

Corporation of Hull College

Report and Financial Statements

for the year ended 31 July 2018

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key management personnel

Key management personnel are defined as members of the Strategic Leadership Team and were represented by the following in 2017/18:

Debra Forsythe-Conroy -	Principal, Harrogate College (resigned 31 March 2018)
Caron Wright -	Principal, Goole College (resigned 31 August 2018)
Andrew McCarroll -	Group Director of Quality, Standards and Student Experience
Michelle Swithenbank -	CEO and Accounting Officer (appointed as Interim CEO on 8 June 2017 and appointed as permanent CEO on 27 August 2018)
Matthew Rockett -	Director of Finance and Corporate Services (resigned 30 September 2018)
Paul Johnson -	Director of HR (resigned 30 September 2017)
Lottie Thompson -	Head of Legal and Governance
Daniel Howard -	Managing Director HCUK Training (resigned 31 March 2018)
Kim Wilcox -	Principal, Hull College (appointed 1 September 2017)
Steven Yardley -	Vice Principal Corporate & Commercial (appointed 18 September 2017)
Julie Milad -	Director of HR (appointed 11 October 2017)
Sue Martin -	Vice Principal Quality Improvement (appointed 23 March 2018)
Kevin Williams -	Principal, Harrogate College (appointed 6 February 2018)

Since 31 July 2018 the following appointment has been made to the Strategic Leadership Team:

Keith Oxspring -	Interim Director of Finance (appointed 8 October 2018)
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Board of Governors

A full list of Governors is given on pages 14 to 17 of these financial statements.
Lottie Thompson acted as Clerk to the Corporation throughout the period.

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KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS 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 to 31 July 2018

KPMG LLP
One Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Internal auditors from 1 August 2018

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

Bankers

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

Lloyds Bank plc
1 Grand Buildings
Jameson Street
Hull
HU1 3JX

Natwest
1 Humber Quays
Hull
HU1 2DG

Solicitors

Rollits
Citadel House
58 High Street
Hull
HU1 1QE

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REPORT OF THE GOVERNING BODY

Nature, objectives and strategies

The Members present their report and the audited financial statements for the year ended 31 July 2018.

Legal status

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

For the year ended 31 July 2018 the Group consisted of Hull, Goole and Harrogate campuses. The financial statements are consolidated with those of Hull College Enterprises Ltd and HCUK Resourcing Ltd for the year ended 31 July 2018. As a Group, Hull College trades as the Hull College Group and is referred to as this throughout.

Mission

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

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

Public benefit

Hull College is an exempt charity under Part 3 of the Charities Act 2011 and its principal regulator is the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 14 to 17.

In setting and reviewing the College's strategic objectives, the Governing Body 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 Group are to be found throughout this review.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

REPORT OF THE GOVERNING BODY (CONTINUED)

Implementation of strategic plan

The Governing Body monitors the performance of the Group against its Strategic Plan through a formal Corporation committee structure and key performance indicator reporting structure. Strategic Plans are reviewed and updated annually.

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

- To provide an excellent personalised learning experience.
- To develop a flexible, dynamic partnership approach to all aspects of business delivery.
- To provide an innovative range of products and delivery models meeting the needs of students and employers locally and nationally.
- To provide a high quality, inspiring and sustainable learning environment.
- To provide and embed shared values, creating high performance and a culture of responsibility and accountability.
- To ensure financial viability and sustainability.

The Group's values are Excel, Respect, Innovate and Celebrate.

The Group's Unique Selling Points (USP's) are Excellence, Support, Choice and Progression.

Key achievements in 2017/18

- A platform computer game created by Hull College, which features music by a city born composer was launched.
- Hull College hosted the BBC's Poetry and Spoken Word Festival "Contains Strong Language".
- A Hull College apprentice and the School of Construction were recognised in the prestigious Golden Apple Awards. The Golden Apple Awards celebrate the great work and dedication of the region's teachers, young people and organisations who work with young people.
- Hull College supported the Pride in Hull event.
- Hull College students released a charity single "Make Me Smile" for the Mick Ronson Charity, following Hull's main music event, Humber Street Sesh 2017.
- Hull College announced the launch of the Lee Stafford Academy providing the best training opportunities in the world for would-be hairdressers.
- Hull College supported the Freedom Festival, one of the city's biggest arts events, with the College building itself being the focal point of spectacular aerial theatre performance "Substratum", which used the Tower Block walls as a stage.

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REPORT OF THE GOVERNING BODY (CONTINUED)

Performance indicators

The Group initially had some historic KPIs in place during the year ended 31 July 2018. However, these were revised in conjunction with the Fresh Start agreement and the new performance indicators described below were adopted. It is not thought worthwhile to report against the former KPIs.

The Corporation has adopted seven strategic objectives for the Group. These are:

Adjusted EBITDA

The Group forecasts to improve adjusted EBITDA as a percentage of income by 2021/22.

Borrowings

The Group forecasts to reduce borrowings as a percentage of income to less than 20% by 2021/22.

Adjusted current ratio

The Group forecasts to improve the current ratio to at least 0.7:1 by 2021/22.

Staff costs

The Group forecasts to reduce staff costs as a percentage of income to 65% in the short to medium term.

Financial health grading

The Group forecasts to improve the financial health grading to at least "satisfactory" in the short to medium term.

Estate utilisation

The Group forecasts to improve estate utilisation to 32% by 2021/22.

Gross margin by course

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

In addition to the above, the Group 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 Group is required to complete the annual Finance Record for the ESFA. Based on 2017/18 data the Group is assessed by the ESFA as having an "inadequate" financial health grading.

Corporation of Hull College

FINANCIAL STATEMENTS

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REPORT OF THE GOVERNING BODY (CONTINUED)

FINANCIAL POSITION

Financial results

The Group generated a surplus in the year of £22,055,000 before taxation (2016/17 deficit £9,690,000). The surplus for the year is after charging £6,590,000 (2016/17 £1,454,000) in respect of restructuring costs.

As at 31 July 2018, the Group has an accumulated reserve on the income and expenditure account of £21,965,000. This was after recognising a pension liability of £2,873,000 in its financial statements.

As detailed later the Group 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 Group, returning the Group 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 College has made substantial progress towards attaining financial stability by:

- Achieving significant staff cost savings and initiating an organisational restructure to reduce staff costs further over future years.
- Improving estates utilisation, in particular by discontinuing the use of facilities at Park Street and West Park in Hull, with further consolidation of the estate planned.
- Closely monitoring and reducing non-pay costs across all area of the Group's activities.

The College can confirm that all terms and conditions included in the TU funding agreement have been adhered to.

Tangible fixed asset additions during the year amounted to £1,524,000. This was split between land and buildings of £361,000 and equipment purchases of £1,163,000. Further details about capital investment are included on page 6. The Group has significant reliance on government funding, largely from recurrent grants. In 2017/18 the funding bodies provided 86% of the Group's total income.

Treasury policies and objectives

Treasury management is the management of the Group'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 Group 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.

Cash flows and liquidity

The Group had an operating cash inflow of £17,514,000 (2016/17 £5,620,000).

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

REPORT OF THE GOVERNING BODY (CONTINUED)

FINANCIAL POSITION (CONTINUED)

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 Corporation's intention to increase reserves over the life of the strategic plan by the generation of operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2017/18 the Group delivered activity that produced £29.6million in funding body main allocation funding. The Group had 2,499 students funded under the ESFA Young People's allocation, 153 under 16s funded as Direct Entry students, 4,007 adults on classroom based provision and 5,882 apprentices either new starts in the year or continuing from the previous year. In addition, we had 916 Higher Education students.

Student achievements

Individual student and staff achievements include:

- A new brand designed by a student was rolled out across Hull College Group in September 2018. The aim was to give students the opportunity to work to a real life brief as part of the College's focus on the skills needed by employers in the local area.
- A Hull College level 3 Professional Cookery student was awarded the Yorkshire Chef Certificate, which is a programme endorsed by the owner of The Pipe & Glass Inn, South Dalton.
- Students from the Hull College School of Hospitality & Catering succeeded in bringing back the gold after winning a national culinary competition. The team of seven learners from level 2 and level 3 culinary skills competed at one of the largest live culinary competitions held within the UK.
- For the 9th year running, staff and students in the Ceramics and Glass department designed and made the trophies for the REYTA Awards 2018.
- Hull College students competed in the national finals at the Birmingham NEC for a place on Squad UK.
- Students from the School of Engineering, Computing and Science designed a batch of festive metal snowmen, which they sold to raise an impressive sum of money for local charity "Nice 2B Nice".
- A Hull College student won the Copper Saucepan Award 2017 at the apprentice chef competition, which showcases the region's talented young chefs.

Curriculum developments

The Group continued the first phase of a curriculum review as part of the initial stages of the recovery plan. New systems were invested in to assist in the planning of more up to date delivery that is both efficient and meets local needs. Staffing was still above the required levels and unaffordable in this financial year.

At its Ofsted inspection in November 2015 the College was given a grade of 'Good' for 'Overall Effectiveness' and 'Good' for all key inspection judgements. The report highlights strengths as good with improving teaching and learning, highly effective and innovative partnership working, high quality adult provision and a successful focus on the development of employability skills creating a positive attitude to learning.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

REPORT OF THE GOVERNING BODY (CONTINUED)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (CONTINUED)

Curriculum developments (continued)

Inspection of types of provision graded 16-19 study programmes as 'requires improvement'. The key areas for improvement focussed on the progress learners make in study programmes, specifically in English and mathematics, and the requirement to ensure teachers planning provides suitable challenge for more able learners.

To drive quality improvement across the College, these key priority areas of focus were embedded in all teaching and learning activities and new systems for tracking and monitoring learner progress were introduced. Redesigned quality systems saw the introduction of Quality Managers who provided an added level of challenge to all aspects of teaching, learning and assessment. Teaching teams were supported by Quality Managers to develop their practice through the introduction of targeted CPD activities and individual support following observations of teaching learning and assessment was given.

This bespoke approach to CPD and support resulted in a positive impact on teaching, learning and assessment performance particularly in study programme courses that were supported to improve. The impact of was an increase in achievement rates in basic skills, maths and English whilst achievement rates in GCSE maths and English combined remained static when compared to the previous year. During the year, there was a significant period of change within the College and further work to develop stretch and challenge and maths and English needs to continue.

Capital investment programme

Considerable capital investment has taken place in 2017/18.

Major projects included:

- The purchase of new furniture for the College reception and student social areas.
- An upgrade of computer hardware.
- Significant expenditure on IT development including a new Student Records system.

The Group capital investment programme involved an allocation to undertake a range of approved business improvement works and a programme of long term maintenance works.

Corporation of Hull College

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REPORT OF THE GOVERNING BODY (CONTINUED)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (CONTINUED)

Going concern

The Group has considered the issue of going concern at Corporation level. The Group maintains a close focus on balancing strength and availability of liquid resources in the event that short term pressures are experienced given the continuing financial, operational and structural developments within the FE sector. After making appropriate enquiries, the Corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future.

In order to assess this, the Corporation has considered the following:

- The financial recovery plan, which includes detailed cash flow forecasts, for the period to 31 July 2022.
- An assessment of the Group's short, medium and long term cash flow forecasts.
- The ESFA Restructuring Facility Grant approved in February 2018.
- The robustness of the majority of the Group's operating income from the ESFA.
- A review of the Group'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.

The Corporation regularly holds the Strategic Leadership Team to account on the direction of the College, including business development and the generation of contribution from new areas of activity.

For these reasons the Group continues to adopt the going concern basis in preparing the financial statements.

Events after the end of the reporting period

There were no events after the reporting period that were worthy of note.

Future prospects

Going Concern

The Governing Body of Hull College Group believes that the Group will be able to continue in operation and meet its liabilities for at least the next five years as a result of securing Restructuring Grant facilities.

ESFA support

The ESFA originally agreed to provide ongoing working capital support in the form of monthly payments to the Group. However, in February 2018 these payments were converted into a Restructuring Facility Grant. The Restructuring Facility Grant Agreement also includes additional financial support over future years to enable the College to deliver the five year recovery plan under "Fresh Start" arrangements.

Financial Notice of Concern

On 11 November 2016 the Hull College Group 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 Group 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.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

REPORT OF THE GOVERNING BODY (CONTINUED)

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, the Boothferry Road building in Goole and the Hornbeam Park campus in Harrogate.

Financial

The Group had £22.0 million of net assets (including £2.9 million pension liability) and creditors falling due after more than one year of £9.4 million at 31 July 2018.

People

During the year ended 31 July 2018, the Group employed 759 people (expressed as full time equivalents), of whom 276 were teaching staff.

Reputation

The Group has a good reputation locally and nationally. Maintaining a quality brand is essential for the Group's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group 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 Group's assets and reputation.

Based on the Strategic Plan, the Risk Management Group undertakes a comprehensive review of the risks to which the Group is exposed. They identify systems and procedures, including specific preventable actions that should mitigate any potential impact on the Group. 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 Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the Group.

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

This is supported by the risk management group to raise awareness of risk throughout the College Group.

The principal risks currently included on the risk register are:

- Loss of critical data systems
- Unable to deliver proposed organisational restructure
- Loss of key personnel
- Decline in the 16-18 FE market
- Reductions in HE income streams
- Adverse media coverage as a result of change programme
- Failure to execute the Estates Strategy on time and to budget
- Inability to maintain financial stability

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

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REPORT OF THE GOVERNING BODY (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Government funding

The College relies on continued government funding through the Further Education sector funding and HEFCE/OfS. In 2017/18 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. Changes to the funding of post-16 provision, the apprenticeship reform and the EU referendum may all have an impact on future government funding. Additionally, the introduction of 16-19 academies and a UTC in the Group's operating area may impact upon recruitment and thus funding. However, the College does have opportunities for alternative income streams through College enterprises which continue to develop and offer net income and also the opportunity for students to work on Real Working Environments (RWEs).

This risk of reliance on 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.
- Considerable focus and investment on maintaining and managing key relationships with the various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- The continued development of non-grant income.

Tuition fee policy

In line with the majority of other colleges, The Hull College Group 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 in a number of ways:

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

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.

Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "inadequate" as described above. This is largely the consequence of incurring significant operating deficits over recent years. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

Corporation of Hull College

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REPORT OF THE GOVERNING BODY (CONTINUED)

STAKEHOLDER RELATIONSHIPS

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

- Students
- Funding bodies
- FE Commissioner
- Staff
- Employers (with specific links)
- Local Authorities
- Government Offices
- The local community
- Other FE institutions
- Trade unions
- Professional bodies
- Advisors
- OFSTED
- QAA
- Local Enterprise Partnerships
- Governors

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

Equal opportunities and employment of disabled persons

The Group 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 Group's Single Equality Scheme sets out the Group's 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 Group's Governing Body. It is available on the Group's internal and external websites.

The Group actively promotes vacancies using appropriate methods to appeal to a diverse range of people. The Group 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 Group continues. The Group'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 Group 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.

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FINANCIAL STATEMENTS

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REPORT OF THE GOVERNING BODY (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:

- a) Disability considerations are built into the Group's accommodation strategy.
- b) The Group 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.
- c) The Group can provide a range of specialist equipment for students to use and has a variety of assistive technology available.
- d) The admissions policy for all students is described in the Group student charter.
- e) The Group 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.
- f) Specialist programmes are described in the Colleges' prospectuses, and achievement and destinations are recorded and published on the Group website and within appropriate publications.
- g) 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 Group 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 Group'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 Group 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 Group 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 Group for recruitment, retention, achievement, progression, disciplinary action, grievances and complaints (in termly Performance Reviews, SARs and annual E & D Report).
- To review annually our Group 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 Group's commitment to Equality and Diversity.
- To take into account socio-economic disadvantages when making strategic decisions either as a Group or as a strategic partner, with a view to positive action improvements.

Corporation of Hull College

FINANCIAL STATEMENTS

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REPORT OF THE GOVERNING BODY (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
7	6.6

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	
1-50%	7
51-99%	
100%	

Percentage of pay bill spent on facility time

Total cost of facility time	21,083
Total pay bill	34,969,000
Percentage of total bill spent on facility time	0.1%

Paid Trade Union activities

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Group'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 Group's auditors are aware of that information.

Approved by order of the members of the Corporation on 20 December 2018 and signed on its behalf by:


Chris Fenwick
Interim Chair

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and financial statements of the Group to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2017 to 31 July 2018 and up to the date of approval of the annual report and financial statements.

The Group endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code") and;
- iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The Group is committed to exhibiting best practice in all aspects of corporate governance, and in particular the Group has adopted and complied with the Code. The Corporation undertakes biannual reviews of the corporate governance arrangements measured against the Code through its Governance Committee. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code 2016 we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the Group complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2018. 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. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in July 2015.

The Group 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 elsewhere in these financial statements.

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FINANCIAL STATEMENTS

for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

The Corporation

The composition of the Corporation during the year ended 31 July 2018 and up to the date of signature of this report is set out below:

Name	Date of Appointment	Term of Office	Date of Resignation/ Retirement	Committees Served	Corporation Meeting Attendance
Ms M Askew <i>Re-appointed</i>	September 2009 September 2013	4 years 4 years	N/A August 2017	Audit, Excellence (Vice Chair), Governance (Chair), Remuneration, SWOT	N/A for 2017/18
Mr S Clark	December 2014	4 years	N/A	Audit (Vice Chair and then Chair), Fresh Start (Chair), Remuneration, SWOT	24 August 2017 28 September 2017 26 October 2017 23 November 2017 21 December 2017 25 January 2018 27 February 2018 22 March 2018 26 April 2018 24 May 2018 21 June 2018
Mr C Fenwick <i>Re-appointed</i> <i>Re-appointed</i>	April 2010 April 2014 April 2018	4 years 4 years 1 year	N/A N/A N/A	Interim Chair of Corporation, Audit, Governance (Vice Chair), Remuneration, SWOT	24 August 2017 28 September 2017 26 October 2017 23 November 2017 21 December 2017 25 January 2018 27 February 2018 22 March 2018 26 April 2018 24 May 2018 21 June 2018 12 July 2018
Mr K Hajibattal	December 2016	1 year	December 2017	Excellence	24 August 2017 28 September 2017 23 November 2017
Ms A Hamid <i>Re-appointed</i>	August 2015 September 2017	4 years 4 years	July 2016 N/A	Audit, Finance & Estates, Finance & General Purposes	28 September 2017 26 October 2017 23 November 2017 21 December 2017 27 February 2018 22 March 2018 26 April 2018
Ms H Jack <i>Re-appointed</i>	January 2013 January 2017	4 years 4 years	June 2018	Excellence, Finance & General Purposes, Governance	24 August 2017 26 October 2017 21 December 2017 25 January 2018 22 March 2018

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

The Corporation (continued)

Name	Date of Appointment	Term of Office	Date of Resignation/ Retirement	Committees Served	Corporation Meeting Attendance
Mr L Harte	July 2017	4 years	N/A	Audit	24 August 2017 28 September 2017 26 October 2017 23 November 2017 21 December 2017 25 January 2018 22 March 2018 26 April 2018 24 May 2018
Ms K Keaney	December 2014	4 years	August 2017	Excellence	N/A for 2017/18
Ms G Lunn	September 2017	4 years	N/A	Governance	28 September 2017 26 October 2017 23 November 2017 21 December 2017 22 March 2018 26 April 2018 21 June 2018
Ms R Oughtibridge <i>Appointed Chair of Corporation</i>	March 2017 October 2017	4 years	October 2018	Chair of Corporation, Finance & General Purposes, Fresh Start, Remuneration (Chair)	24 August 2017 26 October 2017 21 December 2017 25 January 2018 27 February 2018 22 March 2018 26 April 2018 24 May 2018 21 June 2018 12 July 2018
Ms E Palmer	July 2016	4 years	N/A	Governance (Chair), Remuneration	24 August 2017 26 October 2017 21 December 2017 26 April 2018 21 June 2018
Mr C Roberts <i>Re-appointed</i>	January 2012 January 2016	4 years 4 years	N/A N/A	Finance & Estates, Finance & General Purposes	26 October 2017 23 November 2017 27 February 2018 22 March 2018 12 July 2018
Ms A Rudolph	February 2018	4 years	N/A	N/A	22 March 2018 26 April 2018 24 May 2018 21 June 2018 12 July 2017

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

The Corporation (continued)

Name	Date of Appointment	Term of Office	Date of Resignation/ Retirement	Committees Served	Corporation Meeting Attendance
Mr S Scarre	September 2016	4 years	January 2018	Audit	24 August 2017 28 September 2017 26 October 2017 21 December 2017
Mr N Swash <i>Re-appointed Chair of Corporation and Governor Re-appointed as Co-Opted Advisor Re-appointed as Governor</i>	November 2010 July 2014 October 2015 February 2016 (to June 2019)	4 years 4 years 1 year	N/A July 2018	Audit, Remuneration (Chair), SWOT (Chair)	N/A for 2017/18
Ms M Swithenbank	March 2017	Ex Officio	N/A	Excellence, Governance	24 August 2017 28 September 2017 26 October 2017 23 November 2017 21 December 2017 25 January 2018 27 February 2018 22 March 2018 26 April 2018 24 May 2018 21 June 2018 12 July 2018
Mr J Taylor <i>Academic Staff Governor</i>	May 2017	4 years subject to re- election	N/A	Governance	24 August 2017 28 September 2017 26 October 2017 23 November 2017 21 December 2017 25 January 2018 27 February 2018 22 March 2018 26 April 2018 24 May 2018 21 June 2018 12 July 2018
Ms P Tomlinson <i>Re-appointed Appointed Chair of Corporation</i>	April 2010 April 2014 July 2015	4 years 4 years	N/A September 2017	Chair of Corporation, Excellence (Chair), Governance, Remuneration, SWOT (Chair)	24 August 2017

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

The Corporation (continued)

Name	Date of Appointment	Term of Office	Date of Resignation/ Retirement	Committees Served	Corporation Meeting Attendance
Mr I Watling	September 2016	4 years	N/A	Finance & General Purposes (Chair), Fresh Start, Remuneration	24 August 2017 28 September 2017 26 October 2017 23 November 2017 21 December 2017 25 January 2018 26 April 2018 21 June 2018
Mr D Wills Co-opted Advisor	February 2018	1 year	N/A	N/A	27 February 2018 22 March 2018 26 April 2018 24 May 2018 12 July 2018

L Thompson acted as Clerk to the Corporation throughout the period.

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 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 Group and monitors outcomes.

During the financial year, the Corporation undertook an independent review of Governance through an external organisation. The outcome of this review made a number of recommendations which were considered and/or implemented. The first of which was to "hibernate" all committees other than the Audit, Fresh Start, Governance and Remuneration Committees and move to monthly Corporation meetings.

Between August 2016 and March 2017, 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
- Excellence
- SWOT
- Finance & General Purposes
- Governance
- Remuneration
- Fresh Start

The Governors receive updates from three stakeholder groups: the Harrogate Consultative Committee, the Goole Consultative Committee and the Hull Consultative Committee, which meet three times per year with businesses, statutory agencies and other education establishments within their localities to provide intelligence to the Corporation on community educational needs and aspirations.

During this time, the full Corporation met four times for specific reviews of strategic issues.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

The Corporation (continued)

Post March 2017, the full Corporation meets on a monthly basis for specific reviews of strategic issues.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available for inspection on request from the Clerk to the Corporation at:

Hull College
Queen's Gardens
Wilberforce Drive
Hull
HU1 3DG

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

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

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

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

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

Corporation minutes were not posted to the College website during the period due to the sensitive nature of their content whilst liaison with the Transaction Unit was taking place.

Appointments to the Corporation

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

Members of the Corporation are appointed for a term of office not exceeding four years. Members retiring at the end of their term of office are eligible for re-appointment.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

The Corporation (continued)

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 2018, 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 Strategic Leadership Team.

Details of staff remuneration for the year ended 31 July 2018 are set out in note 6 to the financial statements.

Audit Committee

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

The Audit Committee meets at least once per term and provides a forum for reporting by the Group's internal, regularity and financial statements auditors, who also have access to the committee for independent discussion, without the presence of the Group's management. The committee also receives and considers reports from the main FE funding bodies, as they affect the Group's business. The Audit Committee takes an active role to ensure adequate risk management processes are in place within the Group, 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 Group'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.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Internal control (continued)

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 Group's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Hull College and the Funding Body. She 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 2018 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the Group is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks.

The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the Group's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

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 Group has an internal audit service, which operates in accordance with the requirements of the ESFA's Post-16 Audit Code of Practice. The work of the internal audit service is informed by mandatory audit reporting requirements and an analysis of the risks to which the Group 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 Corporation on the recommendation of the Audit Committee. On an annual basis, the Head of Internal Audit (HIA) of the internal audit service provides the Corporation with a report on internal audit activity in the Group. The report includes the HIA's independent opinion on the adequacy and effectiveness of the Group's system of risk management, controls and governance processes.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Internal control (continued)

Review of effectiveness

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

- the work of the internal auditors
- the work of the executive managers within the Group who have responsibility for the development and maintenance of the internal control framework
- observations made by the Group'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 her 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 Strategic Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness. Performance reviews are held with each school and unit each term to consider key performance and risk indicators as well as other possible control, quality and operational issues. The senior management 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 management team and the audit committee. Each committee also specifically assesses risk in respect of their impact on teaching, learning and assessments. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, taking into account of events since 31 July 2018.

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

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Going concern

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

Therefore, the Corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future and meet its liabilities as they fall due. For this reason the Group continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 20 December 2018 and signed on its behalf by:



Chris Fenwick
Interim Chair



Michelle Swithenbank
Chief Executive and Accounting Officer

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

Governing Body's statement on the College's regularity, propriety and compliance with Funding Body terms and conditions of funding

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

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

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



Chris Fenwick
Interim Chair

20 December 2018



Michelle Swithenbank
Chief Executive and Accounting Officer

20 December 2018

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the Funding Body, the Corporation through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2017 to 2018 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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Group will continue in operation.

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group, 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 Group and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 20 December 2018 and signed on its behalf by:



Chris Fenwick
Interim Chair

Independent Auditors' Report to the Corporation of Hull College

Opinion

We have audited the financial statements of Hull College (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2018 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 2018 and of the Group's and the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 2017 to 2018 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.

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

Responsibilities of the Corporation of Hull College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 24, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 24 July 2017. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP

Chartered Accountants
Two Humber Quays
Wellington Street West
HULL
HU1 2BN

Date 21/12/2018

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2018

	Notes	2018		2017	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	3	35,737	35,737	37,686	37,686
ESFA restructuring facility	3	34,187	34,187	-	-
Tuition fees and education contracts	4	8,126	8,126	8,015	8,015
Other income	5	1,891	1,707	2,064	1,868
Total income		<u>79,941</u>	<u>79,757</u>	<u>47,765</u>	<u>47,569</u>
EXPENDITURE					
Staff costs	6	28,379	28,533	29,850	29,777
Restructuring costs	6	6,590	6,590	1,454	1,454
Other operating expenses	7	21,058	20,829	23,142	23,015
Depreciation	10	2,155	2,155	2,355	2,355
Interest and other finance costs	8	547	547	654	654
Total expenditure		<u>58,729</u>	<u>58,654</u>	<u>57,455</u>	<u>57,255</u>
Surplus/(deficit) before other gains and losses		21,212	21,103	(9,690)	(9,686)
Profit on disposal of tangible fixed assets		843	843	-	-
Surplus/(deficit) before tax		22,055	21,946	(9,690)	(9,686)
Taxation	9	-	-	-	-
Surplus/(deficit) for the year		22,055	21,946	(9,690)	(9,686)
Re-measurement of net defined benefit pension liability	19	14,933	14,933	2,494	2,494
Other comprehensive income for the year		14,933	14,933	2,494	2,494
Total comprehensive income for the year		<u>36,988</u>	<u>36,879</u>	<u>(7,196)</u>	<u>(7,192)</u>
Surplus/(deficit) for the year attributable to the Corporation of the College		22,055	21,946	(9,690)	(9,686)
Total comprehensive income for the year attributable to Corporation of the College		<u>36,988</u>	<u>36,879</u>	<u>(7,196)</u>	<u>(7,192)</u>

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY 2018

	Notes	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Fixed assets					
Tangible assets	10	34,226	34,226	35,017	35,017
Investments	11	1	1	1	1
		<u>34,227</u>	<u>34,227</u>	<u>35,018</u>	<u>35,018</u>
Current assets					
Stocks		158	156	126	124
Debtors	12	2,900	3,242	2,161	2,265
Cash at bank and in hand		14,007	13,620	2,063	1,916
		<u>17,065</u>	<u>17,018</u>	<u>4,350</u>	<u>4,305</u>
Current liabilities					
Creditors – amounts falling due within one year	13	(15,521)	(15,579)	(26,869)	(26,820)
Net current assets/(liabilities)		<u>1,544</u>	<u>1,439</u>	<u>(22,519)</u>	<u>(22,515)</u>
Total assets less current liabilities		<u>35,771</u>	<u>35,666</u>	<u>12,499</u>	<u>12,503</u>
Creditors – amounts falling due after more than one year	14	(9,408)	(9,408)	(9,944)	(9,944)
Provisions for liabilities					
Defined benefit pension scheme	19	(2,873)	(2,873)	(16,361)	(16,361)
Other provisions	16	(1,525)	(1,525)	(1,217)	(1,217)
Total net assets/(liabilities)		<u>21,965</u>	<u>21,860</u>	<u>(15,023)</u>	<u>(15,019)</u>
Reserves					
Income and expenditure reserve		21,965	21,860	(15,023)	(15,019)
Attributable to the College Corporation and total unrestricted reserves		<u>21,965</u>	<u>21,860</u>	<u>(15,023)</u>	<u>(15,019)</u>

The financial statements on pages 27 to 54 were approved and authorised for issue by the Corporation on 20 December 2018 and were signed on its behalf on that date by:



Chris Fenwick
Interim Chair



Michelle Swithenbank
Chief Executive and Accounting Officer

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2018

	Income and expenditure reserve £'000	Total £'000
Group		
Balance at 1 August 2016	(7,827)	(7,827)
Deficit for the year	(9,690)	(9,690)
Other comprehensive income	2,494	2,494
Total comprehensive income for the year	(7,196)	(7,196)
Balance at 31 July 2017	(15,023)	(15,023)
Surplus for the year	22,055	22,055
Other comprehensive income	14,933	14,933
Total comprehensive income for the year	36,988	36,988
Balance at 31 July 2018	21,965	21,965
College		
Balance at 1 August 2016	(7,827)	(7,827)
Deficit for the year	(9,686)	(9,686)
Other comprehensive income	2,494	2,494
Total comprehensive income for the year	(7,192)	(7,192)
Balance at 31 July 2017	(15,019)	(15,019)
Surplus for the year	21,946	21,946
Other comprehensive income	14,933	14,933
Total comprehensive income for the year	36,879	36,879
Balance at 31 July 2018	21,860	21,860

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2018

	Notes	2018 £'000	2017 £'000
Operating activities			
Net cash generated from operations	18	17,514	5,620
Taxation paid		-	-
Net cash from operating activities		<u>17,514</u>	<u>5,620</u>
Investing activities			
Purchase of tangible fixed assets		(1,524)	(3,801)
Proceeds on disposal of tangible fixed assets		1,003	-
		<u>(521)</u>	<u>(3,801)</u>
Financing activities			
Interest paid		(93)	(215)
Repayments of other loans		(264)	(139)
Proceeds of new borrowings		-	1,123
Repayments of borrowings		(4,635)	(318)
Payment of obligations under finance leases		(57)	(54)
		<u>(5,049)</u>	<u>397</u>
Increase in cash and cash equivalents in the year		<u>11,944</u>	<u>2,216</u>
Cash and cash equivalents at beginning of the year		2,063	(153)
Cash and cash equivalents at end of the year		<u>14,007</u>	<u>2,063</u>
Relating to:			
Bank balances included in cash at bank and in hand		14,007	2,063
Overdrafts included in creditors: amounts falling due within one year		-	-
Cash and cash equivalents at end of the year		<u>14,007</u>	<u>2,063</u>

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

General information

Hull College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 18. The nature of the College's operations is set out in the Report of the Governing Body.

Basis of accounting

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2017 to 2018 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) under the historical cost convention. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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

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

Reduced disclosures

In accordance with the 2015 FE HE SORP and FRS 102, 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 2018.

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.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

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 Governing Body. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, 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 HEFCE 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.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 Accounting policies (continued)

Other income

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

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

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

Retirement benefits

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

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

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 Accounting policies (continued)

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.

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.

Properties under construction

Properties in the course of construction are accounted for at cost less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the property to operating condition. They are not depreciated until they are brought into use.

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.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 Accounting policies (continued)

Depreciation and residual values

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

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

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

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

Impairments of fixed assets

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

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

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

Borrowing costs

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

Finance leased assets

Leasing agreements which transfer to the College substantially all the benefits and risks and rewards incidental to ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset or, if lower, the present value of minimum lease payments as determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Assets are depreciated over the shorter of the lease term and the estimated useful economic life of the asset and assessed for impairment losses in the same way as owned assets.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 Accounting policies (continued)

Operating leases

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

Cash and cash equivalents

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

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

Financial instruments

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

Financial assets and liabilities

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

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

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, 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.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 Accounting policies (continued)

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. 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.

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.

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.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Critical accounting judgements and estimation uncertainty (continued)

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

- 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.

- East Riding Pension Fund

The present value of the East Riding Pension Fund defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. 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.

- 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.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Critical accounting judgements and estimation uncertainty (continued)

Critical accounting estimates and assumptions

- 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.

3 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
ESFA - 16 -18	15,810	15,810	15,556	15,556
ESFA - adult	10,841	10,841	8,907	8,907
ESFA - apprenticeships	7,776	7,776	11,425	11,425
Higher Education Funding Council/OfS	548	548	1,038	1,038
Specific grants				
ESFA - restructuring facility	34,187	34,187	-	-
Releases of government capital grants	762	762	760	760
Total	<u>69,924</u>	<u>69,924</u>	<u>37,686</u>	<u>37,686</u>

4 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Tuition fees	6,590	6,590	7,024	7,024
Education contracts	1,536	1,536	991	991
Total	<u>8,126</u>	<u>8,126</u>	<u>8,015</u>	<u>8,015</u>

Included within the above amounts are tuition fees funded by bursaries of £11,000 (2017 £34,000).

5 Other income

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering	575	575	612	612
Other income generating activities	27	27	307	27
Non-government capital grants	14	14	320	320
Examination fees income	71	71	77	77
Miscellaneous income	1,204	1,020	748	832
Total	<u>1,891</u>	<u>1,707</u>	<u>2,064</u>	<u>1,868</u>

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The average number of persons employed by the Group (including key management personnel) during the year, expressed as full-time equivalents, was:

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	No.	No.	No.	No.
Teaching staff	276	276	308	308
Non-teaching staff	483	417	594	517
	<u>759</u>	<u>693</u>	<u>902</u>	<u>825</u>

Staff costs for the above persons:

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	20,916	18,425	22,957	21,711
Social Security costs	1,650	1,650	2,005	1,928
Other pension costs	4,532	4,532	4,583	4,563
Payroll sub-total	<u>27,098</u>	<u>24,607</u>	<u>29,545</u>	<u>28,202</u>
Contracted out staffing services	1,281	3,926	305	1,575
	<u>28,379</u>	<u>28,533</u>	<u>29,850</u>	<u>29,777</u>
Restructuring costs - contractual	5,944	5,944	1,387	1,387
- non-contractual	646	646	67	67
Total staff costs	<u>34,969</u>	<u>35,123</u>	<u>31,304</u>	<u>31,231</u>

The staff restructuring costs were approved by the Corporation.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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 Strategic Leadership Team. During the year ended 31 July 2018 the Strategic Leadership Team comprised the Accounting Officer, Principals of the three individual colleges, Vice Principal Corporate & Commercial, Vice Principal Quality Improvement, Managing Director of HCUK Training, Group Director of Quality, Standards and Student Experience, Head of Legal and Governance, Director of Finance and Corporate Services and Director of HR.

The emoluments below relate to the key management personnel and Accounting Officers who were in post during the year ended 31 July 2018. Michelle Swithenbank was the Accounting Officer from 1 March 2017, but joined the College on 3 January 2017 in the role of Deputy CEO.

Emoluments of key management personnel, Accounting Officer and other higher paid staff

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	13	12

The number of key management personnel employed by the College and other staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Key management personnel		Other staff	
	2018 No.	2017 No.	2018 No.	2017 No.
£60,001 to £70,000 p.a.	2	4	-	4
£70,001 to £80,000 p.a.	5	1	-	-
£80,001 to £90,000 p.a.	-	1	-	1
£90,001 to £100,000 p.a.	1	3	-	-
£100,001 to £110,000 p.a.	-	-	-	-
£110,001 to £120,000 p.a.	-	-	-	-
£120,001 to £130,000 p.a.	1	1	-	-
£130,001 to £140,000 p.a.	-	1	-	-
£160,001 to £170,000 p.a.	1	1	-	-
	10	12	-	5

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Key management personnel compensation (continued)

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

	2018 £'000	2017 £'000
Salaries	751	869
Invoiced costs	172	-
Benefits in kind	1	10
National Insurance	89	100
	<u>1,013</u>	<u>979</u>
Pension contributions	80	111
	<u>1,093</u>	<u>1,090</u>
Total emoluments	1,093	1,090

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

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

Current Accounting Officer - from 1 March 2017, interim to 27 August 2018

	2018 £'000	2017 £'000
Salaries	150	58
Benefits in kind	-	-
National Insurance	20	7
	<u>170</u>	<u>65</u>
Total emoluments	<u>170</u>	<u>65</u>

Former Accounting Officer - to 28 February 2017

	2018 £'000	2017 £'000
Salaries	-	188
Benefits in kind	-	-
National Insurance	-	13
	<u>-</u>	<u>201</u>
Pension contributions	-	29
	<u>-</u>	<u>230</u>
Total emoluments	<u>-</u>	<u>230</u>

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Key management personnel compensation (continued)

	2018 £'000	2017 £'000
Compensation paid to former post-holder	-	12
Estimated value of other benefits	-	-
Total	-	12

All severance payments were approved by the College's Corporation.

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 £2,826 to 7 governors (2017: £4,102, to 6 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2017: None).

7 Other operating expenses

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	7,512	7,512	11,750	11,750
Non-teaching costs	7,463	7,234	7,415	7,323
Premises costs	6,083	6,083	3,977	3,942
Total	21,058	20,829	23,142	23,015

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

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Auditors remuneration:				
Financial statements audit - College	40	40	48	48
Financial statements audit - subsidiaries	8	-	10	-
Internal audit	55	55	40	40
Other services provided by financial statements auditors:				
Other services	20	17	21	18
Profit on disposal of tangible fixed assets	(843)	(843)	-	-
Operating lease rentals	1,003	1,003	1,045	1,045

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Interest and other finance costs

	Year ended 31 July		Year ended 31 July	
	2018	2018	2017	2017
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans, overdrafts and other loans	80	80	203	203
Finance leases	13	13	12	12
Net interest on defined pension liability (note 19)	454	454	439	439
Total	547	547	654	654

9 Taxation - Group

	2018	2017
	£'000	£'000
Current tax		
United Kingdom Corporation tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total tax on surplus/(deficit)	-	-

10 Tangible fixed assets (Group)

	Freehold land and buildings £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2017	53,950	17,131	71,081
Additions	361	1,163	1,524
Disposals	(160)	-	(160)
At 31 July 2018	54,151	18,294	72,445
Depreciation			
At 1 August 2017	21,109	14,955	36,064
Charge for the year	1,559	596	2,155
Disposals	-	-	-
At 31 July 2018	22,668	15,551	38,219
Carrying amount at 31 July 2018	31,483	2,743	34,226
Carrying amount at 31 July 2017	32,841	2,176	35,017

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Tangible fixed assets (College)

	Freehold land and buildings £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2017	53,950	17,131	71,081
Additions	361	1,163	1,524
Disposals	(160)	-	(160)
At 31 July 2018	54,151	18,294	72,445
Depreciation			
At 1 August 2017	21,109	14,955	36,064
Charge for the year	1,559	596	2,155
Disposals	-	-	-
At 31 July 2018	22,668	15,551	38,219
Carrying amount at 31 July 2018	31,483	2,743	34,226
Carrying amount at 31 July 2017	32,841	2,176	35,017

The net book value of equipment includes an amount of £179,000 (2017: £237,000) in respect of assets held under finance leases. The depreciation charge for the year in respect of leased assets was £58,000 (2017: £53,000).

The gross book value of freehold land and buildings includes land with a value of £9,759,500 (2017: £9,759,500), which is not depreciated.

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

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

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Investments

	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
Cost and carrying amount			
At 1 August 2017 and at 31 July 2018	-	1	1

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

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

12 Debtors

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Amounts falling due within one year:				
Trade debtors	832	808	326	317
Amounts owed by group undertakings	-	366	-	113
Prepayments and accrued income	702	702	638	638
Amount owed by Funding Body	1,366	1,366	1,197	1,197
Total	2,900	3,242	2,161	2,265

During the year impairment losses of £147,000 (2017 £464,000) were recognised in respect of trade debtors which were not expected to be recovered.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Creditors - amounts falling due within one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans and overdrafts	-	-	4,635	4,635
Other loans	-	-	99	99
Obligations under finance leases	58	58	58	58
Trade creditors	1,742	1,738	843	840
Amounts owed to group undertakings	-	208	-	-
Other taxation and social security	985	931	496	454
Other creditors	665	649	655	651
Accruals and deferred income	8,872	8,796	5,295	5,295
Government capital grants	1,090	1,090	890	890
Amounts and to Funding Body	2,109	2,109	13,898	13,898
Total	15,521	15,579	26,869	26,820

14 Creditors - amounts falling due after more than one year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans and overdrafts	-	-	-	-
Other loans	-	-	165	165
Obligations under finance leases	121	121	178	178
Other creditors	-	-	450	450
Government capital grants	9,287	9,287	9,151	9,151
Total	9,408	9,408	9,944	9,944

15 Borrowings

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans and overdrafts				
Bank loans and overdrafts are repayable as follows:				
In one year or less	-	-	4,635	4,635

The bank loans consisted of the following:

- Lloyds Bank plc loan repayable by quarterly instalments falling due between August 2014 and November 2017, at an interest rate of 3% above Lloyds Banking Group base rate; and
- National Westminster Bank plc loan repayable within one year at an interest rate of 3.25% above bank base rate.

The loans were secured on the College's land and buildings.

There were breaches of bank covenants on loans with the National Westminster Bank plc and Lloyds Bank plc during the year ended 31 July 2017. However, both loans were due for repayment within one year and therefore these breaches have not affected the presentation in these financial statements, nor resulted in any other action being taken by the respective banks.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Borrowings (continued)

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Other loans				
Other loans are repayable as follows:				
In one year or less	-	-	99	99
Between one and five years	-	-	165	165
Total	-	-	264	264

The other loans are interest free.

Finance leases

The total future minimum lease payments are payable:

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	58	58	58	58
Between one and five years	120	120	178	178
Total	178	178	236	236

16 Provisions for liabilities

	Enhanced Pension £'000	Other £'000	Total £'000
Group and College			
At 1 August 2017	670	547	1,217
Amounts utilised	(46)	(193)	(239)
Amounts transferred from accruals		450	450
Additions in the year charged to income and expenditure account	11	86	97
At 31 July 2018	635	890	1,525

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

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

The principal assumptions for this calculation are:

	2018	2017
Price inflation	1.30%	1.30%
Discount rate	2.30%	2.30%

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Financial instruments

The Group has the following financial instruments:

	2018 £'000	2017 £'000
Financial assets		
Financial assets measured at fair value through profit or loss	-	-
Debt instruments measured at amortised cost:		
Trade debtors	832	326
Accrued income	-	41
Total	832	367
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost:		
Trade creditors	1,742	843
Bank loans and overdrafts	-	4,635
Other loans	-	264
Obligations under finance leases	179	236
Other creditors	665	398
Accruals	5,863	5,288
Total	8,449	11,664

18 Note to the cash flow statement

	2018 £'000	2017 £'000
Surplus/(deficit) after tax for the year	22,055	(9,690)
Adjustment for:		
Taxation	-	-
Depreciation and impairment	2,155	2,355
Interest payable	547	654
Profit on disposal of fixed assets	(843)	-
Increase in provisions	308	510
Pension costs less contributions payable	991	260
Operating cash flow before movements in working capital	25,213	(5,911)
(Increase)/decrease in stocks	(32)	13
Increase in debtors	(739)	(217)
(Decrease)/increase in creditors	(6,928)	11,735
Net cash generated from operations	17,514	5,620

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Retirement benefits

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

Total pension cost for the year	2018 £'000	2017 £'000
Teachers' Pension Scheme: contributions paid	1,583	1,611
East Riding Pension Fund:		
Contributions paid	1,570	1,984
Deficit funding	377	699
FRS 102 (28) charge	991	260
Charge to the Statement of Comprehensive Income	2,938	2,943
Enhanced pension charge to Statement of Comprehensive Income	11	9
Total pension cost for the year within staff costs	4,532	4,563

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 2012 and of the LGPS 31 March 2016.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer.

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.

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Retirement benefits (continued)

The latest actuarial valuation was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published in June 2014. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £191.5 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held the valuation date) of £176.6 billion
- Notional past service deficit of £14.9 billion
- Assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings
- Rate of real earnings growth is assumed to be 2.75%
- Assumed nominal rate of return is 5.06%

The employer contribution rate was 14.1% until 1 September 2015, when it increased to 16.48% (including a 0.08% administration fees), with an employer cost cap of 10.9% of pensionable pay. The employer contribution rate will be payable until the next valuation as at March 2016 (the next valuation of the TPS is currently underway), whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the year amounted to £1,583,000 (2017: £1,611,000).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

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 2018 were £2,399,000, of which employer's contributions totalled £1,570,000 and employees' contributions totalled £452,000. Additional deficit funding of £377,000 has also been paid during the year. The contribution rates up to 31 March 2019 were 21.3% for employers and ranged from 5.5% to 12.5% for employees, depending on salary. The agreed contribution rates for future years from 1 April 2019 are 21.3% for employers and range from 5.5% to 12.5% for employees, depending on salary. Additional deficit funding of £382,000 and £391,000 has been agreed to March 2019 and March 2020 respectively.

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

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Retirement benefits (continued)

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary.

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	1.3%**	1.8%**
Future pension increases	2.2%	2.5%
Discount rate	2.9%	2.7%
Inflation assumption (CPI)	2.4%	2.5%
Commutation of pensions to lump sums	See note*	See note*

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

** 2017 – 0.5% until 31 July 2018, 1% until 31 July 2019, 0.5% until 31 July 2022, 2.5% thereafter.
2018 – 0.5% until 31 July 2019, 0.0% until 31 July 2023, 2.2% thereafter.

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

	At 31 July 2018 Years	At 31 July 2017 Years
<i>Retiring today</i>		
Males	21.7	21.7
Females	24.2	24.2
<i>Retiring in 20 years</i>		
Males	23.7	23.7
Females	26.4	26.4

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

	Fair value at 31 July 2018 £'000	Fair value at 31 July 2017 £'000
Equity instruments	53,116	50,219
Debt instruments	9,590	6,608
Property	8,853	7,268
Cash	2,213	1,982
Total fair value of plan assets	73,772	66,077
 Actual return on plan assets	 6,508	 6,385

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Retirement benefits (continued)

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

	2018 £'000	2017 £'000
Fair value of plan assets	73,772	66,077
Present value of plan liabilities	(76,600)	(82,388)
Present value of unfunded liabilities	(45)	(50)
Net pensions liability	(2,873)	(16,361)

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

	2018 £'000	2017 £'000
Losses on curtailments and settlements	(1)	(104)
Current service cost	(2,937)	(2,839)
Net interest on defined benefit pension liability	(454)	(439)
Total	(3,392)	(3,382)

Amount recognised in other Comprehensive Income

Re-measurement of net defined benefit pension liability	14,933	2,494
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	2018 £'000	2017 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	82,438	75,908
Current service cost	2,937	2,839
Interest cost	2,253	1,847
Contributions by scheme participants	452	545
Actuarial (gain)/loss	(10,224)	2,483
Benefits paid	(1,212)	(1,288)
Plan introductions, changes, curtailments and settlements	1	104
Defined benefit obligations at end of period	76,645	82,438

Changes in fair value of plan assets

Fair value of plan assets at start of period	66,077	57,752
Interest income	1,799	1,408
Return on plan assets (excluding net interest on the net defined benefit liability)	4,709	4,977
Employer contributions	1,947	2,683
Contributions by scheme participants	452	545
Benefits paid	(1,212)	(1,288)
Fair value of plan assets at end of period	73,772	66,077

Corporation of Hull College

FINANCIAL STATEMENTS

for the year ended 31 July 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Amounts disbursed as agent learner support funds

	2018 £'000	2017 £'000
Funding body grants – brought forward	-	-
Funding body grants – reclaimed	-	-
Funding body grants	771	974
	<u>771</u>	<u>974</u>
Disbursed to students	(623)	(805)
Administration costs	(33)	(99)
	<u>115</u>	<u>70</u>
Balance unspent as at 31 July, included in creditors		

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

21 Commitments under operating leases

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

	Group		College	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Payment due				
Not later than one year	876	990	876	990
Later than one year and not later than five years	2,006	2,667	2,006	2,667
Later than five years	1,336	1,352	1,336	1,352
	<u>4,218</u>	<u>5,009</u>	<u>4,218</u>	<u>5,009</u>

22 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £Nil (2017: £Nil).

23 Related party transactions

Key management compensation disclosure is given in note 6.

During the year, the partner of a senior post holder applied for a position in the College. All HR procedures and processes were carefully followed. Having met the specified criteria and being deemed the best candidate, the individual was offered the post which was duly accepted with employment commencing on 2 January 2018. Following a successful period in post, the individual resigned their position on 31 August 2018.

The amount paid to the individual during this period was £36,640. In addition, Employers National Insurance costs of £4,266 were incurred.

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

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 24 July 2017 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Hull College during the period 1 August 2017 to 31 July 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

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

We are independent of Hull College 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 for regularity

The Corporation of Hull College 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. The corporation of Hull College 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 ACoP.

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

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

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

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

Use of our report

This report is made solely to the Corporation of Hull College and the Secretary of State for Education acting through the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Hull College and the Secretary of State for Education acting through the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Hull College 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
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HU1 2BN

Date

21/12/2018