



Hull College Further Education Corporation

Report and Financial Statements

For the year ended 31 July 2023

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

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Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

BOARD OF GOVERNORS, KEY MANAGEMENT PERSONNEL AND PROFESSIONAL ADVISERS

Board of Governors

A full list of Governors is given on pages 21 to 22 of these financial statements; including those appointed after the year end.

Lesley Venables acted as Interim Director of Governance from 1st July 2022 to 15th January 2023.

Catherine Sykes acted as Director of Governance from 15th January 2023 to 31st July 2023.

Key management personnel

Key management personnel are defined as the members of the Executive Management Team and were the following during the financial year ended 31 July 2023:

| | |
|------------------------------|--|
| Debra Gray | Chief Executive, Principal and Accounting Officer |
| Lynette Leith | Vice Principal of Curriculum |
| Catherine Sykes | Director of Governance (appointed 16 th January 2023) |
| Nicola Dimond | Vice Principal of Human Resources |
| Sarah Kerwin | Senior Director Technical Study Programmes (resigned on 24th February 2023) |
| Rachel Waudby- Richardson | Director of Teaching and Learning (resigned on 31 st August 2022) |
| Ranjit Singh | Vice Principal Quality and Learner Experience |
| Gino Tommasi | Vice Principal Finance and Corporate Services |

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

Professional advisers

Financial statements auditors and reporting accountants

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

Internal auditors

Audit One (to 31 July 2023)
Kirkstone Villa
Lanchester Road Hospital
Durham
DH1 5RD

Tiaa (from 1 August 2023)
Artillery House
Fort Fareham
Newgate Lane
Fareham
Hants PO14 1AH

Bankers

Barclays Banks UK PLC
1 King Edward St
Hull
HU1 3RL

Solicitors

Rollits LLP
Citadel House
58 High Street
Hull
HU1 1QE

Principal place of business

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

Hull College Further Education Corporation

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for the year ended 31 July 2023

REPORT OF THE BOARD OF GOVERNORS

Nature, objectives and strategies

The Members of Hull College Further Education Corporation present their report and the audited financial statements for the year ended 31 July 2023.

Legal status

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

For the year ended 31 July 2023 the Hull College Further Education Corporation consisted of Hull and Goole campuses. The financial statements are consolidated financial statements and, together with the two campuses, include two subsidiaries; Hull College Enterprises Limited and HCUK Resourcing Limited.

Due to changes within the management team and external factors, the commercial use of the Steve Prescott Sports Centre ceased as at 31st July 2023 and is now operated by Kingston Upon Hull City Council. The Board decided to transfer the Nursery facilities and training restaurant from Hull College Enterprises Limited to Hull College due to the small size and scale of its operations. The Nursery and restaurant are currently rebranding its facilities. Following the Board's decision, it is agreed that the Hull College Enterprises Limited will cease trading and will be made dormant in the future.

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

Public benefit

Hull College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 21 to 22.

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.

The College provides technical skills training programmes and general education to young people aged 14-19 years and adults, predominantly in Hull and the wider Humber region. We also provide education to over 1,000 apprentices annually and provide early years education in our college owned and operated nursery. We also hold Foundation Degree Awarding Powers (FDAP) and educate around 250 undergraduates annually.

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

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

Hull College Further Education Corporation

FINANCIAL STATEMENTS

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REPORT OF THE BOARD OF GOVERNORS (continued)

Public benefit (continued)

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

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

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

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

- Delivering high quality teaching, learning, assessment and support; with a place for everyone, regardless of their educational background;
- Producing learners who are successful and grow in confidence; providing additional support to those who need it;
- Providing information, advice & guidance and developing students to secure sustainable employment;
- Supporting the development of new skills and knowledge to meet the needs of emerging and growth sectors, via a Market Driven curriculum;
- Promoting a culture of safety, inclusivity, and respect where every individual matters and providing an environment where everyone feels safe;
- Raising ambitions by challenging learners to be the best they can be;
- Maximising strategic partnerships for the benefit of the community including those with the Local Skills Improvement Steering Group, Digital Skills Partnership, Local Authorities, key stakeholders, new & existing employers and fellow colleges and training providers;
- Reflecting the needs of the community including learners and employers in the range of the education and training offer;
- Valuing our people and supporting them to be the best they can be;
- Gathering, listening to and acting on feedback from our learners;
- Maximising business efficiency, delivering financial viability and value for money;
- Continuous improvement through critical self-evaluation and improvement.

The College received a visit from Ofsted in October 2023, receiving a grade of "Good" in line with the College's self-assessment, in addition the college was rated 'Strong' for meeting local skills needs and outstanding for adult education and personal development. Throughout 23/24 an action plan will be in place to elevate the college to be truly world class, we are ambitious and excited for the next phase of Hull College's journey now that the college is financially and educationally stable.

In 2022/23 we were the recipient of a commendation from Edufuturists for our excellent work delivering technology enhanced delivery to our English for Speakers of Other Languages (ESOL) courses. The project also secured a winning bid with Ufl to develop the technology further, won the Association of Learning Technology Award in the Ethical use of Educational Technology and was shortlisted for an AoC Beacon Award in the Effective use of Technology.

2022/23 was an exceptional year for the college, with its highest ever achievement rates, a significantly improved reputation locally, regionally and nationally, secure finances and an experienced, ambitious and stable senior team to ensure the college moves to excellence at pace.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

REPORT OF THE BOARD OF GOVERNORS (continued)

Mission

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

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

The College's vision for 2025 is:

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

The College's values are:

We are inclusive.

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

We are empowering.

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

We have integrity.

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

We are resilient.

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

We are ambitious.

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

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

REPORT OF THE BOARD OF GOVERNORS (continued)

Mission (continued)

For the year ended 31 July 2023, the College has the following strategic KPIs driven by the budget to 31 July 2024:

| | |
|---------------------------------|--|
| Adjusted EBITDA | The Group forecasts to improve adjusted EBITDA as a percentage of income by 2022/23 to at least 6.5%. It achieved a positive EBITDA of 8.24% . |
| Adjusted current ratio | The Group forecasts to improve the current ratio to at least 1.4 by 2021/22. This KPI was achieved in 2022/2023 with an adjusted current ratio of 1.45 due to the ESFA funding assurance review liability being treated as due within one year. However, a payment schedule with the ESFA was confirmed after the year end which covers two financial years and therefore the adjusted current ratio should be 2.05 . |
| Staff costs | The Group forecasts to reduce staff costs as a percentage of income to at least 67%. In 2022/23 the ratio was 65.08% which is in line with the FEC benchmark. |
| Financial health grading | The Group forecasts to improve the financial health grading to at least "Good" in the short to medium term. The College achieved a grading of " outstanding " in 2022/23. |
| Estate utilisation | The Group forecasts to improve the estate utilisation to at least 30%. The College achieved an estates utilisation ratio of 35% in 2022/2023. |
| Gross margin by course | The Group forecasts to improve gross margin by course, with a minimum departmental average of 45%. The Group achieved this target with an average of 51% gross margin. |

The College is required to complete the annual Finance Record for the ESFA. Based on 2022/23 data the College is assessed by the ESFA as having a "**outstanding**" financial health grading.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

REPORT OF THE BOARD OF GOVERNORS (continued)

Financial Position and Results

For the financial year ended 31 July 2023, the College group generated a surplus before taxation of £975,000 (2022 - deficit £2,298,000). The deficit for the year is after charging £74,000 (2022 - £213,000) in respect of restructuring costs.

As at 31 July 2023, the College group has an accumulated reserve on the income and expenditure account of £20,385,000 (2022 - £26,996,000). This was after recognising a pension fund asset of £nil (2022 - £7,280,000 asset) in its financial statements.

Post-Intervention Monitoring and Support (PIMS)

On 11 November 2016 the EFA/SFA issued a Notice of Concern (the Notice)/Notice to Improve (NTI) to Hull College. This was because Hull College had been rated “inadequate” for financial health for 2015/2016.

On 22nd December 2023, the Department for Education and ESFA were pleased to recognise that Hull College has now made sufficient progress against the terms and conditions outlined in the most recent issue of the NTI (May 2023). The DfE and ESFA have proposed that Hull College can progress out of Intervention and into Post Intervention Monitoring and Support (PIMS).

This would mean that the College is no longer classed as being in Intervention, and therefore able to access more targeted funds and development opportunities that were previously restricted due to your Intervention status. The College’s published NTI will also be marked as closed on gov.uk.

The ESFA and FEC team will provide a support and monitored plan including timeframes for the college to exit the PIMS status. This would set out an agreed range of actions, targets and/or milestones for the College to achieve, outlining the continuing journey towards sustained improvement and outlining relevant support that can be provided. It is expected that PIMS will build on the work the College has already undertaken with the FEC, piloting the single improvement plan.

PIMS Plan – Two years to 31 July 2025

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

The College has developed a two year financial plan for the period 2023-2025, with the support and participation of Hull College staff members. The key features of this plan are:

- A carefully set out curriculum plan for each of the College’s technical institutes aligned to the current and future skills needs the region’s employers.
- A comprehensive approach to the development of teaching and learning across the College’s provision.
- A considered approach to developing the digital capacity of the College including a digital skills measure as part of the self-assessment process ensuring that digital development remains a priority within development plans for all living institutes and College services.
- An approach to making best use of the College’s current estate whilst developing a detailed and ambitious prospectus for the future development of Queens Gardens.
- A commitment to develop a long-term carbon reduction strategy aligned to and meeting standards set out in the FE Climate action road map.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

REPORT OF THE BOARD OF GOVERNORS (continued)

Financial Position and Results (continued)

Recovery Plan – Two years to 31 July 2025 (continued)

- A two-year approach to maintain financial viability without placing a reliance on income growth. This does not mean that the College will not set and work towards stretching growth targets, particularly in apprenticeships, study programmes and adult programmes.

The revised strategic plan is currently being implemented throughout the College to ensure targets are set, monitored, managed and achieved. A detailed set of operational development plans (ODP), and key performance indicators (KPI) have been established and is presented to the Corporation within the principles update.

Cash flows and liquidity

The College group had an operating cash inflow of £3,509,000 (2022 outflow - £346,000). The inflow was mainly due to the operational efficiencies and performance realised in 2022/2023 £2.1m and capital grant funding of circa £1.4m. The decrease in 2021/2022 reflects the adverse timing of the adult education budget which recognises a claw back of £1.3m relating to the previous year's performance. The College has agreed a repayment schedule over 14-months in relation to the ESFA funding assurance review liability. The College do not foresee any future difficulties in relation to its operational trading performance going forwards.

Treasury policies and objectives

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

The College has a separate treasury management policy in place and undertakes regular reviews of actual cash flow performance, forecast cash flows and appropriate banking investments and positions. Due to the ONS reclassification new borrowing rules have been applied to the treasury management policy stating that: New borrowing refers to any new debt or refinancing of the above existing borrowing types of debt and any new drawdown of existing borrowing facilities from 29 November 2022 onwards. New finance arrangements or drawdown of funds post-reclassification under existing finance arrangements will be subject to MPM rules and colleges will be required to obtain the written consent of DfE in advance of committing to any new financing arrangements or actioning any new drawdowns of overdrafts, RCFs or loans.

Reserves policy

The College has seen an improved operational performance in 2022/2023 compared to previous years due to efficiencies realised in staffing and improved delivery and utilisation of the adult education budget. The performance has improved by circa £3.3m.

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. Going forward the college intends to grow its cash and reserves position.

It is the College's intention to increase reserves over the life of the strategic plan by the generation of operating surpluses. In 2022/2023 the college realised an overall surplus outcome and expects to continue this trend. A revision of the curriculum, quality and operational strategies are being updated to reflect these enhancements and ensure a detailed and robust strategies are in place to enable the college to improve its reserves position.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

REPORT OF THE BOARD OF GOVERNORS (continued)

Financial Position and Results (continued)

Capital investment programme

Considerable capital investment has taken place in the year ended 31 July 2023. Major projects included continued investment in the improvement of the estate's infrastructure and computer hardware for teaching and software to support both teaching and the College MIS.

The College has created, and updates, its estates strategy and estates master plan (estates prospectus). In 2023/2024 the College aims to further improve its estates utilisation and rationalisation in order to align our facilities to the curriculum and quality requirements. The College also anticipates submitting an application to the DFE in relation to the FE Capital Transformation Fund in 2023/2024.

Hull College has recently undertaken a transformative initiative aimed at enhancing the overall atmosphere, functionality, and amenities within its estates. This strategic investment reflects the institution's unwavering commitment to providing an optimal learning and working environment for both students and staff. The estate changes are multifaceted, encompassing a range of improvements designed to uplift the aesthetics and functionality of the college premises.

One significant aspect of the makeover includes revamped classrooms and communal spaces, fostering a more vibrant and conducive atmosphere for learning. The college administration has also invested in modernising facilities to align with industry standards, ensuring that learners have access to cutting-edge resources and technologies. Additionally, aesthetic enhancements, such as green spaces, artwork installations, and ergonomic furniture, contribute to creating a positive and inspiring ambiance for all stakeholders. These changes not only elevate the physical appeal of the college but also play a crucial role in promoting well-being and productivity among both learners and staff.

Furthermore, the investment in the estates underscores Hull College's dedication to fostering a sense of community and pride among its members. By prioritising the enhancement of facilities and spaces, the institution demonstrates its commitment to creating an inclusive and supportive environment that encourages collaboration and innovation. The positive impact of these changes extends beyond the visual appeal, ultimately contributing to a more engaging and dynamic educational experience for everyone involved in the Hull College community.

Resources

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

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

Financial

The College group had £20,385,000 of net assets and creditors falling due after more than one year of £6,115,000 at 31 July 2023.

People

During the year ended 31 July 2023, the College group employed 472 people, of whom 148 were teaching staff.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

REPORT OF THE BOARD OF GOVERNORS (continued)

Events after the end of the reporting period

Following the end of the Financial Year in July 2023, the following reportable events took place:

On 22nd December 2023 the College received confirmation that they are no longer classed as being in Intervention, and therefore able to access more targeted funds and development opportunities that were previously restricted due to your Intervention status. The College's published NTI will also be marked as closed on gov.uk.

Hull College was Ofsted inspected from the 24th to the 27th of October. The College went through a full enhanced inspection. The College received an overall grade 'Good' (2) Ofsted inspection rating from the previous 'Requires Improvements' rating held for at least the last 6 years. The key points from the inspection are outlined below:

The College has successfully improved their performance across all provision types.

- Education Programmes for Young People improved by 6% and are now 79.4%.
- Pass rates for 14-16 are high at 88%.
- Adult achievement is 91% and forms the highest proportion of our student numbers.
- Apprenticeship achievement has improved by 10.4% to 50.3%.
- Based on 2021-2022 national averages for achievement, our overall achievement rate of 86.4% would place us in the top 25% of colleges nationally, and in the top 5 regionally. We are above the national rate and improving.

Current and future developments and performance

Hull College makes a strong contribution to skills which was validated at our recent inspection.

We have cultivated an expansive network of over c.900 employers, civic organisations and stakeholders. This spans major firms like KCOM, local bodies like Hull City Council, and sector representatives including the CBI, Humber LEP and NHS.

The college's wide-ranging partnerships are underpinned by meticulous labour market analysis and curriculum planning. Employer collaboration is integral to technical curriculum delivery. The College hosts expert panels in all subject areas allowing industry specialists to advise on emerging skills needs. Insights from employers and stakeholders inform curriculum design across all programmes, for example.

- Links with the renewable energy sector directly shape the College's focus on technician training to meet demands for major projects like the decarbonisation of the Humber Region.
- Hobson & Porter steer provision in Construction and Engineering.
- Humberside Police influence our Public Services and Criminology curriculum.
- DWP has collaborated with the college to design programmes preparing unemployed adults for work.
- The NHS co-design our Senior Healthcare Programme.
- Toyota support co-design on motor vehicle programmes.
- Hull City Council influence our early years curriculum and curriculum for SEND learners.
- The Double Tree by Hilton are embarking on a journey to design a hospitality and events management programme.
- Employers actively co-deliver parts of the curriculum by participating regularly in workshops and guest lectures – this is extensive and commonplace.
- KCOM have co-designed apprenticeships and SWAPs to include blended learning opportunities designed for the needs of KCOM specifically.

REPORT OF THE BOARD OF GOVERNORS (continued)

Current and future developments and performance (continued)

- Health and social care courses include substance abuse, sexual health and digital for healthcare as advised by the NHS and LMI.
- Construction curriculum takes advice from Balfour Beatty to introduce Drone technology into curriculum, from which we have built a drone academy in collaboration with the Drone Pilot Academy.
- The 21st Century Skills panel has directly influenced the tutorial strategy.

This comprehensive employer engagement, from high-level stakeholder management to practical course delivery, is pivotal to ensuring provision equips students with skills matched to industry needs.

Core abilities like English, maths and work readiness are also an essential curriculum focus due to local skills shortages. LMI has been used to design our core skills approach in English and Maths lessons.

We continually scan the horizon for technological changes that will drive future job opportunities as seen in our approach to curriculum 2030 and the diverse and wide-ranging additional qualifications we offer alongside our main programmes.

The College takes an ambitious approach to the professional development of learners by ensuring that our programmes are enhanced with appropriate additional opportunities which are directly informed by employers: in 22/23 37 additional qualifications took place over 112 programmes. This year we have planned for 55 additional qualifications across 190 programmes, and an additional 49 college certificated across 85 programmes which are designed to reflect the industry needs of the future, and to prepare students for the workplace.

The College has introduced resources to support learning in nascent areas like geothermal energy, heat/air sources, wind energy commercial drone piloting to ready students for tomorrow's green and digital jobs.

The College pioneers innovative projects that cement its reputation as a leader in strategic skills development. Initiatives like AI Translate, which applies artificial intelligence to enhance learning for ESOL students, has put Hull College at the forefront of EdTech innovation in the sector.

This sustained track record of leading strategic skills innovation cements Hull College's reputation as an anchor institution making a significant contribution to skills in the Humber region.

Hull College was inspected from the 24th to the 27th of October. The College went through a full enhanced inspection. The key points from the inspection are outlined below:

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

REPORT OF THE BOARD OF GOVERNORS (continued)

Current and future developments and performance (continued)

Ofsted:

The College has successfully improved their performance across all provision types.

- Education Programmes for Young People improved by 6% and are now 79.4%.
- Pass rates for 14-16 are high at 88%.
- Adult achievement is 91% and forms the highest proportion of our student numbers.
- Apprenticeship achievement has improved by 10.4% to 50.3%.
- Based on 2021-2022 national averages for achievement, our overall achievement rate of 86.4% would place us in the top 25% of colleges nationally, and in the top 5 regionally. We are above the national rate and improving.

Ofsted stated that;

- Most teaching in the College is now good. Most teachers use a variety of effective teaching strategies to help learners and apprentices practise what they have learned and extend their knowledge and understanding.
- There is a calm and respectful learning environments across the different areas of the College. Staff form good working relationships with learners and apprentices who feel comfortable to contribute to their learning sessions.
- Staff model good behaviours and attitudes and have high expectations of learners and apprentices to do the same. Most learners and apprentices replicate these good behaviours in learning environments and in social areas of the College.
- Staff have created a highly inclusive environment in which a diverse group of learners and apprentices learn well together. They promote a culture which proudly celebrates the diversity of the College community. Learners and apprentices take pride in their contribution to the fabric of the College and wider society. They work well together and learn from each other, in readiness for the realities of future life and work.
- Most learners and apprentices attend their learning sessions well, arrive on time and are prepared to learn. Adult learners and apprentices have particularly high attendance. Attendance has increased as a result of successful interventions by staff.
- Learners and apprentices demonstrate positive attitudes to their learning and take pride in their work. They benefit from the expertise of their teachers and the support that they receive. Learners value the opportunity to work with employers.
- Learners and apprentices feel safe and know to whom they should report any concerns. Staff support learners and apprentices well to help them to understand how to keep themselves safe from harm, including from the potential risks of radicalisation and extremism.
- Leaders and managers have developed highly positive relationships with an extensive range of stakeholders.

REPORT OF THE BOARD OF GOVERNORS (continued)

Current and future Developments and performance (continued)

- Leaders, managers and curriculum staff work very well with stakeholders in the design and delivery of the curriculum.
- Governors have recruited a strong senior leadership team following a long period of change and instability at the College.
- Leaders and managers work with a small number of subcontractors to provide high-quality provision to adult learners.
- Leaders and managers ensure that teachers are suitably qualified and highly experienced in the subjects that they teach. Teachers keep their subject expertise up to date through relevant training activities. As a result, learners and apprentices' benefit from teaching that is current and relevant.
- Teachers use initial assessment well to identify what learners and apprentices already know and can do. They make good use of information from initial assessment to plan teaching that meets learners' and apprentices' specific needs.
- Managers and teachers carefully plan and structure courses to help learners and apprentices successively build on their learning over time.
- Teachers use a range of assistive technologies and strategies to enable learners and apprentices with high needs to participate fully in sessions.
- Most teachers support learners and apprentices well to develop their English and mathematics skills in vocational sessions.
- Learners studying GCSE English and mathematics courses benefit from high-quality teaching. Teachers support adult learners to understand the value of mathematics to their work and personal lives.
- Most learners and apprentices make good progress from their starting points in developing their knowledge, skills and behaviours, and achieve their qualifications.
- Staff provide learners with an extensive range of opportunities to explore new interests and talents, and to develop their confidence. They pay particular attention to supporting the most disadvantaged learners.
- Staff plan substantial opportunities help learners and apprentices to understand what it means to be responsible, respectful and active citizens.
- Teachers ensure that learners and apprentices can make informed choices about their next steps and make progress towards securing their future career goals.

A quote from a student in our survey stated that:

Hull College is a path of light that will bring you out of darkness

Principal risks and uncertainties

The College is re-establishing its good reputation locally, regionally, and now onto the international stage. Maintaining a quality brand is essential for the College's success in attracting students and building external relationships. The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. The internal audit process has been aligned to the sector risks and specific College risk determined and experience by management and Governors.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

REPORT OF THE BOARD OF GOVERNORS (continued)

Principal risks and uncertainties (continued)

The College has updated its risk strategy and register in line with current economic, financial and political market conditions and aligns this to the College's risk approach and appetite. The revised risk strategy was approved by Corporation in December 2022. A detailed and comprehensive review of its approach to risk and mitigations methods took place in 2022/2023 and at this stage we do not anticipate any material changes or risks towards to the creation of the revised risk register.

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

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

- Inflation and increasing costs - high levels of inflation and minimum wage increases compared to the funding increases have a financial impact upon the College. Mitigations include budget spend restrictions, regular reforecasting to provide early warning of the impact, negotiation of contracts with suppliers.
- Business Continuity/cyber-attacks - Cyber-attacks are increasingly more aggressive and more frequent and so the risk is a failure to ensure all College data and systems are protected, secure and available. Mitigations include dedicated cyber security centre, business continuity plan, cyber strategy, insurance cover, robust disaster recovery plans, cyber essentials etc.
- Regulatory Compliance – The College has experienced historical poor controls and performed in relation to funding compliance. However new fundamental controls, Executive oversight and reporting, internal audit and Governance focus has been introduced to mitigate these risks.
- Ageing estates/sustainability – The College has an ageing estate which creates issues in relation to our sustainability strategy. Mitigation includes an estates strategy, appointment of a bids and funding Director, estates rationalisation and utilisation strategy and estates refresh/investment cycle has been completed.

Members required further details of the risk of Reinforced Autoclaved Aerated Concrete (RAAC) in the College buildings, to which it was confirmed that a survey has been completed to identify any risk areas, no RAAC was found and the College is confident the risk related to this issue is low.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

REPORT OF THE BOARD OF GOVERNORS (continued)

Stakeholder Relationships

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

- Current future and past students.
- Staff and their trade unions.
- Governors.
- Funding agencies.
- Local, regional and national employers and representative bodies.
- Regional and national FE institutions.
- Hull Business Improvement District.
- Hull Chamber of Commerce.
- Hull Post 16 Partnership and local schools.
- Local Enterprise Partnerships.
- Local authorities, specifically Hull City Council and Riding of East Yorkshire Council.
- Local community groups.
- Partner training providers.
- Parents and caregivers.
- Professional bodies.
- Universities, including The University of Hull.

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

REPORT OF THE BOARD OF GOVERNORS (continued)

Equal opportunities and employment of disabled persons

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

It strives vigorously to remove barriers which place people at a disadvantage and actively combat discrimination.

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

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

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

Disability, equality and diversity statement

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

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

Corporate and social responsibility statement

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

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

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

REPORT OF THE BOARD OF GOVERNORS (continued)

Trade Union facility time

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

Relevant Union officials

| Numbers of employees who were relevant Union officials during the relevant period | FTE employee number |
|---|---------------------|
| 5 | 4.45 |

Percentage of time spent on facility time

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

Percentage of pay bill spent on facility time

| | |
|---|-------------|
| Total cost of facility time | £9,772 |
| Total pay bill | £16,336,000 |
| Percentage of total bill spent on facility time | 0.06% |

Paid Trade Union activities

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

Going concern

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

After making appropriate enquiries, the College has determined that it has adequate financial resources to continue in operational existence to at least 31 July 2025, the period of its current financial plan and cashflow and continues to adopt the going concern basis in preparing these financial statements.

This assessment is based upon the following:

- The two-year Financial Plan for the period to 31 July 2025; which includes Income & Expenditure, cashflow and balance sheets by month;
- An assessment of the College's short, medium- and long-term cash flow forecasts and requirements;
- Financial forecast based upon no income growth apart from an operational recovery of adult education budget and apprenticeship provision associated with Covid impacts upon delivery;
- The robustness of the majority of the College's operating income from the ESFA;
- A review of the College's risk register which addresses both financial and non-financial issues concerning future risk and liability as explained previously within the report;
- The proactive and detailed nature of the Estates Strategy that underpins educational delivery in key priority areas;
- The continued monitoring and review of ODP, and KPI by management and senior leadership teams;
- In December 2023, the College agreed a 14-month repayment schedule in relation to the ESFA funding assurance review liability. The College do not foresee any future difficulties in relation to its operational trading performance going forwards.
- At present the College have strategic plans to address the cost-of-living crisis and impact upon its staff. Hull College are proposing a pay award which is the first time in at least the last ten years and inline the AOC recommendation of circa 6.5%. The aim is to prioritise the lowest paid staff members.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

REPORT OF THE BOARD OF GOVERNORS (continued)

Carbon reporting

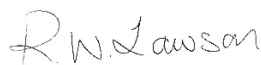
As at December 2023 the College have created a sustainability and low carbon strategy. The main targets over the next 5 years include:

- To establish the current carbon emissions and footprint.
- Reduce its scope 1 and 2 carbon emissions by 30% by 2028.
- Implement the AoC Climate Action Roadmap by the end of 2023/2024.
- Establish a sustainability Committee in 2023/2024.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 27 February 2024 and signed on its behalf by:



Robert Lawson
Chair

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2022 to 31 July 2023 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- In accordance with The Code of Good Governance for English Colleges ("the Code") updated and reissued by the Association of Colleges in October 2021. The code was re-issued in October 2023 as the Further Education Code of Good Governance, and was formally adopted in December 2023;
- Whilst not having adopted the UK Corporate Governance Code 2018, the Corporation has due regard to its principles and guidance and;
- Whilst not having adopted the Committee of University Chairs Higher Education Code of Governance, the Corporation has due regard to its principles and guidance.

The Corporation undertakes annual reviews of the corporate governance arrangements measured against the Code through the Corporation and triennial external reviews of the governance arrangements, the most recent of which was January 2021. An external review has been commissioned for Spring Term 2024.

The College is committed to exhibiting best practice in all aspects of corporate governance. We have not adopted and therefore do not apply the UK Corporate Governance Code 2018. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code 2018 we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2023. This opinion is based on:

- a full review against compliance of the Code and consequence enhancement plan completed with Governors and reviewed and approved by them in December 2023
- a programme of training and development with the Board including sessions on Ofsted, Safeguarding, Nolan Principals, Skills and Accountability Agreement
- the appointment of an experienced 'external' Chair of Governors
- the appointment of an experienced Director of Governance in January 2023
- the appointment of new external Governors to support and enhance the board skills, experience and knowledge
- the appointment of an external board reviewer to conduct an external review in Spring 2024.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

| Name | Date of Appointment/ Reappointment | Term of Office | Date of Resignation/ Retirement | Committees Served | Corporation/ Committee Meeting Attendance |
|--|---------------------------------------|----------------|------------------------------------|---|--|
| Mr Simon Alsop External Governor | August 2020 | 3 years | March 2023 | Corporation; Finance & Resources | 50% 50% |
| Mr Alistair Brooks External Governor | June 2021 | 3 years | | Corporation; Audit; Remuneration | 86% 100% 100% |
| Mr M Child | December 2022 | 3 years | | Corporation Standards | 50% 83% |
| Mr Tom Dannatt External Governor to Sept 23, Co-Opted to Finance Committee from Sept 23) | September 2022 | 3 years | | Corporation; Finance & Resources; Gov, Search & Rem | 60% 100% 67% |
| Mr John Duncan External Governor | June 2020 | 3 years | February 2023 | Corporation; | 50% |
| Dr A Elseragy | December 2022 | 3 years | July 2023 | Corporation HE Advisory | 25% 33% |
| Mr David Flatters External Governor | February 2022 | 3 years | | Corporation; Audit | 83% 100% |
| Mr G Gallen | December 2022 | 3 years | October 2023 | Corporation; Finance & Resources | 50% 100% |
| Ms Joanne Gibbons External Governor | February 2022 | 3 years | | Corporation; Finance & Resources | 40% 25% |
| Ms Debra Gray Principal/CEO | April 2022 | n/a | | Corporation; Finance & Resources; Gov, Search & Rem HE Advisory Standards | 100% 75% 100% 100% 100% |
| Mr Joey Greenwood External Governor | August 2020 | 3 years | | Corporation; Standards; HE Advisory Gov, Search & Rem | 83% 100% 100% 100% |
| Mr Rob Lawson External Governor (Chair from 1 st September 2022) | July 2022 | 3 years | | Corporation; Finance & Resources; Gov, Search & Rem Standards | 100% 50% 100% 60% |
| Ms J Masterson | December 2022 | 3 years | | Corporation; Audit HE Advisory | 100% 100% 100% |
| Ms Kay Moffitt External Governor | August 2020 | 3 years | December 2022 | Corporation; | 0% |
| Prof C Raban | December 2022 | 3 years | | Corporation; HE Advisory Standards | 75% 100% 100% |
| Ms Kathryn Shillito | December 2022 | 3 years | June 2023 | Corporation Finance & Resources | 67% 100% |
| Ms Rachel Storr External Governor | August 2020 | 3 years | July 2023 | Corporation; Audit Gov, Search & Rem Standards | 50% 80% 33% 80% |

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Since the financial year end the following governors have been appointed; Ms P Gouldthorpe, Mr N Snaith, Mr J Cook, Dr B Howell, Ms R Garland, Ms Lauren Dale, Mr M Blowman (Staff Governor), Ms T Lynam (Staff Governor).

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

Through the scrutiny provided by its meetings and those of its sub-committees, the Corporation is updated with regular and timely information on the overall financial performance of Hull College together with other information such as performance against funding targets, proposed capital expenditure, quality issues, personnel related matters and on items such as health and safety and the environment. The Corporation sets the College's strategy, approves its quality framework and monitors outcomes against these.

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

- Audit
- Finance & Resources
- Governance, Search & Remuneration
- HE Advisory
- Standards

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

The Director of Governance maintains a register of financial and personal interests of the Governors. The register is available for inspection during office hours at the above address.

All Governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Director of Governance, who is responsible to the Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Director of Governance 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 a secure electronic portal, which helps to ensure transparency of decision-making.

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 Director of Governance who has an annual statement passed by Remuneration Committee to ensure their total independence of action.

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

The Corporation has continued to meet throughout the year using a hybrid approach, with some governors attending Corporation meetings virtually whilst others are on site. The majority of committee meetings have been held virtually. Governors have engaged well with this practice and have continued to apply a high level of scrutiny, challenge and support to the work of the Corporation and its committees.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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

As a result of the reclassification of Colleges to the central government sector on 29 November 2022, consideration has been applied to ensuring compliance with new reclassification requirements whilst reviewing policies and procedures as part of its current review process

Appointments to the Corporation

The Governance, Search & Remuneration Committee is responsible for the selection and appointment of any new governors or co-opted members, on which recommendations are then made to the Corporation. The Corporation is responsible for ensuring that appropriate training is provided as required and the Director of Governance and relevant senior staff deliver a full induction training programme.

Members of the Corporation are appointed for a term of office of 3 years and are able to undertake three terms, subject to a reappointment process. Any extension beyond this timescale is for a specified period or task, or where the Corporation has been unable to recruit a suitable replacement skillset.

Corporation performance

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

The Corporation considered, at its meeting held March 2023, the requirement for a triannual external board review. The Corporation concluded that an external board review will be commissioned for the spring term 2023-24, with a final report presented in May 2024. The AoC were appointed to conduct the review following a robust process in line with the College's financial regulations.

Governance, Search & Remuneration Committee

During the year ending 31 July 2023, the Governance, Search & Remuneration Committee consisted of five external governors. The Committee's remuneration responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer, Director of Governance and other senior postholders. Details of staff remuneration for the year ended 31 July 2023 are set out in note 7 to the financial statements.

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

Finance & Resources Committee

During the year ending 31 July 2023, the Finance & Resources Committee consisted of six governors. The Committee's responsibilities are to advise the Corporation on the financial health, performance and solvency of the College, the health, safety and welfare of staff, the financial implications of any new initiatives and ventures and proposed capital expenditure for the College and to monitor the implementation of the College's Estates Strategy.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Audit Committee

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

The College'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 is responsible for the implementation of these 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.

In the financial year ended 31st July 2023, the Audit Committee completed a tender process to appoint an internal audit firm from 1st August 2023 following the end of the term of office from Audit One. The Internal Auditors TIAA Ltd were appointed from 1st August 2023.

The Audit Committee received training through attendance at the AoC Workshops via regular relevant sector updates from the Internal Audit Service, and the Financial Statements Auditor.

The Audit Committee met 5 times the year to 31 July 2023. The members of the committee and their attendance records are shown below:

| Name | Attendance |
|------------------|------------|
| Alistair Brooks | 5 of 5 |
| David Flatters | 5 of 5 |
| Joanne Masterson | 2 of 2 |
| Rachel Storr | 4 of 5 |

Continuous Professional Development

Corporation Members

The Members participated in a "Governor Link Programme" throughout the year, with each Member assigned to link up with a co-ordinating senior member of staff to explore different areas of the College business and present a report to Corporation. This programme is established annually with Members allocated to different areas of the business from time to time to learn about different areas of the College's operations.

Members attended the AoC Northern Governance Conference in March 2023 and the AoC Governor Summit in June 2023. Members attended a number of Governor Workshops including "Finance in FE", "Nolan Principles", "Risk Management", "Safeguarding", "Prevent" and "Ofsted", a log of individuals' training is held by the Director of Governance.

New members of the Corporation attended an AoC Regional Governor Induction and a half day in house induction with the Chair, Director of Governance and members of the Executive Management Team.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Continuous Professional Development (continued)

Corporation Members (continued)

Throughout the year the Members received sector updates from the principal as part of the principal's presentation to the Members and through the monthly briefings from the Director of Governance on national and local sector changes.

The College purchased a subscription to the ETF Governance Development Programme which includes modules across all areas of Governors to undertake their own governance development.

Director of Governance

The Director of Governance engaged in regular training and development opportunities throughout the year ended 31 July 2023. Including, but not limited to:

- Attendance at AoC Northern Governance Professionals Group Meetings (3 times per year).
- Completed the Institute of Director – Governance Professionals Leadership Programme (Oct 22).
- Attendance at the AoC Regional Governance Conferences.
- Attendance at a range of Webinar and Development sessions hosted by the AoC / ETF / CGI / GGI.
- Attendance at the AoC Governance Professionals Conference in January 2023.
- Attendance at the FE Commissioner Active Support Programme: Commissioned by the Further Education Commissioner and sponsored by the DfE - Just One Thing 'Class of 22/23'.
- Completion of the Level 5 Award for Governance Professionals in Further Education awarded by the Institute of Directors - Exam (April 2023).

Internal control

Scope of responsibility

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

The Corporation has delegated the day to day responsibility to the Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Conditions of Funding 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 for the year ended 31 July 2023 and up to the date of approval of the annual report and financial statements.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Internal control (continued)

Capacity to handle risk

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

The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2023 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporations.

Responsibilities under funding agreements

The College governors confirm their understanding that they have met all conditions under the funding agreement so far as they are aware.

Responsibilities under funding agreement

The Department for Education and Education and Skills Funding Agency introduced new controls for the college on 29 November 2022 on the day that the Office for National Statistics reclassified colleges as public sector organisations in the national accounts. The ESFA chief executive communicated these changes to all college accounting officers and explained plans to introduce a college financial handbook in 2024. The college has reviewed its policies, procedures and approval processes in line with these new requirements and updated them to ensure compliance with the new requirements. The college is establishing systems and processes to identify and handle any transactions for which DfE approval is required.

The risk and control framework

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

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

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

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Internal control (continued)

Statement from the audit committee

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

The specific areas of work undertaken by the Audit Committee in 2022/23 targeted areas where complexities were known with a view to informing and supporting improvement work. The areas reviewed were:

| Report | Assurance Level | | | | Recommendations |
|------------------------------------|-----------------|------|------------|---------|-------------------------|
| | Substantial | Good | Reasonable | Limited | |
| Curriculum Planning | | √ | | | 5 Low |
| Funding Compliance | | | | √ | 7 High, 4 Medium, 1 Low |
| Additional Learning Support / SEND | | | √ | | 1 High, 4 Medium, 3 Low |
| Subcontracting | | √ | | | 3 Medium, 4 Low |
| Safeguarding | | √ | | | 5 Low |
| IT Service Desk Management | | √ | | | 2 Medium, 2 Low |
| Follow Up | | | √ | | 6 Medium, 4 Low |

Audit One (Internal Auditors) have completed their audit program of work and concluded their opinion that they are able to offer “good” assurance on the adequacy and effectiveness of the College’s risk management, control and governance processes. In their view, governance, risk management and control arrangements provided “good” assurance that the risks identified were managed effectively.

There were a number of high risk recommendations relating to Funding and ALS/SEND Compliance. All recommendations have been implemented. In addition, an internal committee has been established to review and monitor the implementation of the audit recommendations and undertake substantive audit testing relating to funding compliance and best practise.

Review of effectiveness

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

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

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

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

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Review of effectiveness (continued)

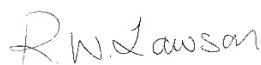
The Accounting Officer has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor and other sources of assurance. Where weaknesses are identified, plans to address such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

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

The Executive 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 Executive Management Team and the Audit Committee. At the Corporation meeting on 27 February 2024, the Corporation carried out the initial annual assessment for the year ended 31 July 2023 by considering documentation from the Executive Management Team and internal audit, taking into account any events since 31 July 2023.

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

Approved by order of the members of the Corporation on 27 February 2024 and signed on its behalf by:



Robert Lawson
Chair



Debra Gray
Chief Executive and Accounting Officer

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE

As accounting officer, I confirm that the corporation has had due regard to the framework of authorities governing regularity, propriety and compliance, and the requirements of grant funding agreements and contracts with ESFA, and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with those authorities and terms and conditions of funding.

I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the corporation's grant funding agreements and contracts with ESFA, or any other public funder. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

I confirm that no instances of material irregularity, impropriety, funding noncompliance, or non-compliance with the framework of authorities have been discovered to date. If any instances are identified after the date of this statement, these will be notified to ESFA.



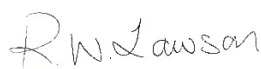
Debra Gray

Accounting Officer

27 February 2024

Statement of the chair of governors

On behalf of the corporation, I confirm that the accounting officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.



Robert Lawson

Chair of Corporation

27 February 2024

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The members of the corporation are required to present audited financial statements for each financial year.

Within the terms and conditions of the corporation's grant funding agreements and contracts with ESFA, the corporation is required to prepare financial statements which give a true and fair view of the financial performance and position of the corporation for the relevant period. Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction, Accounts Direction issued by the Office for Students and the UK's Generally Accepted Accounting Practice. In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the financial statements and auditor's report)
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the corporation will continue in operation

The corporation is also required to prepare a strategic report, in accordance with paragraphs 3.23 to 3.27 of the FE and HE SORP, that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.


The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the corporation and which enable it to ensure that the financial statements are prepared in accordance with relevant 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 to safeguard its assets and to prevent and detect fraud and other irregularities.

The corporation is responsible for the maintenance and integrity of its website; the work carried out by auditors does not involve consideration of these matters and, accordingly, 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 purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the corporation on 27 February 2024 and signed on its behalf by:



Robert Lawson
Chair of Corporation

Independent Auditors' Report to the Hull College Further Education Corporation

Opinion

We have audited the financial statements of Hull College Further Education Corporation (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2023 which comprise the consolidated and College statement of comprehensive income, the consolidated and College balance sheets, the consolidated and College statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction issued by the Education and Skills Funding Agency.

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 2023 and of the Group's and the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Accounts Direction issued by the Education and Skills Funding Agency.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

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

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of the Corporation of Hull College Further Education Corporation

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 30 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.

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

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

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

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

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

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

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

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

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

The Group audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates and performing tests of detail on a sample of revenue transactions together with performing a review of the appropriate application of the Group and College's revenue recognition policy.

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

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

Use of our report

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

RSM UK Audit LLP

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

29 February 2024

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2023

CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME

| | Notes | 2023 Group £'000 | 2023 College £'000 | 2022 Group £'000 | 2022 College £'000 |
|---|-------|------------------------|--------------------------|------------------------|--------------------------|
| Income | | | | | |
| Funding body grants | 3 | 26,797 | 26,797 | 25,311 | 25,311 |
| Tuition fees and education contracts | 4 | 3,128 | 3,128 | 3,790 | 3,790 |
| Other income | 5 | 617 | 407 | 1,406 | 1,180 |
| Investment income | 6 | 313 | 390 | - | 29 |
| Total income | | <u>30,855</u> | <u>30,722</u> | <u>30,507</u> | <u>30,310</u> |
| Expenditure | | | | | |
| Staff costs | 7 | 16,236 | 16,221 | 17,889 | 17,907 |
| Restructuring costs | 7 | 74 | 74 | 213 | 213 |
| Other operating expenses | 8 | 10,895 | 10,749 | 11,515 | 11,348 |
| Depreciation | 11 | 2,675 | 2,675 | 2,790 | 2,790 |
| Interest and other finance costs | 9 | - | - | 398 | 398 |
| Total expenditure | | <u>29,880</u> | <u>29,719</u> | <u>32,805</u> | <u>32,656</u> |
| Surplus/(deficit) before tax | | 975 | 1,003 | (2,298) | (2,346) |
| Taxation | 10 | - | - | - | - |
| Surplus/(deficit) for the year | | 975 | 1,003 | (2,298) | (2,346) |
| Re-measurement of net defined benefit pension scheme | 18 | (7,586) | (7,586) | 32,248 | 32,248 |
| Other comprehensive income for the year | | <u>(7,586)</u> | <u>(7,586)</u> | <u>32,248</u> | <u>32,248</u> |
| Total comprehensive income for the year | | <u>(6,611)</u> | <u>(6,583)</u> | <u>29,950</u> | <u>29,902</u> |
| Surplus/(deficit) for the year attributable to the Corporation of the College | | <u>975</u> | <u>1,003</u> | <u>(2,298)</u> | <u>(2,346)</u> |
| Total comprehensive income for the year attributable to the Corporation of the College | | <u>(6,611)</u> | <u>(6,583)</u> | <u>29,950</u> | <u>29,902</u> |

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

CONSOLIDATED AND COLLEGE BALANCE SHEET AS AT 31 JULY 2023

| | Notes | 2023 Group £'000 | 2023 College £'000 | 2022 Group £'000 | 2022 College £'000 |
|---|-------|------------------------|--------------------------|------------------------|--------------------------|
| Fixed assets | | | | | |
| Tangible assets | 11 | 24,505 | 24,505 | 25,062 | 25,062 |
| Investments | 12 | 1 | 1 | 1 | 1 |
| | | <u>24,506</u> | <u>24,506</u> | <u>25,063</u> | <u>25,063</u> |
| Current assets | | | | | |
| Stocks | | 120 | 119 | 119 | 118 |
| Debtors | 13 | 2,430 | 2,635 | 2,954 | 2,935 |
| Cash at bank and in hand | | 8,421 | 8,143 | 7,030 | 6,870 |
| | | <u>10,971</u> | <u>10,897</u> | <u>10,103</u> | <u>9,923</u> |
| Current liabilities | | | | | |
| Creditors – amounts falling due within one year | 14 | (8,486) | (8,480) | (9,647) | (9,563) |
| Net current assets | | <u>2,485</u> | <u>2,417</u> | <u>456</u> | <u>360</u> |
| Total assets less current liabilities | | <u>26,991</u> | <u>26,923</u> | <u>25,519</u> | <u>25,423</u> |
| Creditors – amounts falling due after more than one year | 15 | (6,115) | (6,115) | (5,273) | (5,273) |
| Provisions for liabilities | | | | | |
| Defined benefit pension scheme | 18 | - | - | 7,280 | 7,280 |
| Other provisions | 16 | (491) | (491) | (530) | (530) |
| | | <u>-</u> | <u>-</u> | <u>6,750</u> | <u>6,750</u> |
| Total net assets | | <u>20,385</u> | <u>20,317</u> | <u>26,996</u> | <u>26,900</u> |
| Reserves | | | | | |
| Income and expenditure reserve | | <u>20,385</u> | <u>20,317</u> | <u>26,996</u> | <u>26,900</u> |
| Attributable to the College Corporation and total unrestricted | | <u>20,385</u> | <u>20,317</u> | <u>26,996</u> | <u>26,900</u> |

The financial statements on pages 35 to 61 were approved and authorised for issue by the Corporation on 27 February 2024 and were signed on its behalf on that date by:

R.W. Lawson

Robert Lawson
Chair

Debra Gray

Debra Gray
Chief Executive and Accounting Officer

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2023

| | Income and expenditure reserve £'000 | Total £'000 |
|--|--|----------------|
| Group | | |
| Balance at 1 August 2021 | (2,954) | (2,954) |
| Deficit for the year | (2,298) | (2,298) |
| Other comprehensive income | 32,248 | 32,248 |
| Total comprehensive income for the year | 29,950 | 29,950 |
| Balance at 31 July 2022 | 26,996 | 26,996 |
| Surplus for the year | 975 | 975 |
| Other comprehensive income | (7,586) | (7,586) |
| Total comprehensive income for the year | (6,611) | (6,611) |
| Balance at 31 July 2023 | 20,385 | 20,385 |
| College | | |
| Balance at 1 August 2021 | (3,002) | (3,002) |
| Deficit for the year | (2,346) | (2,346) |
| Other comprehensive income | 32,248 | 32,248 |
| Total comprehensive income for the year | 29,902 | 29,902 |
| Balance at 31 July 2022 | 26,900 | 26,900 |
| Surplus for the year | 1,003 | 1,003 |
| Other comprehensive income | (7,586) | (7,586) |
| Total comprehensive income for the year | (6,583) | (6,583) |
| Balance at 31 July 2023 | 20,317 | 20,317 |

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2023

| | Notes | 2023 £'000 | 2022 £'000 |
|---|-------|----------------|----------------|
| Operating activities | | | |
| Net cash generated from/(used in) operations | 17 | 3,509 | (346) |
| Net cash from/(used in) operating activities | | <u>3,509</u> | <u>(346)</u> |
| Investing activities | | | |
| Purchase of tangible fixed assets | | (2,118) | (1,771) |
| | | <u>(2,118)</u> | <u>(1,771)</u> |
| Increase/(decrease) in cash and cash equivalents in the year | | <u>1,391</u> | <u>(2,117)</u> |
| Cash and cash equivalents at beginning of the year | | 7,030 | 9,147 |
| Cash and cash equivalents at end of the year | | <u>8,421</u> | <u>7,030</u> |
| Relating to: | | | |
| Bank balances included in cash at bank and in hand | | 8,421 | 7,030 |
| Cash and cash equivalents at end of the year | | <u>8,421</u> | <u>7,030</u> |

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

General information

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

Basis of accounting

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (the F & HE SORP) the College Accounts Direction for 2022 to 2023, Regulatory Advice 9: Accounts Direction issued by the Office for Students and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) under the historical cost convention. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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

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

Reduced disclosures

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Hull College Enterprises Ltd and HCUK Resourcing Ltd, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or sold are consolidated using the purchase method for the periods from or to the date that control passes. All financial statements are made up to 31 July 2023.

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

Going concern

The College group maintains a close focus on balancing strength and availability of liquid resources to meet both short-term and longer term financial needs, taking into account the continuing financial, operational and structural developments within the FE sector. The College has developed a three-year strategic plan for the period 2021-2025 incorporating financial cash flows and forecasts, with the support and participation of Hull College staff members

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

Going concern (continued)

The financial position of the College group, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes and this summary highlights that the College group made a surplus of £975,000, has net current assets of £2,485,000 and net assets of £20,385,000. The College group has a strong level of liquidity, with a closing bank balance of £8,421,000 and no external borrowings. The College maintains robust forecasts, which expect to see this position continue. Accordingly, the College group has a reasonable expectation that it has adequate resources to continue in operational existence for the period to at least 31 July 2025, the period of our current financial plan.

Accordingly, the College group has a reasonable expectation that it has adequate resources to continue in operational existence for the period to at least 31 July 2025, the period of our current financial plan and cashflow and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements. In December 2023, the College agreed a 14-month repayment schedule in relation to the ESFA funding assurance review liability. The College do not foresee any future difficulties in relation to its operational trading performance going forwards.

Recognition of income

Grants – government and non-government

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

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

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

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

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

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

Other income

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

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

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

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

Retirement benefits

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

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

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

The ERPF assets are managed by the scheme trustees at scheme level, and the determination/ allocation of assets to each individual employer in the scheme is managed by the scheme actuary. The assets are allocated to each employer for accounting purposes based on the valuation of the assets at the latest triennial valuation as adjusted for subsequent contributions received from the employer, asset returns and benefit payments made (either on a cash basis or actuarial basis).

The retirement benefit obligation recognised represents the deficit or surplus in the defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

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.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

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.

Equipment

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

Depreciation and residual values

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

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

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

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

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

Impairments of fixed assets

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

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

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

Operating leases

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

Cash and cash equivalents

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

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

Financial instruments

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

Financial assets and liabilities

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

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

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

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

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

Financial assets and liabilities (continued)

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

Taxation

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

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

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

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Critical accounting judgements and estimation uncertainty

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

Critical areas of judgement

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

- Leases

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

- East Riding Pension Fund

Determine the existence of a minimum funding requirement for the East Riding Pension Scheme to be included in the asset ceiling in measuring and recognising a surplus in the scheme. This judgement is based on an assessment of the nature of the scheme as a statutory scheme and its inherent implied continuance as well as the operations of the primary and secondary contributions.

Critical accounting estimates and assumptions

- East Riding Pension Fund

The present value of the East Riding Pension Fund defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 18, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2022 has been used by the actuary in valuing the pensions obligation at 31 July 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- Tangible fixed assets

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

- Impairment of fixed assets

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

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Funding body grants

| | Year ended 31 July | | Year ended 31 July | |
|---|--------------------|---------------|--------------------|---------------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Recurrent grants | | | | |
| ESFA - 16 -18 | 12,466 | 12,466 | 9,088 | 9,088 |
| ESFA – adult | 9,694 | 9,694 | 11,366 | 11,366 |
| ESFA – apprenticeships | 2,955 | 2,955 | 3,067 | 3,067 |
| Office for Students | 139 | 139 | 149 | 149 |
| Specific grants | | | | |
| Teacher Pension Scheme contribution grant | 510 | 510 | 443 | 443 |
| Releases of government capital grants | 930 | 930 | 1,198 | 1,198 |
| DfE grants | 103 | 103 | - | - |
| Total | <u>26,797</u> | <u>26,797</u> | <u>25,311</u> | <u>25,311</u> |

4. Tuition fees and education contracts

| | Year ended 31 July | | Year ended 31 July | |
|---------------------|--------------------|--------------|--------------------|--------------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Tuition fees | 2,196 | 2,196 | 2,784 | 2,784 |
| Education contracts | 932 | 932 | 1,006 | 1,006 |
| Total | <u>3,128</u> | <u>3,128</u> | <u>3,790</u> | <u>3,790</u> |

Details of grant and fee income

| | Year ended 31 July | | Year ended 31 July | |
|--|--------------------|---------------|--------------------|---------------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £000 | £000 | £000 | £000 |
| Grant income from Office for Students | 139 | 139 | 149 | 149 |
| Grant income from other bodies | 26,658 | 26,658 | 25,162 | 25,162 |
| Fees income for taught awards (exclusive of VAT) | 3,128 | 3,128 | 3,790 | 3,790 |
| Total grant and fee income | <u>29,925</u> | <u>29,925</u> | <u>29,101</u> | <u>29,101</u> |

Hull College Further Education Corporation

FINANCIAL STATEMENTS
for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Other income

| | Year ended 31 July | | Year ended 31 July | |
|------------------------------------|--------------------|------------|--------------------|--------------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Catering | 106 | 106 | 150 | 150 |
| Other income generating activities | 10 | 10 | 19 | 19 |
| Examination fees income | 11 | 11 | 13 | 13 |
| Miscellaneous income | 490 | 280 | 1,224 | 998 |
| Total | 617 | 407 | 1,406 | 1,180 |

6. Investment income

| | Year ended 31 July | | Year ended 31 July | |
|---------------------------------|--------------------|------------|--------------------|-----------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Gift aid from subsidiaries | - | 77 | - | 29 |
| Net interest on defined pension | 313 | 313 | - | - |
| | 313 | 390 | - | 29 |

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

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

| | Year ended 31 July | | Year ended 31 July | |
|--------------------|--------------------|------------|--------------------|------------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | No. | No. | No. | No. |
| Teaching staff | 148 | 148 | 159 | 159 |
| Non-teaching staff | 324 | 167 | 405 | 227 |
| | 472 | 315 | 564 | 386 |

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Staff costs for the above persons:

| | Year ended 31 July | | Year ended 31 July | |
|-----------------------------------|--------------------|---------------|--------------------|---------------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Wages and salaries | 11,908 | 8,053 | 12,891 | 9,180 |
| Social security costs | 1,085 | 796 | 1,173 | 885 |
| Other pension costs | 2,244 | 2,073 | 2,941 | 2,774 |
| Payroll sub-total | 15,237 | 10,922 | 17,005 | 12,839 |
| Contracted out staffing services | 999 | 5,299 | 884 | 5,068 |
| | 16,236 | 16,221 | 17,889 | 17,907 |
| Restructuring costs – Contractual | 39 | 39 | 169 | 169 |
| – Non contractual | 35 | 35 | 44 | 44 |
| Total staff costs | 16,310 | 16,295 | 18,102 | 18,120 |

Severance payments

The group paid 16 severance payments in the year which were all contractual obligations, disclosed in the following bands:

| | |
|------------|----|
| 0- £25,000 | 16 |
|------------|----|

Included in staff restructuring costs are special severance payments totalling £35,483 (2022-£44,000). Individually, the payments were: £657, £1,281, £1,675, £2,451, £2,451, £4,086, £4,760, £5,125, £5,610 and £7,387.

The staff restructuring costs were approved by the Corporation as part of the 2022/2023 budget approval.

| | Year ended 31 July | | Year ended 31 July | |
|--|--------------------|----------|--------------------|-----------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £000 | £000 | £000 | £000 |
| Compensation for loss of office paid to former member of the senior management team | | | | |
| Compensation paid to 1 former post-holder | | | | |
| - Contractual | - | - | 38 | 38 |
| - Non contractual | - | - | - | - |
| Total staff costs | - | - | 38 | 38 |

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. 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 Senior Leadership Team. During the year ended 31 July 2023 the Senior Leadership Team comprised the Chief Executive, Principal and Accounting Officer, Vice Principal of Curriculum, Director of Governance, Vice Principal of Human Resources, Vice Principal Quality and Learner Experience, and Vice Principal Finance and Corporate Resources.

Emoluments of key management personnel and Accounting Officer, including interims

| | 2023 No. | 2022 No. |
|--|-------------|-------------|
| The number of key management personnel including the Accounting Officer was: | <u>6</u> | <u>10</u> |

The number of staff who received annual emoluments, excluding pension costs but including benefits in kind, in the following ranges was:

| | 2023 No. | 2022 No. |
|----------------------|-------------|-------------|
| £60,001 to £65,000 | 1 | 2 |
| £65,001 to £70,000 | 1 | - |
| £70,001 to £75,000 | 4 | 2 |
| £75,001 to £80,000 | 1 | - |
| £80,001 to £85,000 | - | 1 |
| £90,001 to £95,000 | - | 2 |
| £95,001 to £100,000 | 1 | - |
| £105,001 to £110,000 | 1 | 3 |
| £110,001 to £115,000 | 2 | - |
| £<£160,001 | 1 | 2 |
| | <u>12</u> | <u>12</u> |

1 part time member of staff received emoluments below £60,000 though had the emoluments been calculated on a full time equivalent basis they would have been included in the £95,001 - £100,000 band.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

| | 2023 | 2022 |
|-------------------------|-------------------|-------------------|
| | £'000 | £'000 |
| Salaries | 538 | 684 |
| Invoiced costs | - | - |
| | <u>538</u> | <u>684</u> |
| Pension contributions | 131 | 118 |
| | <u>131</u> | <u>118</u> |
| Total emoluments | <u>669</u> | <u>802</u> |

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

In addition to the above is national insurance amounting to £69,000 (2022: £88,000)

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

| | Accounting Officer | Total 2023 |
|----------|---------------------------|-------------------|
| | £'000 | £'000 |
| Salaries | 160 | 160 |
| Invoiced | - | - |
| Pensions | 38 | 38 |
| | <u>198</u> | <u>198</u> |

| | Accounting Officer 1 | Accounting Officer 2 | Interim Accounting Officer | Total 2022 |
|----------|-----------------------------|-----------------------------|-----------------------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Salaries | 3 | 53 | 108 | 164 |
| Invoiced | - | - | - | - |
| Pensions | - | 13 | - | 13 |
| | <u>3</u> | <u>66</u> | <u>108</u> | <u>177</u> |

The remuneration of the accounting officers for the financial year ended 31 July 2023 were determined by the College's Remuneration Committee. The Accounting Officer was not involved in setting their remuneration. The factors taken into account by the Committee in determining the Accounting Officer's remuneration for the year to 31 July 2023 included: AoC Benchmarking data, together with the current and anticipated turnover for the College and current financial position.

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

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

| | 2023 No | 2022 No |
|--|------------|------------|
| Basic salary as a multiple of median basic salary of staff | 5.23 | 5.79 |
| Total remuneration as a multiple of median total remuneration of staff | 5.91 | 5.97 |

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

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 £4,000 (2022: £4,000) to 4 governors (2022: 1 governor). This represented travel and subsistence expenses and other out of pocket expenses incurred in attending Governor Meetings and charity events in their official capacity.

During the year no governor (2022: 1) received remuneration from the College or its subsidiaries during the year (2022: £21,000). This is in line with the permission granted by the Charity Commission.

8. Other operating expenses

| | Year ended 31 July | | Year ended 31 July | |
|--------------------|--------------------|---------------|--------------------|---------------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Teaching costs | 3,763 | 3,761 | 4,604 | 4,595 |
| Non-teaching costs | 4,886 | 4,742 | 5,031 | 4,873 |
| Premises costs | 2,246 | 2,246 | 1,880 | 1,880 |
| Total | 10,895 | 10,749 | 11,515 | 11,348 |

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

| | Year ended 31 July | | Year ended 31 July | |
|--|--------------------|---------|--------------------|---------|
| | 2023 | 2023 | 2022 | 2022 |
| | Group | College | Group | College |
| | £'000 | £'000 | £'000 | £'000 |
| Auditors remuneration, excluding VAT: | | | | |
| Financial statements audit - College | 89 | 89 | 110 | 110 |
| Financial statements audit - subsidiaries | 4 | - | 4 | - |
| Internal audit | 35 | 35 | 45 | 45 |
| Other services provided by financial statements auditors | 28 | 20 | 21 | 14 |
| Operating lease rentals | 82 | 82 | 82 | 82 |

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Other operating expenses (continued)

Access and participation expenditure

| | 2023 Group and College £'000 | 2022 Group And College £'000 |
|--|--|--|
| Access Investment | 117 | 210 |
| Financial Support provided to students | 150 | 69 |
| Support for disabled students | 14 | 10 |
| | <u>281</u> | <u>289</u> |

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

| | Total £ | Individual items above £5,000 Amount £ | Reason |
|--|------------|--|----------------------------|
| Compensation payment | 55,750 | 28,000 | Learner dispute resolution |
| | | 27,750 | Learner dispute resolution |
| Write off and losses | - | - | - |
| Guarantees, letters of comfort and indemnities | - | - | - |
| Ex-gratia payments | - | - | - |
| Total | 55,750 | 55,750 | |

The College received two learners' complaints in relation to services provided in 2019. The College completed a VFM exercise and obtained legal advice which resulted in the College awarding compensation payment amounting to circa £56,000 or £28,000 per learner. The Corporation approved the above payments.

9. Interest and other finance costs

| | Year ended 31 July 2023 | | Year ended 31 July 2022 | |
|--|----------------------------|------------------|----------------------------|------------------|
| | Group £'000 | College £'000 | Group £'000 | College £'000 |
| Net interest on defined pension scheme (note 18) | - | - | 398 | 398 |
| Total | <u>-</u> | <u>-</u> | <u>398</u> | <u>398</u> |

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Taxation – Group

| | 2023 £'000 | 2022 £'000 |
|--|---------------|---------------|
| Current tax | | |
| United Kingdom Corporation tax | - | - |
| Deferred tax | | |
| Origination and reversal of timing differences | - | - |
| Total tax on Surplus/deficit | - | - |

11. Tangible fixed assets (Group and College)

| | Freehold land and buildings £'000 | Equipment £'000 | Total £'000 |
|--|--|--------------------|----------------|
| Cost or valuation | | | |
| At 1 August 2022 | 50,494 | 20,236 | 70,730 |
| Additions | 1,139 | 979 | 2,118 |
| At 31 July 2023 | 51,633 | 21,215 | 72,848 |
| Depreciation and Impairment | | | |
| At 1 August 2022 | 27,427 | 18,241 | 45,668 |
| Charge for the year | 1,536 | 1,139 | 2,675 |
| At 31 July 2023 | 28,963 | 19,380 | 48,343 |
| Carrying amount at 31 July 2023 | 22,670 | 1,835 | 24,505 |
| Carrying amount at 31 July 2022 | 23,067 | 1,995 | 25,062 |

The gross book value of freehold land and buildings includes land with a value of £6,869,000 (2022: £6,869,000), which is not depreciated.

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

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

| | £'000 |
|--------------------------------------|----------|
| Cost | - |
| Aggregate depreciation based on cost | = |
| Carrying amount based on cost | = |

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Investments

| | Shares in subsidiary undertakings £'000 | Other investments £'000 | Total £'000 |
|--------------------------------------|--|-------------------------------|----------------|
| Cost and carrying amount | | | |
| At 1 August 2022 and at 31 July 2023 | - | 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.

Subsequent to the year end Hull College Enterprises ceased to trade.

13. Debtors

| | Group 2023 £'000 | College 2023 £'000 | Group 2022 £'000 | College 2022 £'000 |
|---|------------------------|--------------------------|------------------------|--------------------------|
| Amounts falling due within one year: | | | | |
| Trade debtors | 787 | 787 | 781 | 762 |
| Amounts owed by group undertakings | - | 205 | - | - |
| Prepayments and accrued income | 1,643 | 1,643 | 1,390 | 1,390 |
| Amounts owed by Funding Body | - | - | 783 | 783 |
| Total | 2,430 | 2,635 | 2,954 | 2,935 |

During the year impairment losses of £nil (2022: £647,000) were recognised in respect of trade debtors which were not expected to be recovered. The impairment provision included within trade debtors at the year end was £927,000 (2022: £927,000).

14. Creditors - amounts falling due within one year

| | Group 2023 £'000 | College 2023 £'000 | Group 2022 £'000 | College 2022 £'000 |
|------------------------------------|------------------------|--------------------------|------------------------|--------------------------|
| Trade creditors | 485 | 485 | 404 | 389 |
| Amounts owed to group undertakings | - | 81 | - | 325 |
| Other taxation and social security | 589 | 511 | 290 | 220 |
| Other creditors | 348 | 343 | 327 | 312 |
| Accruals and deferred income | 1,280 | 1,276 | 3,123 | 2,814 |
| Government capital grants | 926 | 926 | 864 | 864 |
| Amounts owed to Funding Body | 4,858 | 4,858 | 4,639 | 4,639 |
| Total | 8,486 | 8,480 | 9,647 | 9,563 |

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Creditors - amounts falling due after more than one year

| | Group 2023 £'000 | College 2023 £'000 | Group 2022 £'000 | College 2022 £'000 |
|---------------------------|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| Government capital grants | 6,115 | 6,115 | 5,273 | 5,273 |
| Total | 6,115 | 6,115 | 5,273 | 5,273 |

16. Provisions for liabilities

| | Enhanced Pension £'000 | Other £'000 | Total £'000 |
|--|---------------------------------------|------------------------|------------------------|
| Group and College | | | |
| At 1 August 2022 | 461 | 69 | 530 |
| Amounts utilised | (43) | (4) | (47) |
| Additions in the year to income and expenditure account | 8 | - | 8 |
| At 31 July 2023 | 426 | 65 | 491 |

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:

| | 2023 | 2022 |
|-----------------|-------------|-------------|
| Price inflation | 5.00% | 3.20% |
| Discount rate | 2.80% | 2.90% |

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. (a) Notes to the cash flow statement - Group

| | 2023 £'000 | 2022 £'000 |
|---|---------------|---------------|
| Surplus/(deficit) after tax for the year | 975 | (2,298) |
| Adjustment for: | | |
| Depreciation and impairment | 2,675 | 2,790 |
| Interest receivable | (313) | - |
| Interest payable | - | 398 |
| Decrease in provisions | (39) | (238) |
| Pension costs less contributions payable | 7 | 775 |
| Operating cash flow before movements in working capital | 3,305 | 1,427 |
| (Increase)/decrease in stocks | (1) | 1 |
| Decrease/(increase) in debtors | 524 | (241) |
| Decrease in creditors | (319) | (841) |
| Net cash (used in)/generated from operations | 3,509 | (346) |

(b) Analysis of changes in net funds

| | At 1 August 2022 £'000 | Cash flows £'000 | At 31 July 2023 £'000 |
|---------------------------|---------------------------------|------------------------|--------------------------------|
| Cash and cash equivalents | 7,030 | 1,391 | 8,421 |
| Total | 7,030 | 1,391 | 8,421 |

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Retirement benefits

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

The group also operates a defined benefit contribution scheme for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

| Total pension cost for the year | 2023 £'000 | 2022 £'000 |
|--|-----------------------|-----------------------|
| Teachers' Pension Scheme: contributions paid | 1,205 | 1,292 |
| East Riding Pension Fund: | | |
| Contributions paid | 746 | 735 |
| Deficit funding | 107 | 107 |
| FRS 102 (28) charge | <u>7</u> | <u>775</u> |
| Charge to the Statement of Comprehensive Income | 860 | 1,617 |
| Defined contributions paid | 171 | 167 |
| Enhanced pension charge to Statement of Comprehensive Income | <u>8</u> | <u>(135)</u> |
| Total pension cost for the year within staff costs | <u>2,244</u> | <u>2,941</u> |

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2020 and of the LGPS 31 March 2022.

Contributions amounting to £264,000 (2022: £309,000) were payable to the schemes at 31 July and are included within creditors.

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

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation was carried out as at 31 March 2020 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2023 and the Employer Contribution Rate was assessed using agreed assumptions in line with the Directions and was accepted at the original assessed rate as there was no cost control mechanism breach.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Retirement benefits (continued)

As a result of the valuation, new employer contribution rates have been set at 28.6% of pensionable pay from 1 April 2024 until 31 March 2027 (compared to 23.68% under the previous valuation including a 0.08% administration levy). DfE agreed to pay a Teachers Pensions employer contribution grant to cover the additional costs during the 2021-22 academic year, and currently through to July 2024.

The valuation report was published on 26 October 2023. The key results of the valuation are:

- Total scheme liabilities for service (the capital sum needed at 31 March 2020 to meet the stream of future cashflows in respect of benefits earned) of £262 billion.
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £222 billion.
- Notional past service deficit of £39.8 billion (2016: £22 billion).
- Discount rate is 1.7% in excess of CPI (2016: 2.4% in excess of CPI (this change has had the greatest financial significance)).

The pension costs paid to TPS in the year amounted to £1,205,000 (2022: £1,292,000).

The next valuation result is due to be implemented from 1 April 2024.

As a result of the valuation, new employer contribution rates have been set at 28.6% of pensionable pay from 1 April 2024 until 31 March 2027 (compared to 23.68% under the previous valuation including a 0.08% administration levy). DfE agreed to pay a Teachers Pensions employer contribution grant to cover the additional costs during the 2021-22 academic year, and currently through to July 2024.

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 2023 were £1,046,000, of which employer's contributions totalled £853,000 and employees' contributions totalled £193,000. Additional deficit funding of £107,000 has been paid during the year and is included in the figures above. The contribution rates up to 31 March 2023 were 21.30% for employers and ranged from 5.50% to 12.50% for employees, depending on salary. The agreed contribution rates for future years from 1 April 2023 are 26.70% for employers and range from 5.50% to 24.50% for employees, depending on salary.

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Retirement benefits (continued)

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2022 updated to 31 July 2023 by a qualified independent actuary.

| | At 31 July 2023 | At 31 July 2022 |
|--------------------------------------|--------------------|--------------------|
| Rate of increase in salaries | 3.50%** | 2.33%** |
| Future pension increases | 3.00% | 2.70% |
| Discount rate | 5.05% | 3.50% |
| Inflation assumption (CPI) | 3.00%*** | 2.70%*** |
| Commutation of pensions to lump sums | See note* | See note* |

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

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

*** Includes current CPI experiences of 9.9%.

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

| | At 31 July 2023 Years | At 31 July 2022 Years |
|-----------------------------|-----------------------------|-----------------------------|
| <i>Retiring today</i> | | |
| Males | 21.1 | 20.9 |
| Females | 24.0 | 23.3 |
| <i>Retiring in 20 years</i> | | |
| Males | 21.9 | 21.8 |
| Females | 25.5 | 24.8 |

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

| | Fair value at 31 July 2023 £'000 | Fair value at 31 July 2022 £'000 |
|--|---|---|
| Equity instruments | 62,977 | 64,765 |
| Debt instruments | 14,869 | 14,195 |
| Property | 7,872 | 8,872 |
| Cash | 1,749 | 887 |
| Total fair value of plan assets | 87,467 | 88,719 |
| Actual return on plan assets | 1,653 | 3,457 |

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Retirement benefits (continued)

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

| | 2023 | 2022 |
|--|----------|--------------|
| | £'000 | £'000 |
| Fair value of plan assets | 87,467 | 88,719 |
| Present value of plan liabilities | (65,217) | (81,403) |
| Present value of unfunded liabilities | (25) | (36) |
| Net asset | 22,225 | 7,280 |
| Restriction to level of asset ceiling | (22,225) | - |
| Net asset recognised in the balance sheet | - | 7,280 |

The value of the college's share of net assets has been restricted due to the effect of the asset ceiling being the maximum value of the present of the economic benefits available in the form of the unconditional right to reduced contributions from the plan. A corresponding charge has been made to other comprehensive income in the period.

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

| | 2023 | 2022 |
|---|--------------|----------------|
| | £'000 | £'000 |
| Current service cost | (860) | (1,609) |
| Past service cost | - | (8) |
| Net interest on defined benefit pension asset/(liability) | 313 | (398) |
| Total | (547) | (2,015) |

Amount recognised in other Comprehensive Income

| | | |
|--|---------|--------|
| Re-measurement of net defined benefit pension scheme | (7,586) | 32,248 |
|--|---------|--------|

| | 2023 | 2022 |
|--|-------|-------|
| | £'000 | £'000 |

Changes in the present value of defined benefit obligations

| | | |
|---|---------------|---------------|
| Defined benefit obligations at start of period | 81,439 | 111,571 |
| Current service cost | 860 | 1,609 |
| Past service cost | - | 8 |
| Interest cost | 2,830 | 1,839 |
| Contributions by scheme participants | 193 | 196 |
| Actuarial gain | (17,968) | (31,918) |
| Benefits paid | (2,112) | (1,866) |
| Defined benefit obligations at end of period | 65,242 | 81,439 |

Hull College Further Education Corporation

FINANCIAL STATEMENTS

for the year ended 31 July 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Retirement benefits (continued)

| | 2023 £'000 | 2022 £'000 |
|---|---------------|---------------|
| Changes in fair value of plan assets | | |
| Fair value of plan assets at start of period | 88,719 | 87,776 |
| Interest income | 3,143 | 1,441 |
| Return on plan assets (excluding net interest on the net defined benefit liability) | (1,490) | 2,016 |
| Employer contributions | 853 | 842 |
| Recalculation of net present value of assets | (3,525) | (1,686) |
| Recalculation of net present value of assets – prior year | 1,686 | - |
| Contributions by scheme participants | 193 | 196 |
| Benefits paid | (2,112) | (1,866) |
| Fair value of plan assets at end of period | 87,467 | 88,719 |

19. Commitments under operating leases

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

| | Group | | College | |
|---|---------------|---------------|---------------|---------------|
| | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 |
| Payment due | | | | |
| Not later than one year | 62 | 82 | 62 | 82 |
| Later than one year and not later than five years | 149 | 167 | 149 | 167 |
| Later than five years | 632 | 670 | 632 | 670 |
| | 843 | 919 | 843 | 919 |

20. Related party transactions

Key management compensation disclosure is given in note 7.

Transactions with subsidiaries

Sales of £4,300,000 (2022: £4,184,000) and staff costs, travel expenses and Management charges of £4,277,000 (2022: £4,324,000) were recharged to the subsidiaries. Gift aid of £77,000 (2022: £29,000) was donated by the subsidiaries to the college. There were amounts of £205,000 owed by a subsidiary and £81,000 owed to a subsidiary (2022: £325,000 owed to the subsidiaries) at the year end.

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

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 29 October 2021 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA") or those of any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by Hull College during the period 1 August 2022 to 31 July 2023 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 2022 to 31 July 2023 have 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 Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.

We have complied with the independence and other ethical requirements of the FRC's Ethical Standard and the ethical pronouncements of the ICAEW. We also apply International Standard on Quality Management (UK) 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements and accordingly maintain comprehensive systems of continuing quality management.

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 are 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 Code.

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

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and those of any other public funder 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.

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29 February 2024
