 29/04/2020 22/05/2020 03/06/2020 24/06/2020 22/07/2020
Mr G Lilley	January 2020	3 years	N/A	Finance	29/01/2020 01/04/2020 22/04/2020 29/04/2020 22/05/2020 03/06/2020 24/06/2020

# Hull College Further Education Corporation

FINANCIAL STATEMENTS  
for the year ended 31 July 2020

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Name	Date of Appointment	Term of office	Date of resignation/ Retirement	Committees Served	Corporation meeting attendance
					22/07/2020
Mr J Duncan	June 2020	3 years	N/A	Standards	24/06/2020 22/07/2020
Ms M Stokes <i>Co-Opted</i>	June 2020	3 years	September 2020	Governance	
Mr T Colombari	June 2020	3 years	N/A	Audit	

### Advisor

Since the financial year end the following have been appointed Governors; Ms Kay Moffit, Ms Rachel Storr, Mr Andrew Arundel, Mr Joey Greenwood and Mr Simon Alsop. All appointed on 26 August 2020.

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
- Governance
- Remuneration
- Standards (from January 2020)

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. Copies of full Board meetings are available on the College website.

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



# **Hull College Further Education Corporation**

## **FINANCIAL STATEMENTS**

for the year ended 31 July 2020

---

### **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)**

all Governors through an electronic and secure portal, this helps to ensure transparency of decision-making of all Committees.

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

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

The Corporation has continued to meet throughout the year adapting quickly to virtual meetings to minimise the impact of COVID-19 restrictions. The Corporation have engaged well in virtual meetings continuing to apply scrutiny, challenge and support to the work of the Corporation and its Committees. Additional meetings have taken place to ensure the operations of the College are able to meet the changing requirements for curriculum delivery during the pandemic.

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

### **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 three years and are able to undertake three terms subject to a reappointment process. Any extension beyond this timescale is for a specified period or task where the Corporation has been unable to recruit a suitable replacement skillset.

### **Corporation performance**

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

### **Remuneration Committee**

During the year ending 31 July 2020, 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 2020 are set out in note 6 to the financial statements.

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

# **Hull College Further Education Corporation**

FINANCIAL STATEMENTS  
for the year ended 31 July 2020

---

## **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)**

### **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.

#### **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 2020 and up to the date of approval of the annual report and financial statements.

#### **Capacity to handle risk**

# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

---

### STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

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 2020 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.

The Corporation quickly adapted to COVID-19 circumstances moving to virtual meetings and convening additional meetings as required. Throughout the lockdown period and beyond the Corporation took steps to approve and monitor the College response to COVID-19, in particular around site closure and re-opening. This robust scrutiny was recognised through an internal audit of the College response to COVID-19.

#### Statement from the Audit Committee

The specific areas of work undertaken by the Audit Committee in 2019/20 targeted areas where complexities were known with a view to informing and supporting improvement work. The areas reviewed were:

- Financial Viability
- Core Financial Controls (Remote Working)
- Audit recommendations follow-up
- COVID-19 Response
- Funding/ILR
- Enrolment Framework

Of those areas reviewed, 3 were advisory reports, 2 gave reasonable assurance and 1 gave limited assurance. The area of limited assurance related to the College ILR following which a further audit was commissioned. Following internal and external reviews, the College understands clearly the areas for urgent improvement and has in place a clear action plan of audit and improvement work.



# **Hull College Further Education Corporation**

## **FINANCIAL STATEMENTS**

for the year ended 31 July 2020

---

### **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)**

The improvement work has drawn on sector best practice incorporated into a programme of staff training and development throughout the MIS team. To inform its scrutiny and oversight, the Corporation has also received training on ILR and risk management as part of its development work. The Corporation has in place appropriate monitoring and scrutiny of the ILR action plan which is due for completion by July 2021 and have taken assurance on the progress made to-date. Further internal audit assurance work is planned for the end of the 20/21 academic year.

The Audit Committee has advised the Board of Governors that the Corporation has an effective framework for governance and risk management in place. The Audit Committee believes the Corporation has effective internal controls in place.

#### **Review of effectiveness**

Due to changes in personnel and the period of lockdown the Corporation was not able to complete planned Internal Audit work until July 2020. The delay allowed careful consideration of planned audit work which was able to focus on the College response to COVID giving good assurance to the Committee on how the College had supported learners and staff whilst maintaining key operations.

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

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

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

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

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

The Senior Leadership Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit Committee. At the Corporation meeting on 16 December 2020, the Corporation carried out the initial annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and internal audit, taking into account of events since 31 July 2020. The assessment was completed at the meeting on 20 January 2021.

# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

---

### STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

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

Approved by order of the members of the Corporation on 11<sup>th</sup> March 2021 and signed on its behalf by:

**Lesley Davies**  
Chair



**Lowell Williams**  
Interim Chief Executive and Accounting Officer



# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

### 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 Corporation's grant funding agreements and contracts with the ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

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

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

During the year the Corporation entered into a transaction with Hull Kingston Rovers Football Club Limited (Hull KR) whereby the Corporation agreed to be the 'Exclusive Official Club Stadium Naming Rights Sponsor' in return for Hull KR providing the Corporation with sponsorship rights pursuant to an agreement between the Corporation and Hull KR dated 5 July 2019 (the Naming Rights Sponsor Agreement). Under the terms of the Naming Rights Sponsor Agreement the Corporation agreed to provide Hull KR with the annual sum of £80,000 plus VAT for three years (total payment £240,000 plus VAT).

During the year the Corporation entered into another transaction with Hull KR whereby the Corporation purchased shirt sponsorship rights from Hull KR on 6th September 2019 (the Shirt Sponsorship Purchase). Under the terms of the Shirt Sponsorship Purchase the Corporation agreed to pay Hull KR the sum of £12,000 including VAT. No formal agreement was entered into between the Corporation and Hull KR in respect of the Shirt Sponsorship Purchase.

In view of the cumulative total of the sums which the Corporation agreed to pay to Hull KR pursuant to the Naming Rights Sponsor Agreement and the Shirt Sponsorship Purchase, the Corporation's Financial Regulations required both Agreements to be approved by the Corporation or signed by two authorised signatories. However, in breach of the Corporation's Financial Regulations the Agreements were only signed by one authorised signatory who was the Corporation's Accounting Officer in office during the year, and neither were the Agreements approved by the Corporation.

The Corporation obtained legal advice on the terms of the Naming Rights Sponsor Agreement prior to it being signed, but failed to make any meaningful amendments to the Naming Rights Sponsor Agreement to address various key issues identified in such legal advice. This has been to the particular detriment of the Corporation insofar as it did not include in the Naming Rights Sponsor Agreement any protection for the College (e.g. a right for the College to terminate the Naming Rights Sponsor Agreement) should, as happened last year due to the Covid-19 pandemic, Hull KR not use its stadium for an acceptable minimum number of matches (thereby preventing the College from realising the full benefit of its sponsorship rights). The Corporation is also unable to evidence that a business case or value for money analysis was carried out before it entered into the Naming Rights Sponsor Agreement and the Shirt Sponsorship Purchase. The Corporation therefore failed to discharge its duty of care with regard to the novel nature of these transactions.

Approved by order of the members of the Corporation on 11<sup>th</sup> March 2021 and signed on its behalf by:

  
Lesley Davies  
Chair

  
Lowell Williams  
Interim Chief Executive and Accounting Officer

# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

---

### STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the Corporation's Conditions of Funding with the ESFA and any relevant bodies, the Corporation through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education FE HE SORP and with the College Accounts Direction 2019 to 2020 issued by the Education and Skills Funding Agency, which give a true and fair view of the state of affairs of the Group and of the results for that year.

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

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

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

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

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

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

Approved by order of the members of the Corporation on 11<sup>th</sup> March 2021 and signed on its behalf by:

  
**Lesley Davies**  
Chair



# **Independent Auditors' Report to the Hull College Further Education Corporation**

## **Opinion**

We have audited the financial statements of Hull College Further Education Corporation (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2020 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 2020 and of the Group's and the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

## **Basis for opinion**

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

## **Conclusions relating to going concern**

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

- 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)**

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

In our opinion, in all material respects:

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2019 to 2020 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

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

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

### **Responsibilities of the Corporation of Hull College Further Education Corporation**

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 36, 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.

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

### **Use of our report**

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 26 October 2020. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

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

Date

15/3/2021

# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

### CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2020

	Notes	2020		2019			
		Group	College	Group	College		
		£'000	£'000	£'000	Continuing Operations	Discontinued Operations	Total College
<b>INCOME</b>							
Funding body grants	3	26,887	26,887	35,009	31,536	3,473	35,009
ESFA restructuring facility	3	501	501	12,807	12,807	-	12,807
Tuition fees and education contracts	4	5,396	5,396	6,373	5,794	579	6,373
Other income	5	1,138	1,006	1,246	1,030	198	1,228
<b>Total income</b>		<b>33,922</b>	<b>33,790</b>	<b>55,435</b>	<b>51,167</b>	<b>4,250</b>	<b>55,417</b>
<b>EXPENDITURE</b>							
Staff costs	6	18,663	18,571	23,075	20,099	3,018	23,117
Restructuring costs	6	731	735	256	256	-	256
Other operating expenses	7	12,797	12,743	26,569	25,610	869	26,479
Depreciation	10	3,182	3,182	3,009	2,756	253	3,009
Impairment		533	533	-	-	-	-
Interest and other finance costs	8	239	239	105	91	14	105
<b>Total expenditure</b>		<b>36,145</b>	<b>36,003</b>	<b>53,014</b>	<b>48,812</b>	<b>4,154</b>	<b>52,966</b>
<b>(Deficit)/Surplus before other gains and losses</b>		<b>(2,223)</b>	<b>(2,213)</b>	<b>2,421</b>	<b>2,355</b>	<b>96</b>	<b>2,451</b>
Loss on disposal of tangible fixed assets		-	-	(35)	(2)	(33)	(35)
Loss on Transfer of Harrogate College		-	-	(1,400)	-	(1,400)	(1,400)
<b>(Deficit)/Surplus before tax</b>		<b>(2,223)</b>	<b>(2,213)</b>	<b>986</b>	<b>2,353</b>	<b>(1,337)</b>	<b>1,016</b>
Taxation	9	-	-	-	-	-	-
<b>(Deficit)/Surplus for the year</b>		<b>(2,223)</b>	<b>(2,213)</b>	<b>986</b>	<b>2,353</b>	<b>(1,337)</b>	<b>1,016</b>
Re-measurement of net defined benefit pension liability	17	(13,888)	(13,888)	(7,730)	(7,730)	-	(7,730)
<b>Other comprehensive income for the year</b>		<b>(13,888)</b>	<b>(13,888)</b>	<b>(7,730)</b>	<b>(7,730)</b>	<b>-</b>	<b>(7,730)</b>
<b>Total comprehensive income for the year</b>		<b>(16,111)</b>	<b>(16,101)</b>	<b>(6,744)</b>	<b>(5,377)</b>	<b>(1,337)</b>	<b>(6,714)</b>
<b>(Deficit)/Surplus for the year attributable to the Corporation of the College</b>		<b>(2,223)</b>	<b>(2,213)</b>	<b>986</b>	<b>2,353</b>	<b>(1,337)</b>	<b>1,016</b>
<b>Total comprehensive income for the year attributable to Corporation of the College</b>		<b>(16,111)</b>	<b>(16,101)</b>	<b>(6,744)</b>	<b>(5,377)</b>	<b>(1,337)</b>	<b>(6,714)</b>

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 2020

### CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY 2020

	Notes	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
<b>Fixed assets</b>					
Tangible assets	10	27,658	27,658	29,542	29,542
Investments	11	1	1	1	1
		<u>27,659</u>	<u>27,659</u>	<u>29,543</u>	<u>29,543</u>
<b>Current assets</b>					
Stocks		119	118	83	81
Debtors	12	2,599	2,593	3,192	3,516
Cash at bank and in hand		8,069	8,068	12,948	12,599
		<u>10,787</u>	<u>10,779</u>	<u>16,223</u>	<u>16,196</u>
<b>Current liabilities</b>					
Creditors – amounts falling due within one year	13	(7,541)	(7,598)	(11,139)	(11,187)
<b>Net current assets</b>		<u>3,246</u>	<u>3,181</u>	<u>5,084</u>	<u>5,009</u>
<b>Total assets less current liabilities</b>		<u>30,905</u>	<u>30,840</u>	<u>34,627</u>	<u>34,552</u>
Creditors – amounts falling due after more than one year	14	(5,909)	(5,909)	(6,826)	(6,826)
<b>Provisions for liabilities</b>					
Defined benefit pension scheme	17	(25,132)	(25,132)	(10,731)	(10,731)
Other provisions	15	(754)	(754)	(1,849)	(1,849)
<b>Total net (liabilities)/assets</b>		<u>(890)</u>	<u>(955)</u>	<u>15,221</u>	<u>15,146</u>
<b>Reserves</b>					
Income and expenditure reserve		(890)	(955)	15,221	15,146
<b>Attributable to the College Corporation and total unrestricted reserves</b>		<u>(890)</u>	<u>(955)</u>	<u>15,221</u>	<u>15,146</u>

The financial statements on pages 39 to 66 were approved and authorised for issue by the Corporation on 11<sup>th</sup> March 2021 and were signed on its behalf on that date by:

  
Lesley Davies  
Chair

  
Lowell Williams  
Interim Chief Executive and Accounting Officer

# Hull College Further Education Corporation

FINANCIAL STATEMENTS  
for the year ended 31 July 2020

## CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2020

	Income and expenditure reserve £'000	Total £'000
<b>Group</b>		
<b>Balance at 1 August 2018</b>	21,965	21,965
Surplus for the year	986	986
Other comprehensive income	(7,730)	(7,730)
<b>Total comprehensive income for the year</b>	(6,744)	(6,744)
<b>Balance at 31 July 2019</b>	15,221	15,221
Deficit for the year	(2,223)	(2,223)
Other comprehensive income	(13,888)	(13,888)
<b>Total comprehensive income for the year</b>	(16,111)	(16,111)
<b>Balance at 31 July 2020</b>	(890)	(890)
<b>College</b>		
<b>Balance at 1 August 2018</b>	21,860	21,860
Surplus for the year	1,016	1,016
Other comprehensive income	(7,730)	(7,730)
<b>Total comprehensive income for the year</b>	(6,714)	(6,714)
<b>Balance at 31 July 2019</b>	15,146	15,146
Deficit for the year	(2,213)	(2,213)
Other comprehensive income	(13,888)	(13,888)
<b>Total comprehensive income for the year</b>	(16,101)	(16,101)
<b>Balance at 31 July 2020</b>	(955)	(955)

# Hull College Further Education Corporation

FINANCIAL STATEMENTS  
for the year ended 31 July 2020

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2020

	Notes	2020 £'000	2019 £'000
<b>Operating activities</b>			
Net cash generated from operations	16	(3,048)	1,697
Taxation paid		-	-
<b>Net cash (used in)/from operating activities</b>		<u>(3,048)</u>	<u>1,697</u>
<b>Investing activities</b>			
Purchase of tangible fixed assets		(1,831)	(2,695)
Proceeds on disposal of tangible fixed assets		-	-
		<u>(1,831)</u>	<u>(2,695)</u>
<b>Financing activities</b>			
Interest paid		-	(17)
Repayments of other loans		-	-
Repayments of borrowings		-	-
Payment of obligations under finance leases		-	(44)
		<u>-</u>	<u>(61)</u>
<b>(Decrease) in cash and cash equivalents in the year</b>		<u>(4,879)</u>	<u>(1,059)</u>
<b>Cash and cash equivalents at beginning of the year</b>		12,948	14,007
<b>Cash and cash equivalents at end of the year</b>		<u>8,069</u>	<u>12,948</u>
Relating to:			
Bank balances included in cash at bank and in hand		8,069	12,948
<b>Cash and cash equivalents at end of the year</b>		<u>8,069</u>	<u>12,948</u>

### 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 principle place of business is given on page 3. The nature of the College's operations is set out in the Report of the Board of Governors.

##### Basis of accounting

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (the FE and HE SORP) the College Accounts Direction for 2019 to 2020, Regulatory Advice 9: Accounts Direction issued by the Office for Students and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) under the historical cost convention. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The principle 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 FE and HE SORP, the College in its separate financial statements, which are presented alongside the consolidated financial statements, has taken advantage of the disclosure exemptions available to it in respect of presentation of a cash flow statement and financial instruments.

##### Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Hull College Enterprises Ltd and HCUK Resourcing Ltd, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or sold are consolidated using the purchase method for the periods from or to the date that control passes. All financial statements are made up to 31 July 2020.

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 2020

---

### 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 and this summary highlights that the College made a deficit of £2,223k and has net liabilities of £890k.

However, the College has a strong level of liquidity, with a closing bank balance of £8,069,000, and no external borrowings. The College maintains robust forecasts, which expect to see this position continue. These forecasts have taken in to account COVID Impacts and the potential for changes in funding as a result.

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.

**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 2020

---

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 Accounting policies (continued)

##### Tangible fixed assets

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

##### Land and buildings

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

##### Equipment

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

##### Depreciation and residual values

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

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

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

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

##### Impairments of fixed assets

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

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

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

##### Operating leases

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



## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **1 Accounting policies (continued)**

#### **Cash and cash equivalents**

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

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

#### **Financial instruments**

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

##### *Financial assets and liabilities*

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

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

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the statement of comprehensive income, which are initially 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.

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



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**1 Accounting policies (continued)**

**Provisions and contingent liabilities**

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

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

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

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

**Agency arrangements**

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

## **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 17, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. 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 2020

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 3 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Recurrent grants</b>				
ESFA - 16 -18	10,514	10,514	13,854	13,854
ESFA - adult	10,541	10,541	13,104	13,104
ESFA - apprenticeships	2,853	2,853	5,878	5,878
Office for Students	528	528	600	600
<b>Specific grants -</b>				
Teacher Pension Scheme contribution grant	768	768	-	-
ESFA - restructuring facility	501	501	12,807	12,807
Releases of government capital grants	1,683	1,683	1,573	1,573
<b>Total</b>	<u>27,388</u>	<u>27,388</u>	<u>47,816</u>	<u>47,816</u>

#### 4 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Tuition fees	4,478	4,478	5,512	5,512
Education contracts	918	918	861	861
<b>Total</b>	<u>5,396</u>	<u>5,396</u>	<u>6,373</u>	<u>6,373</u>

Included within the above amounts are tuition fees funded by bursaries of £nil (2019 £140,000).

#### Details of grant and fee income

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£000	£000	£000	£000
Grant income from Office for Students	528	528	600	600
Grant income from other bodies	28,365	28,365	47,216	47,216
Fees income for taught awards (exclusive of VAT)	5,396	5,396	6,373	6,373
<b>Total grant and fee income</b>	<u>34,289</u>	<u>34,289</u>	<u>54,189</u>	<u>54,189</u>

# Hull College Further Education Corporation

FINANCIAL STATEMENTS  
for the year ended 31 July 2020

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 5 Other income

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering	194	194	463	450
Other income generating activities	11	11	24	24
Non-government capital grants	-	-	-	-
Examination fees income	12	12	41	41
Coronavirus Job Retention Scheme	350	222	-	-
Miscellaneous income	571	567	718	713
<b>Total</b>	<b>1,138</b>	<b>1,006</b>	<b>1,246</b>	<b>1,228</b>

The Corporation furloughed staff from the following areas; catering, nursery, student services, library, curriculum administrators and business support staff in the apprenticeship and SSW area, under the Government's Coronavirus Job Retention Scheme. The funding received of £349,741 relates to staff costs which are included within the staff costs note below as appropriate.

### 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 average headcount and calculated on a monthly basis, was:

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	No.	No.	No.	No.
Teaching staff	172	172	232	232
Non-teaching staff	446	288	514	353
	<b>618</b>	<b>460</b>	<b>746</b>	<b>585</b>

Previously staff numbers have been disclosed as full time equivalents. In accordance with the Accounts Direction 2019 to 2020, staff numbers are disclosed on an average headcount basis. Comparatives have been restated to reflect this change.



# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Staff costs for the above persons:

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	13,319	9,479	15,291	11,953
Social Security costs	1,212	918	1,441	1,183
Other pension costs	2,963	2,798	4,117	3,999
<b>Payroll sub-total</b>	<b>17,494</b>	<b>13,195</b>	<b>20,849</b>	<b>17,135</b>
Contracted out staffing services	1,169	5,376	2,226	5,982
	18,663	18,571	23,075	23,117
Restructuring costs –Contractual	642	646	256	256
-Non contractual	89	89	-	-
<b>Total staff costs</b>	<b>19,394</b>	<b>19,306</b>	<b>23,331</b>	<b>23,373</b>

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 2020 the Senior Leadership Team comprised the Accounting Officer & Principal, Deputy Principal, Vice Principal Commercial Business Development & HE, Director of Governance, Director of Finance, Executive Director of Human Resources and Corporate Services, Vice Principal of Human Resources and Turnaround Director.

The emoluments below relate to the key management personnel and Accounting Officers who were in post during the year ended 31 July 2020.

#### Emoluments of key management personnel and Accounting Officer

	2020	2019
	No.	No.
The number of key management personnel including the Accounting Officer was:	11	16

# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Key management personnel	
	2020 No.	2019 No.
£20,001 to £25,000	3	-
£55,001 to £60,000	-	1
£60,001 to £65,000	2	-
£75,001 to £80,000	1	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
£115,001 to £120,000	1	1
£120,001 to £125,000	-	1
£125,001 to £130,000	1	1
£140,001 to £145,000	-	1
£155,001 to £160,000	1	-
£170,001 to £175,000	1	-
	<u>11</u>	<u>16</u>

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

	2020 £'000	2019 £'000
Salaries	586	623
Severance pay	89	-
Invoiced costs	245	428
Benefits in kind	-	1
	<u>920</u>	<u>1,052</u>
Pension contributions	59	69
<b>Total emoluments</b>	<u>979</u>	<u>1,121</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 2020

### 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 of:

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

Accounting Officer	Total 2019 £'000
Salaries	140
Severance Pay	-
Invoiced	-
Pensions	-
Total Emoluments	140

The remuneration of the accounting officers for the financial year ended 31 July 2020 were determined by the College's Remuneration Committee. The Accounting Officer was not involved in setting their remuneration. Through the appropriate Senior Post Holder policies the Corporation has applied the principles of both the AoC's Senior Staff Remuneration Code and the Higher Education Senior Staff Remuneration Code. The factors taken into account by the Committee in determining the Accounting Officer's remuneration for the year to 31 July 2020 included: AoC Benchmarking data, together with the current and anticipated turnover for the College and current financial position.

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

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

	2020 No	2019 No
Basic salary as a multiple of median basic salary of staff	16.32	6.92
Total remuneration as a multiple of median total remuneration of staff	17.21	6.18

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

#### Compensation for loss of office paid to former key management personnel

	2020 £'000	2019 £'000
Compensation paid to two former post holders – non-contractual	89	-

The severance pay was approved by the Corporation.

# Hull College Further Education Corporation

FINANCIAL STATEMENTS  
for the year ended 31 July 2020

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

#### Emoluments of higher paid staff

	Higher Paid Staff	
	2020 No.	2019 No.
£60,001 to £65,000	-	2
	-	2

#### 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 £nil (2019: £1,406, to 4 governors). This represented travel and subsistence expenses and other out of pocket expenses incurred in attending Governor Meetings and charity events in their official capacity.

No governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2019: None).

### 7 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Teaching costs	6,330	6,326	9,250	9,247
Non-teaching costs	5,224	5,174	10,791	10,724
Premises costs	1,243	1,243	6,528	6,508
<b>Total</b>	<b>12,797</b>	<b>12,743</b>	<b>26,569</b>	<b>26,479</b>

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

	Year ended 31 July		Year ended 31 July	
	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Auditors remuneration:				
Financial statements audit - College	60	60	49	49
Financial statements audit - subsidiaries	3	-	5	-
Internal audit	20	20	22	22
Other services provided by financial statements auditors:	11	11	5	5
Loss on tangible fixed assets	-	-	35	35
Operating lease rentals	217	217	876	876



# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7 Other operating expenses (continued)

##### Access and participation expenditure

	2020 Group £'000	2020 College £'000
Access Investment	20	20
Financial Support provided to students	51	51
Support for disabled students	9	9
	<u>80</u>	<u>80</u>

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

#### 8 Interest and other finance costs

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans, overdrafts and other loans	-	-	4	4
Finance leases	-	-	13	13
Net interest on defined pension liability (note 17)	239	239	88	88
<b>Total</b>	<u>239</u>	<u>239</u>	<u>105</u>	<u>105</u>

#### 9 Taxation – Group

	2020 £'000	2019 £'000
Current tax		
United Kingdom Corporation tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
<b>Total tax on (Deficit)/Surplus</b>	<u>-</u>	<u>-</u>

# Hull College Further Education Corporation

FINANCIAL STATEMENTS  
for the year ended 31 July 2020

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 10 Tangible fixed assets (Group)

	Freehold land and buildings £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>			
At 1 August 2019	48,275	16,802	65,077
Additions	501	1,330	1,831
At 31 July 2020	48,776	18,132	66,908
<b>Depreciation and Impairment</b>			
At 1 August 2019	22,280	13,255	35,535
Charge for the year	1,520	1,662	3,182
Impairment losses	533	-	533
At 31 July 2020	24,333	14,917	39,250
<b>Carrying amount at 31 July 2020</b>	24,443	3,215	27,658
Carrying amount at 31 July 2019	25,995	3,547	29,542

### 10 Tangible fixed assets (College)

	Freehold land and buildings £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>			
At 1 August 2019	48,275	16,802	65,077
Additions	501	1,330	1,831
At 31 July 2020	48,776	18,132	66,909
<b>Depreciation and Impairment</b>			
At 1 August 2019	22,280	13,255	35,535
Charge for the year	1,520	1,662	3,182
Impairment losses	533	-	533
At 31 July 2020	24,333	14,917	39,250
<b>Carrying amount at 31 July 2020</b>	24,443	3,215	27,658
Carrying amount at 31 July 2019	25,995	3,547	29,542

# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 10 Tangible fixed assets (continued)

The net book value of equipment includes an amount of £nil (2019: £nil) in respect of assets held under finance leases. The depreciation charge for the year in respect of leased assets was £nil (2019: £58,000).

The gross book value of freehold land and buildings includes land with a value of £6,999,500 (2019: £7,404,500), which is not depreciated.

If inherited land and buildings had not been valued, before deemed being at cost on transition to FRS102, they would have been included at the following amounts:

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

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

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

The assets have been impaired from £771,000 to £238,000 and the amount of impairment charged to the Statement of Comprehensive Income is £533,000.

#### 11 Investments

	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
<b>Cost and carrying amount</b>			
At 1 August 2019 and at 31 July 2020	-	1	1

The College owns 100% of the issued ordinary share capital of Hull College Enterprises Ltd, the principle 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 principle 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.

# Hull College Further Education Corporation

FINANCIAL STATEMENTS  
for the year ended 31 July 2020

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 12 Debtors

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
<b>Amounts falling due within one year:</b>				
Trade debtors	918	912	681	667
Amounts owed by group undertakings	-	-	-	338
Prepayments and accrued income	1,666	1,666	756	756
Amount owed by Funding Body	15	15	1,755	1,755
<b>Total</b>	<b>2,599</b>	<b>2,593</b>	<b>3,192</b>	<b>3,516</b>

During the year impairment losses of £70,000 (2019 £75,000) were recognised in respect of trade debtors which were not expected to be recovered.

### 13 Creditors - amounts falling due within one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Trade creditors	417	379	688	687
Amounts owed to group undertakings	-	215	-	163
Other taxation and social security	617	605	373	290
Other creditors	143	60	489	484
Accruals and deferred income	3,006	2,981	7,743	7,717
Government capital grants	1,654	1,654	1,545	1,545
Amounts owed to Funding Body	1,704	1,704	301	301
<b>Total</b>	<b>7,541</b>	<b>7,598</b>	<b>11,139</b>	<b>11,187</b>

### 14 Creditors - amounts falling due after more than one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Government capital grants	5,909	5,909	6,826	6,826
<b>Total</b>	<b>5,909</b>	<b>5,909</b>	<b>6,826</b>	<b>6,826</b>



# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 15 Provisions for liabilities

	Enhanced Pension £'000	Other £'000	Total £'000
<b>Group and College</b>			
At 1 August 2019	625	1,224	1,849
Amounts utilised	(44)		(44)
Additions/(reversals) in the year to income and expenditure account	44	(1,095)	(1,051)
<b>At 31 July 2020</b>	<b>625</b>	<b>129</b>	<b>754</b>

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 principle assumptions for this calculation are:

	2020	2019
Price inflation	1.30%	1.30%
Discount rate	1.40%	2.30%

# Hull College Further Education Corporation

FINANCIAL STATEMENTS  
for the year ended 31 July 2020

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 16 (a) Notes to the cash flow statement

	2020 £'000	2019 £'000
(Deficit)/Surplus after tax for the year	(2,223)	986
Adjustment for:		
Taxation	-	-
Depreciation and impairment	3,715	3,009
Interest payable	239	105
Profit/(Loss) on disposal of fixed assets	-	35
Increase/(decrease) in provisions	(1,095)	324
Pension costs less contributions payable	274	40
Transfer of Harrogate College (including pension scheme transfer)	-	1,667
Operating cash flow before movements in working capital	910	6,166
(Increase)/decrease in stocks	(36)	(2)
(Increase)/decrease in debtors	593	(312)
(Decrease)/increase in creditors	(4,515)	(4,155)
Net cash generated from operations	<u>(3,048)</u>	<u>1,697</u>

### (b) Analysis of changes in net funds

	At 1 August 2019 £'000	Cash flows £'000	At 31 July 2020 £'000
Cash and cash equivalents	12,948	(4,879)	8,069
Borrowings	-	-	-
<b>Total</b>	<b>12,948</b>	<b>(4,879)</b>	<b>8,069</b>

# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 17 Retirement benefits

The College's employees belong to two principle 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 2020 (2019: £nil).

Total pension cost for the year	2020 £'000	2019 £'000
Teachers' Pension Scheme: contributions paid	1,355	1,153
East Riding Pension Fund:		
Contributions paid	750	2,119
Deficit funding	391	385
FRS 102 (28) charge	274	307
Charge to the Statement of Comprehensive Income	1,415	2,811
Defined contributions paid	148	118
Enhanced pension charge to Statement of Comprehensive Income	44	35
<b>Total pension cost for the year within staff costs</b>	<b>2,962</b>	<b>4,117</b>

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

#### Teachers' Pension Scheme

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

#### Valuation of the Teachers' Pension Scheme

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**17 Retirement benefits (continued)**

The latest actuarial valuation was carried out as at 31 March 2019 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 £1,355,000 (2019: £1,153,000).

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

As a result of the valuation, new employer contributions rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 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 2020 were £978,000, of which employer's contributions totalled £750,000 and employees' contributions totalled £228,000. Additional deficit funding of £391,000 has also been paid during the year. The contribution rates up to 31 March 2020 were 21.30% for employers and ranged from 5.50% to 12.50% for employees, depending on salary. The agreed contribution rates for future years from 1 April 2020 are 24.50% for employers and range from 5.50% to 12.50% for employees, depending on salary. Additional deficit funding of £107,000 has been agreed to March 2021 respectively.



# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 17 Retirement benefits (continued)

##### Principle actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by a qualified independent actuary.

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	1.2%**	1.4%**
Future pension increases	1.9%	2.2%
Discount rate	1.4%	2.2%
Inflation assumption (CPI)	1.9%	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.

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

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

	At 31 July 2020 Years	At 31 July 2019 Years
<i>Retiring today</i>		
Males	20.9	20.8
Females	23.3	23.3
<i>Retiring in 20 years</i>		
Males	21.8	22.0
Females	24.8	24.9

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

	Fair value at 31 July 2020 £'000	Fair value at 31 July 2019 £'000
Equity instruments	48,538	56,715
Debt instruments	12,694	11,028
Property	8,961	8,665
Cash	4,480	2,363
<b>Total fair value of plan assets</b>	<b>74,673</b>	<b>78,771</b>
 <b>Actual return on plan assets</b>	 <b>(3,731)</b>	 <b>4,163</b>

# Hull College Further Education Corporation

FINANCIAL STATEMENTS  
for the year ended 31 July 2020

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 17 Retirement benefits (continued)

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

	2020	2019
	£'000	£'000
Fair value of plan assets	74,673	78,771
Present value of plan liabilities	(99,763)	(89,459)
Present value of unfunded liabilities	(42)	(43)
<b>Net pensions liability</b>	<b>(25,132)</b>	<b>(10,731)</b>

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

	2020	2019
	£'000	£'000
Losses on curtailments and settlements	-	(1,273)
Current service cost	(1,415)	(1,538)
Net interest on defined benefit pension liability	(239)	(88)
<b>Total</b>	<b>(1,654)</b>	<b>(2,899)</b>

Amount recognised in other Comprehensive Income

Re-measurement of net defined benefit pension liability	(13,888)	(7,730)
---	----------	---------

	2020	2019
	£'000	£'000

Changes in the present value of defined benefit obligations

<b>Defined benefit obligations at start of period</b>	89,502	76,645
Current service cost	1,415	1,538
Interest cost	1,972	2,247
Contributions by scheme participants	228	288
Actuarial loss	8,424	9,734
Benefits paid	(1,736)	(1,301)
Plan introductions, changes, curtailments and settlements	-	1,273
Harrogate College settlement transfer	-	(922)
<b>Defined benefit obligations at end of period</b>	<b>99,805</b>	<b>89,502</b>

Changes in fair value of plan assets

<b>Fair value of plan assets at start of period</b>	78,771	73,772
Interest income	1,733	2,159
Return on plan assets (excluding net interest on the net defined benefit liability)	(5,464)	2,004
Employer contributions	1,141	2,504
Contributions by scheme participants	228	288
Benefits paid	(1,736)	(1,301)
Harrogate College settlement transfer	-	(655)
<b>Fair value of plan assets at end of period</b>	<b>74,673</b>	<b>78,771</b>

# Hull College Further Education Corporation

## FINANCIAL STATEMENTS

for the year ended 31 July 2020

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 18 Amounts disbursed as agent learner support funds

	2020 £'000	2019 £'000
Funding body grants – brought forward	85	115
Funding body grants	385	485
	<u>470</u>	<u>600</u>
Disbursed to students	(454)	(491)
Administration costs	<u>(19)</u>	<u>(24)</u>
Balance unspent as at 31 July, included in creditors	<u>(3)</u>	<u>85</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.

#### 19 Commitments under operating leases

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

	Group		College	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Payment due</b>				
Not later than one year	213	189	213	189
Later than one year and not later than five years	341	203	341	203
Later than five years	<u>784</u>	<u>784</u>	<u>784</u>	<u>784</u>
	<u>1,338</u>	<u>1,176</u>	<u>1,338</u>	<u>1,176</u>

#### 20 Related party transactions

Key management compensation disclosure is given in note 6.

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

The amounts paid to the above individual in the previous period (2019) was £4,576. In addition, Employers National Insurance costs of £535 were incurred.

# **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 26 October 2020 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 2019 to 31 July 2020 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

## **Matters arising**

During the previous financial year the then Accounting Officer entered into an agreement with Hull Kingston Rovers Football Club Limited (Hull KR) whereby the Corporation agreed to make annual payments of £80,000 plus VAT, over a three year period in return for exclusive official club stadium naming rights sponsor. The first payment of £80,000 plus VAT being made during the period 1 August 2019 to 31 July 2020. The sole approval by the then Accounting Officer of this agreement was in breach of the Corporations financial regulations.

During the year a supplemental payment was made of £12,000 plus VAT to Hull KR for shirt sponsorship. The cumulative total of this arrangement and the naming rights arrangement breach the Corporations financial regulations and were entered into without appropriate authority.

The Corporation is unable to provide evidence that there were business case or value for money assessments in respect of these arrangements.

## **Basis for conclusion**

The framework that has been applied is set out in the Post-16 Audit Code of Practice 2019 to 2020 (the "Code") 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 the Hull College Further Education Corporation in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

## **Responsibilities of Corporation of Hull College Further Education Corporation for regularity**

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 Governing Body's 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 Code.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from,

---



# 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)

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 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

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

## Use of our report

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

RSM UK Audit LLP

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

Date

15/3/2021