

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

**Report and financial statements
for the period
1 August 2022 to 31 July 2023**

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HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2023.

Strategic update

2023 marks the Colleges 175-year anniversary in delivering high quality education in Hartlepool and the surrounding areas. We closed the year in a very strong financial position and ahead of expectations, growing our income streams to over £19m which represents significant growth over the last 3 years. The college now looks ahead to an extensive capital development programme worth over £6m in the next 2 years, to introduce T Levels and invest in the future growth of the curriculum offer and campus. Work commenced on our Exeter Street development during the year, which is part funded by T Level Wave 4 and the Hartlepool Town Deal, with the site operational in early 2024.

An essential part of the Colleges intent is to ensure that the College plays a key role in the community and to ensure the curriculum is closely aligned to local and regional labour market intelligence. The Colleges curriculum has been built around the strategic economic plans of the Tees Valley Combined Authority as well as the North East Local Enterprise Partnership. Both strategic economic plans chime with supra-regional plans of the Northern Powerhouse which highlight health/life sciences, energy, advanced manufacturing and digital as key sectors. Furthermore, enabling sectors of construction and professional services are also key.

Hartlepool has many challenges, and the College has a critical role in addressing both the economic and skills/qualification aspects. The English Indices of Deprivation 2019 categorises the town as the tenth most deprived authority in England. Furthermore, a North East Child Poverty research report highlighted some 39% of children in Hartlepool are living in poverty based on research carried out in 2020/21. The College has witnessed a 3.8% growth in learners living in these most deprived postcodes.

Regionally, the Tees Valley economy faces a number of challenges, including low business density, a skilled but ageing workforce, skills shortages in new and growing sectors, and attainment levels that are below national averages as well as further education funding constraints. The College has forged excellent relationships with the employer representative bodies driving the Tees Valley and North East Local Skills Improvement Plans (LSIP) - the North East England Chamber of Commerce and the North East Automotive Alliance, respectively. The College has been heavily involved in the consultation process, having meetings with both to discuss how the curriculum can contribute to meeting the demands of the LSIP findings with a specific focus on the Construction & Civil Engineering Academy and the Health & Care Academy the College have partnered with employers Seymour Civil Engineering and North Tees & Hartlepool NHS, respectively.

In the Tees Valley, the work of the LSIP builds upon a strong working relationship the College has developed with the combined authority to more than double the volume of adults being educated in skill-related qualifications. This work has largely focused on the transition to employment in priority areas of manufacturing, engineering, construction and health. The partnership between industry and the post-16 education sector must be strengthened and become more collaborative, with the LSIP driving employer engagement within the skills system.

During the year, FE colleges were swiftly reclassified into the public sector which brought some new rules and disclosure requirements from the Managing Public Money framework, the impact during the year has largely been favorable to the college, with additional capital funding and an accelerated funding profile. The college has adopted the new rules into its financial regulations and policies and expects minimal impact going forward.

In July 2023, the government announced additional FE funding of £185m for the financial years 2023-2024 and £285m in 2024 -2025, the funding is designed to support college priorities, particularly around recruitment and retention of staff and the disparity of pay within other areas of the education system. The funding will aid FE providers to continue to deliver high value technical, vocational, and academic provision.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Report of the Governing Body (continued)

This additional investment will be delivered via core 16 to 19 funding, including through boosting programme cost weightings for higher-cost subject areas as well as increasing the per-student funding rate. The additional funding will favorably impact our strategic plans for the following 2 years and will be reflected in our revised financial projections and metrics.

At the time of writing, enrollment figures for FY23/24 are showing further growth, with 16 – 18, Apprenticeships and Higher Education tracking ahead of FY22/23, however due to the FE lagged funding model, the additional increases in students does not guarantee we will receive in year growth funding until the following year.

Ofsted

In May the College received its notification for an Ofsted inspection – the first since 2017. The overall judgement was 'good', with a further seven sub-judgements of good and the Colleges apprenticeship provision was deemed 'outstanding'. Inspectors praised the 'supportive environment', 'positive culture' and the 'knowledgeable staff who bring high levels of experience from specialist industries'. Safeguarding arrangements were deemed to be effective and the inspectors noted that the College meets skills need. Further improvements in attendance and the development of learners' written English skills were identified as key focuses for development.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Hartlepool College of Further Education. The College is an exempt charity for the purposes of the Charities Act 2011. The College also has a subsidiary company called Hartlepool Business Development Centre Limited which trades as Flagship Training Solutions.

Public Benefit

Hartlepool College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity are disclosed on pages 13 – 14. In November 2022, the Office for National Statistics (ONS) updated the classification of English colleges back into the public sector. Colleges and their subsidiaries now form part of central government and now follow the Managing Public Money (MPM) framework.

In setting and reviewing the Colleges strategic objectives, the Governing Body has had due regard for the Charity Commissions 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.

Mission, Vision, Strategy & Objectives

The Colleges mission as approved by its members is:

'Excellence in further and higher education to transform students' lives'

Implementation of strategic plan

The College has a three year development plan which is reviewed and updated annually in line with meeting local skills needs. The Corporation monitors the performance of the College against these plans. The Colleges Strategic Plan was reviewed and refreshed in July 2023 and forms a fundamental part of our Annual Accountability Statement. The strategic aims are as follows:

1. To offer a curriculum that is aspirational and meets the needs of learners, parents, employers and stakeholders
2. To deliver teaching, learning and assessment practice that results in outstanding outcomes for all learners
3. To develop culture as a form of competitive advantage
4. To deploy an effective and efficient resource to support and promote outstanding provision
5. To develop and sustain transformational stakeholder partnerships

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Report of the Governing Body (continued)

Each of these headline strategic aims are underpinned by a series of operating statements each with a milestone attached related to each year of the life of the strategy.

Financial objectives

The Colleges financial objectives are:

- To set challenging targets, applicable to all resources, to ensure that value for money is achieved in their procurement and efficiency and effectiveness in their operation.
- To ensure that the financial assets are safeguarded and augmented in order to secure the long-term viability and financial strength of the organisation.
- To ensure that the physical assets are maintained, developed and safeguarded in order to support the ongoing delivery of a broad, balanced and rich curriculum.
- To maintain a high standard of financial performance management, utilising information that is timely, fit for purpose and supports the decision-making process.
- To ensure that the principles of risk management are applied to all major areas of activity.

Performance indicators

The College is committed to observing the importance of the measures and indicators within the framework and is monitoring these through a comprehensive performance management process where the Principal and Executive meet individual Heads of School at least termly to review a range of performance measures, including:

- Delivery of enrolments against the Curriculum Plan to ensure the College meets its funding targets
- Student Attendance (target 95%), retention (target 92%) and achievement (target 90%)
- Quality assurance in terms of Learner Walks, Focused Curriculum Reviews, External Verifier reports and monitoring of courses that have Improvement Plans in place
- Staff, student and external stakeholder feedback
- Health & Safety incidents and accidents
- Mandatory training compliance
- Financial performance including staff utilisation

Heads of School receive weekly management information bulletins that summarise actual current performance against the above and highlight specific issues or concerns requiring intervention. Termly business review and planning meetings between school/division managers and the executive assess progress to date and the impact of improvement plans. The College position against all of the above is reported to College Leadership Committee and is reported termly to the Board via relevant sub-committees.

In addition, the annual Financial Plan is approved by the Board via the Finance & General Purposes Committee and that Committee also has oversight of the Colleges financial health as reported in the Plan, Finance Record and verified by the Education & Skills Funding Agency. The current rating of Good is considered an acceptable outcome given the inflationary cost pressures during the period.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Report of the Governing Body (continued)

The Groups performance against other key financial indicators are as follows:

	2023	2022
Operating surplus / (deficit) before LGPS/enhanced provision charges	£805k	£186k
Operating surplus / (deficit) after LGPS / enhanced provision charges	£334k	(£1163k)
Operating surplus / sector EBITDA as a % of income	8.8%	5.6%
Staff Costs as a % of income	57%	68%
Cash Balance	£4.672m	£2.352 m
Cash days in hand/liquidity	95	50
Borrowing as a % of income	29%	34%
Reliance on ESFA income	85%	83%

Included within cash is £2.529m of capital grant receipts that will be expensed throughout the next financial year, underlying cash position is £2.336m, adjusted cash days in hand of 45.

FINANCIAL POSITION

Financial results

In previous years college expenditure has been steady and benign, however during the year the college saw inflationary cost increases from most of its bought in supplies and services, however these were largely offset with the growth in Apprenticeship and Adult Education Budget (AEB) funding. The increased energy pricing was a significant cost to the college, and we are currently working on investing in energy efficiency measures throughout the campus, with plans to retrofit all lighting and invest in better energy management systems.

During the year the college received an additional allocation of £2.528m of capital grant receipts from the DfE, A proportion of the funding has been utilised on supporting the enhancement of the Exeter Street capital works, with the balance of funding to be spent in FY23/24 on the purchase of industry specific T Level equipment, improving the campus aesthetics, energy efficiency, as well as addressing items within the DfE college condition survey.

The Group generated a consolidated operating surplus of £805k before the FRS102 LGPS pension provision and enhanced pension provision charges (2021/22: £186k surplus). The consolidated operating position after the LGPS pension provision is a surplus of £334k (2021/22 £1,163k deficit). The Group has accumulated reserves of £7.924k which includes a pension asset of £3.829k. There were £857k of tangible fixed asset additions during the year, which includes £511k of assets under construction.

The college has seen significant growth over the last few years in line with our strategic aims. Apprenticeship provision has grown from £2.8m in FY2020 to £4m representing a 40% growth, capitalising on our Outstanding offer and strong employer links we have with the region. Another key area of growth is in our devolved Tees Valley Combined Authority (TVCA) AEB budget which out turned at £3.2m, an increase of £1.7m or 113% since 2020. During the year, the ESFA and combined authority, increased AEB funding rates in six sector subject areas: engineering, manufacturing technologies, transport operations and maintenance, building and construction, ICT for practitioners, and mathematics and statistics to address the increased cost of service delivery.

The College has significant reliance on the ESFA for its principal funding sources, largely from recurrent grants. In 2022/23 the ESFA and Tees Valley Combined Authority (devolved ESFA budget) provided approximately 85% of the Colleges total income.

The College owns 100% of the issued share capital of its subsidiary company, Hartlepool Business Development Centre Limited (HBDC). The Company provides education and training programmes for industry and commerce,

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Report of the Governing Body (continued)

together with conferencing. Any taxable surpluses generated by the subsidiary are transferred to the College under gift aid, where there are sufficient reserves. In the current year the surplus was £6.45k (2021/22: £86k).

Treasury policies and objectives

Treasury management is the management of the Colleges 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, which was updated to reflect the changes around raising capital finance as detailed in the MPM framework.

Cash flows and liquidity

At £2,163k (2021/22: £104k inflow), operating cash inflow was significantly up due to the increased growth in most funding body grants, increased funding rates and receipt of capital funding. College borrowing reduced by £348k to £5.63m, improving our income to debt ratio from 33% to 29%.

Reserves Policy

The Group reserves, along with Government capital grant and loans were used to assist in the financing of the main campus which opened in September 2011. There were therefore a few years of planned deficits which saw reserves drop considerably. However in the last three years, the Group has been attempting to build these reserves and strengthen its balance sheet, the college achieved a positive operational surplus before remeasurement of pensions.

Free reserves, excluding pension asset and revaluation currently stand at £2976k and the Group is looking to increase this in future years to build financial resilience.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Future Developments

In recent years, the FE White Paper: Skills for Jobs, for Lifelong Learning, for Opportunity and Growth became the Skills for Post-16 Education Bill. The main thrust of this legislation it to put employers at the heart of the skills system. In 2022/23 this legislation was realised with the consultation and formation of the Local Skills Improvement Plans. The College was well-placed to exploit opportunities to come from this move due to its long and well-established track record of provide high quality advanced and higher technical education to a wide range of employers. In 2022/23 the College launched a number of sub-strategies to support the overall corporate strategy. Two of these, the Curriculum & Skills Strategy and the Stakeholder Strategy (along with the annual accountability statement – a requirement of the new legislation) set a clear direction of future developments and evidence how the College will meet the expectations of the respective LSIPs.

Student numbers

In 2022/23 the College has delivered activity that has produced £16,161k in funding body main allocation funding (2021/22: £14,938k). The College had approximately 3885 ESFA -funded and 485 non-ESFA-funded students.

Student achievements

The success rate for 2022/23 was 86.4% (2021/22 88%).

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Report of the Governing Body (continued)

Curriculum developments

In 2022/23, the College continued to future proof its curriculum with extensive staff development, capital investment and employer engagement. The College started the planning process for T levels (commencing Sept 2023) by training 36 members of staff on the T level programmes. Two successful capital investment grants began around new curriculum developments in fabrication and welding engineering and the energy sector, this investment will be realised in the early in 2024 and support the continued growth of these sectors. Furthermore, the College continued to build upon the growth in the construction and civil engineering industries with investment in the Seymour Skills Academy and new provision in apprenticeships, higher education and adult education. In 2023/24, the College will see further curriculum developments in the Health and Care sector with the opening of the Health and Care Academy in partnership with the local NHS trust and new investment into the growing provision of eSports with a new dedicated eSports centre opening in the Spring term.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. Unless a specific query arises with the supplier account or the invoice itself, the college strives to pay all its supplier invoices within 30 days and conducts multiple supplier runs per month to ensure we are aiming to meet this target.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include College buildings which are relatively new and an annex at Exeter Street which is over 30 years old but maintained to a high standard.

Financial

The College has consolidated net assets of £7,924k (including a £3,829k pension asset) (2021/22: £2,060k) and loan financing of £5,630k (2021/22: £5,978k).

People

The College employs 259 people (expressed as full-time equivalents), of whom 118 (2021/22: 120) are teaching staff.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the Colleges success in attracting students and external partnerships. In 2017, the College received an Ofsted visit and achieved an overall grade of 'Good', with an Outstanding grade for apprenticeships.

Principal Risks and Uncertainties

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

Based on strategic and development plans, the Executive undertakes a comprehensive review of the risks to which the College is exposed. The Executive identifies systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. Internal controls are then implemented and the subsequent years appraisal will review their effectiveness and progress against risk management action plans. In addition to the annual review, the Executive considers any risks to the organisation as part of the weekly Executive meetings. A risk register is maintained by the College which is reviewed at least termly by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are scored and prioritised using a risk matrix, which shows both gross and net risks.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Report of the Governing Body (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Outlined below is a description of some of the principal risks as perceived by the organisation in 2022/23. Not all the factors are within the Groups control and other factors apart from those listed below may also adversely affect the Group.

1. *Below target delivery of funding body contracts*

The College relies significantly on continued government funding through contracts with the ESFA. In 2022/23, approximately 85% of the Groups revenue was ultimately public-funded and a similar level of reliance is expected to continue.

Group controls to mitigate the risk include:

- Experienced management in curriculum planning
- Clear executive steer to contract performance managers
- A robust quality assurance policy and committee structure
- Robust data management systems and procedures
- Executive priority and whole-Group approach in the event of early warning signs

2. *Impact of increased fees targets*

Individuals and employers are expected to contribute towards the cost of training and tuition. Each year the corporation approves a comprehensive fees and remission policy which details the fees to be charged in the coming year to individuals and employers. Where practicable, Hartlepool College will continue to increase tuition fees in line with the rising fee assumptions but is extremely mindful of the restrictions felt by both Employers and individuals in the current economic climate.

Group controls to mitigate the risk include:

- Comprehensive fees and remission policy, updated and approved annually but with flexibility to respond to local market forces
- Local market intelligence
- Bursary system

3. *Higher than anticipated staff costs*

The Group has robust processes in place to maximise staff utilisation and minimise use of temporary staff. The Group also plans to continue to adhere to AoC pay recommendations, provided that this is financially feasible.

Group controls to mitigate the risk include:

- Maintain close scrutiny of staff utilisation and strict authorisation processes for recruitment of additional and/or temporary staff
- Intention to implement AoC further recommendations if finances permit
- Estimated increases built into financial plans, including pension obligations
- Review of structures and management costs

4. *Changes to loan arrangements*

The variable loan facility was refinanced in July 2022 and £1 million repaid as part of that process. The new facility is in place for 5 years with the loan forecast to be fully repaid at the end of that period.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Report of the Governing Body (continued)

5. *Failure to maintain the viability of the Group*

The Groups current financial health grade is classified as 'Good' and this is largely the consequence challenge to the Groups financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies
- Monitoring bank loan covenants
- Monitor cash flow to ensure that loan repayments can be met

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. The college [has established systems and processes to identify and handle any transactions for which DfE approval is required.

STAKEHOLDER RELATIONSHIPS

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

- Students
- Funding bodies
- Tees Valley Combined Authority
- Teesside University
- FE Commissioner
- Staff
- Employers which include two local NHS trusts, international organisations in sectors such as aerospace, advanced manufacturing, chemical and process engineering and fabrication and welding, as well as national civil engineering and construction organisations. The College also engages with a large range of regional and local SMEs.
- The local authority
- Local Enterprise Partnerships (LEPs)
- Government offices, regional development agencies and local enterprise partnerships
- The local community
- Other FE institutions
- Trade unions
- Professional bodies

The Group recognises the importance of these relationships and engages in regular communication with stakeholders through a wide variety of channels.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Report of the Governing Body (continued)

Trade union facility time

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

Numbers of employees who were relevant union officials during the period	FTE employee number
2	2

Percentage of time	Number of employees
0%	
1-50%	2
51-99%	
100%	
Total cost of facility time	
£4,677	

Total pay bill	£10,866
Percentage of total bill spent on facility time	0.04%

Time spent on paid trade union activities as a percentage of total paid facility time	5.40
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Streamlined Energy and Carbon Reporting

In 2021 the college received a report highlighting that energy use was a big contributor to our carbon footprint, as well as a significant cost to the college. The college had made some inroads during the year into addressing the energy use by retrofitting lighting with energy efficient LED bulbs. Once our current major capital projects are complete, plans are in place to work on reviewing the college building energy management systems, amongst a range of other energy reduction measures.

The college is also in discussions with other local and national colleges to review their building energy infrastructure, and also working with the local authority to help and support with its decarbonisation reduction strategy.

Equal opportunities and employment of disabled persons

The Group is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The Groups Equality Policy is published on the Groups Intranet site.

The Group publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The Group undertakes equality impact assessments on all new policies and procedures on a prioritised basis.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Report of the Governing Body (continued)

The Group is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The Group considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the Group continues. The Groups policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

Pay gap reporting

The College produces an annual pay gap report and this is published on the Colleges website
<https://www.hartlepoolfe.ac.uk>

Disability Statement

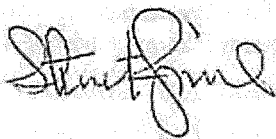
The Colleges Single Equality Scheme sets out the ways in which it will continue to meet the legal requirements under the Equality Act 2010. The Act specifies nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex (gender) and sexual orientation. The Scheme identifies the following key objectives that the College believes will make the biggest impact in terms of advancing equality and diversity:

- Improve the data monitoring of our workforce to ensure advancing equality of opportunity
- Ensure the safety and well-being of students across all protected characteristics
- To strive to reduce the gender pay gap

Disclosure of information to auditor

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 Colleges auditor is 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 Colleges auditor is aware of that information.

Approved by order of the members of the Corporation on 7th December 2023 and signed on its behalf by:



.....
Mr S Irvine
Chair of the Corporation

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Report of the Governing Body (continued)

Key Management Personnel, Board of Governors, and Professional Advisers

Key Management personnel

Key Management personnel are defined as members of the College Executive and were represented by the following in 2022/23:

Darren Hankey	Principal and CEO: Accounting Officer
Karen Dales	Assistant Principal (Retired 17.12.22)
Shaun Hope	Assistant Principal
Gary Riches	Assistant Principal
David Williams	Assistant Principal (Appointed 1 st December 2022)

Board of Governors

A full list of Governors is given on page 13 - 14 of these accounts.

Mrs K Dales was appointed in January 2023 and as acted as Clerk to the Corporation, replacing the previous clerk Alan Theakston.

Professional Advisers

Financial Statements and regularity auditor:	RSM UK Audit LLP 1 St James Gate Newcastle upon Tyne NE1 4AD
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Internal auditor:	Wylie & Bisset LLP 168 Bath Street Glasgow G2 4TP
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Banker:	Barclays Bank PLC 1 Churchill Place London E14 5HP
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Solicitor:	Square One Law LLP Anson House Burdon Terrace Newcastle upon Tyne NE2 3AE
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HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts 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 endeavors to conduct its business:

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

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.

We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

A governance self-assessment for FY22/23 went to the board in July 2023, the college has commissioned an independent review from Stone King LLP to complete a further independent review with draft findings complete in December 2023. The Governing Body recognizes 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 Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charities Commission guidance on public benefit and that the required statements appear elsewhere in the financial statements.

The Corporation

The members who served the corporation during the year and up to the date of signature of this report were as follows:

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Corporation Meeting Attendance	Committees Served
Mr S Irvine (Chair)	01.08.18	4 years		External	5/5	Chair: Remuneration Chair: Search Chair Staff appeals Chair: Student appeals Chair: Senior staff selection
Mr D Hankey	01.08.13	N/A		Principal	5/5	Finance & General Purposes Search Curriculum & Standards Estates (now wound up) Senior staff selection

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of Corporate Governance and Internal Control for the Period from 1 August 2022 to 31 July 2023 (continued)

<i>Member</i>	<i>Date of Appointment</i>	<i>Term of Office</i>	<i>Date of Resignation</i>	<i>Status of Appointment</i>	<i>Corporation Meeting Attendance</i>	<i>Committees Served</i>
Mr F Ali	27.02.20	4 years		External	2/5	Staff Appeals
Mrs M Roberts	13.03.21	4 years		Staff	4/5	Audit Search Student Appeals
Mrs A Bolton	01.08.21	4 years		External	4/5	Finance & General Purposes Remuneration (Chair) Student Appeals Staff Appeals Search Senior Staff Selection
Mr A Horne	01.01.21	4 years		External	1/5	Remuneration Curriculum & Standards Student Appeals Staff Appeals Senior Staff Selection
Mrs S Robinson	01.01.20	4 years		External	4/5	Curriculum & Standards Senior Staff Selection
Mr J Collett	27.01.21	4 years		External	2/5	Audit, Remuneration
Mr J Gould	22.03.21	4 years		External	0/5	None
Mr H Hasnain	01.01.21	4 years		External	4/5	Finance & General Purposes Curriculum & Standards
Mrs L Thornton	27.02.20	4 years		External	4/5	Finance & General Purposes Search Curriculum & Standards Staff Appeals Student Appeals
Ms L Thomas	01.11.22	Academic		Student	2/4	Curriculum & Standards
Mr S Shaheen	01.01.21	4 years		External	1/5	Finance & General Purposes (Chair) Remuneration
Mr N Gray	10.11.22	4 years		External	2/4	Audit Committee
Ms S Flender-Bradley	20.02.22	4 Years		Staff	3/3	Audit Committee
Ms K Mellor	08.12.22	Academic		Student	2/3	Audit Committee

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of Corporate Governance and Internal Control for the Period from 1 August 2022 to 31 July 2023 (continued)

Stuart Irvine was reappointed as Chair for a further 4 years at the Search committee on the 12th May 2022.

Joanne Bryson was appointed Chair of Audit Committee to replace Stuart Irvine following his appointment to Board Chairman. She is not a governor but the Terms of Reference of the Audit Committee permit the appointment of an external chair

K Dales acts as Clerk to the Corporation.

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety, equality and diversity and environmental issues. The Corporation meets each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are audit, finance and general purposes, estates, curriculum and standards, remuneration, senior staff selection, staff appeals, student appeals and search. Full minutes of meetings, except those deemed to be confidential by the Corporation, are available on the Colleges website or from the Clerk to the Corporation at:

Hartlepool College of Further Education, Stockton Street, Hartlepool, TS24 7NT

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the Colleges expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The College ensures that governors have access to relevant training and during 2022/23 training in safeguarding, PREVENT, Introduction to strategy, Governance and Apprenticeships were delivered either in person or online via ETF. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board and committee meetings. Briefings are also provided on an ad-hoc basis.

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.

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search committee ordinarily comprising the Chairman, the Principal and three other members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporations consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of Corporate Governance and Internal Control for the Period from 1 August 2022 to 31 July 2023 (continued)

Members of the Corporation, other than the Principal and student members, are appointed for a term of office not exceeding four years.

Corporation Performance

The Corporations Self-Assessment of its financial performance for 2022/23 is Good.

Remuneration Committee

Throughout the majority of the year ending 31 July 2023, the Colleges remuneration committee was comprised of five governors including the Chair of the Corporation (who is not the chair of this committee). The committees responsibilities are to determine the remuneration and benefits of the Principal and other senior postholders.

Details of the remuneration for the year ended 31 July 2023 are set out in notes 6 and 7 to the financial statements.

Audit Committee

The audit committee ordinarily comprises four/five members of the Corporation (excluding the Accounting Officer and Chair). The committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the Colleges internal and financial statements and regularity auditors, who have access to the committee for independent discussion, without the presence of College management. The committee also receives and considers reports from the main FE funding bodies as they affect the Colleges business.

The Colleges 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 agreed 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 and financial statements and regularity auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Internal Control

Scope of responsibility

The Corporation is ultimately responsible for the Colleges system on 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 and not absolute assurance against material misstatement or loss. The Board takes risk management very seriously and the risk register is aligned to the Strategic Plan and each risk is assigned to a sub-committee of the Board. The operational management of risk is described in the 'Principal Risks and Uncertainties' section on page 8-9.

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Colleges policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum/ Financial Agreement between Hartlepool College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of Corporate Governance and Internal Control for the Period from 1 August 2022 to 31 July 2023 (continued)

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing 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 realized and the impact should they be realized, and to manage them efficiently, effectively, and economically. The system of internal control has been in place in Hartlepool College for the year ended 31 July 2021 and up to the date of approval of the annual report and accounts.

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 ongoing process for identifying, evaluating and managing the Colleges significant risks that has been in place for the period ending 31 July 2023 and up to date of approval of the annual reports and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body.
- regular reviews by the governing body 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 outsources its internal audit function to Wylie and Bissett, in accordance with the requirements of the ESFAs Post 16 *Audit Code of Practice*. The work of internal audit is informed by an analysis of the risks to which the college is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. The governing body is informed of findings and any remedial actions required, during the year, staff wellbeing, Estate Management, Risk Management, Subcontractor controls and a follow up audit was undertaken, there were no significant internal control weaknesses identified. Further assignment plans have been drafted for the coming year which include; Procurement, Apprentice Funding review, Human Resources, Capital and Grant spend, Managing Public Money and a follow up review.

The College went out to tender for External Audit in autumn 2021 and re-appointed RSM UK Audit LLP as external auditors from January 2022.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of Corporate Governance and Internal Control for the Period from 1 August 2022 to 31 July 2023 (continued)

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is formed 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.
- comments made by the Colleges financial statements and regularity auditors in their management letters and other reports.

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

The Accounting Officer and senior 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. The Senior management team and the Audit Committee also receive regular reports from internal audit and other forms 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 Corporations agenda includes a regular item for consideration of risk and control and received reports thereon from the senior management team and audit committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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, and has fulfilled its statutory responsibility for "*the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets*".

Going Concern

Based on these financial statements, the College has maintained a financial health rating of 'Good', has complied with Barclays Bank loan covenants and has sufficient cash to enable it to meet debts as they fall due. The Corporation considers that the College has sufficient resources to continue in operational existence for the foreseeable future and, for this reason, continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 7th December 2023 and signed on its behalf by:



.....
Mr S Irvine
Chair of the Corporation



.....
D Hankey
Accounting Officer

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Governing Bodies statement on the Colleges regularity, propriety and compliance with Funding body terms and conditions of funding

As accounting officer, I confirm that the corporation has had due regard to the framework of authorities governing regularity, priority 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.

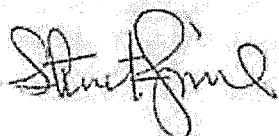
I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the corporations 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 ESFAs 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.

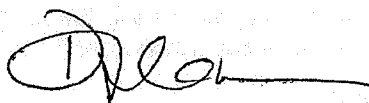
Statement of the chair of governors

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.

Approved by order of the members of the Corporation on 7th December 2023 and signed on its behalf by:



.....
Mr S Irvine
Chair of the Corporation



.....
D Hankey
Accounting Officer

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of Responsibilities of the Members of the Corporation

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

The law applicable to charities in England and the terms and conditions of the Corporation's grant funding agreement and contracts with Education and Skills Funding Agency (ESFA), the corporation is required to prepare financial statements which give a true and fair view of the financial performance and position of the College for that 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, and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

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

- select suitable accounting policies and apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate.
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the college 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 that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Corporation, and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education Act 1992, the Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard its assets and to prevent and detect fraud and other irregularities.

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

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Statement of Responsibilities of the Members of the Corporation

Members of the Corporation are responsible for ensuring that expenditure and income are applied for 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 following the reclassification of college corporations on 29 November 2022.

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 7th December 2023 and signed on its behalf by:



.....
Mr S Irvine
Chair of the Corporation

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Independent Auditors Report to the Corporation of Hartlepool College of Further Education

Opinion

We have audited the financial statements of Hartlepool College of Further Education (the "College") and its subsidiary (the "Group") for the year ended 31 July 2023 which comprise the consolidated and college statements of comprehensive income, the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including 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.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Independent Auditors Report to the Corporation of Hartlepool College of Further Education

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.

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.

Responsibilities of the Corporation of Hartlepool College of Further Education

As explained more fully in the Statement of the Member of the Corporation's Responsibilities set out on pages 20 to 21, 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.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Independent Auditors Report to the Corporation of Hartlepool College of Further Education

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 operate 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, Regulatory Advice 9: Accounts Direction published by the Office for Students' and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and reviewing relevant correspondence with the main funding bodies.

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 and those charged with governance whether the group is in compliance with these law and regulations and inspected correspondence and inspected correspondence with licensing or regulatory authorities.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Independent Auditors Report to the Corporation of Hartlepool College of Further Education

The group audit engagement team identified the risk of management override of controls and income 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, challenging judgments and estimates and review of income transactions surrounding the year end.

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

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated June 2022. 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
1 St James' Gate
Newcastle Upon Tyne
NE1 4AD

18/12/23

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Consolidated Statement of Comprehensive Income for the year ended 31 July 2023

		College		Group	
	Notes	2023 £000	2022 £000	2023 £000	2022 £000
Income					
Funding body grants	2	16161	14938	16161	14938
Tuition fees and education contracts	3	1610	1687	1610	1687
Research grants and contracts	4	124	264	124	264
Other Income	4	1072	965	1159	1105
Investment income	5	53	3	53	3
Total income		<u>19020</u>	<u>17857</u>	<u>19107</u>	<u>17997</u>
Expenditure					
Staff costs	6	10931	11636	10994	11683
Other operating expenses	8	6033	5584	6048	5591
Depreciation	11	1232	1195	1232	1195
Interest and other finance costs	9	497	691	497	691
Total expenditure		<u>18693</u>	<u>19106</u>	<u>18771</u>	<u>19160</u>
Surplus / (Deficit) on continuing operations after depreciation of tangible fixed assets		<u>327</u>	<u>(1249)</u>	<u>336</u>	<u>(1163)</u>
 Surplus / (Deficit) before taxation		<u>327</u>	<u>(1249)</u>	<u>336</u>	<u>(1163)</u>
Taxation	10	0	0	2	0
 Surplus / (deficit for the year)		<u>327</u>	<u>(1249)</u>	<u>334</u>	<u>(1163)</u>
Re-measurement of net defined benefit pension	18	5529	12819	5529	12819
Total Comprehensive Income for the year		<u><u>5856</u></u>	<u><u>11570</u></u>	<u><u>5863</u></u>	<u><u>11656</u></u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Consolidated Statement of Changes in Reserves for the year ended 31 July 2023

Group	Income & Expenditure reserve £000	Revaluation Reserve £000	Total £000
Balance as at 1st August 2021			
Deficit for the year	(1163)	0	(1163)
Other comprehensive income	12819	0	12819
Transfers between revaluation and income and expenditure reserves	12	(12)	0
Total comprehensive income for the year	11668	(12)	11656
Balance at 31st July 2022	924	1137	2061
Surplus for the year	334	0	334
Other comprehensive income	5529	0	5529
Transfers between revaluation and income and expenditure reserves	12	(12)	0
Total comprehensive income for the year	5875	(12)	5863
Balance as at 31 July 2023	6799	1125	7924

College	Income & Expenditure reserve £000	Revaluation Reserve £000	Total £000
Balance as at 1st August 2021			
	(10579)	1149	(9430)
Surplus / (deficit) for the year	(1249)	0	(1249)
Other comprehensive income	12819	0	12819
Transfers between revaluation and income and expenditure reserves	12	(12)	0
Total comprehensive income for the year	11582	(12)	11570
Balance at 31st July 2022	1003	1137	2140
Surplus for the year	327	0	327
Other comprehensive income	5529	0	5529
Transfers between revaluation and income and expenditure reserves	12	(12)	0
Total comprehensive income for the year	5868	(12)	5856
Balance as at 31 July 2023	6871	1125	7996

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Balance Sheet as at 31 July 2023 - Consolidated

	Notes	2023 £000	2022 £000
Fixed assets			
Tangible assets	11	40952	41327
		<u>40952</u>	<u>41327</u>
Current assets			
Stock		12	10
Debtors	13	1338	917
Cash at bank and in hand		4865	2352
		<u>6215</u>	<u>3279</u>
Current Liabilities			
Creditors - amounts falling due within one year	14	3509	3375
Net current assets / (liabilities)		<u>2706</u>	<u>(96)</u>
Total assets less current liabilities		43658	41231
Creditors: amounts falling due after more than one year	15	(39122)	(37501)
Provisions for liabilities			
Defined benefit pension scheme asset / (liability)	18	3829	(1160)
Other provisions	17	(441)	(510)
Total net assets		<u><u>7924</u></u>	<u><u>2060</u></u>
Reserves			
Income and expenditure reserve		6799	923
Revaluation reserve		1125	1137
Total reserves		<u><u>7924</u></u>	<u><u>2060</u></u>

The financial statements on pages 26 to 53 were approved and authorised for issue by the Corporation on 7th December 2023 and were signed on its behalf by:



.....
Mr S Irvine
Chair of the Corporation



.....
D Hankey
Accounting Officer

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Balance Sheet as at 31 July 2023 – College

	Notes	2023 £000	2022 £000
Fixed assets			
Tangible assets	11	40952	41327
		<u>40952</u>	<u>41327</u>
Current assets			
Stock		10	8
Debtors	13	1580	1091
Cash at bank and in hand		4672	2237
		<u>6262</u>	<u>3336</u>
Current Liabilities			
Creditors- amounts falling due within one year	14	3484	3354
		<u>3484</u>	<u>3354</u>
Net current assets / (liabilities)		<u>2778</u>	<u>(18)</u>
Total assets less current liabilities		43730	41309
Creditors: amounts falling due after more than one year	15	(39122)	(37501)
Provisions for liabilities			
Defined benefit pension scheme asset / (liability)	18	3829	(1160)
Other provisions	17	(441)	(510)
		<u>3388</u>	<u>(1670)</u>
Total net liabilities		<u>7996</u>	<u>2138</u>
Reserves			
Income and expenditure reserve		6871	1001
Revaluation reserve		1125	1137
		<u>7996</u>	<u>2138</u>
Total reserves		<u>7996</u>	<u>2138</u>

The financial statements on pages 26 to 53 were approved and authorised for issue by the Corporation on 7th December 2023 and were signed on its behalf by:



Mr S Irvine
Chair of the Corporation



D Hankey
Accounting Officer

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Consolidated Statement of Cash Flows for the year ended 31 July 2023

	Notes	2023 £000	2022 £000
Operating activities			
Surplus / (Deficit) for the year		334	(1163)
Adjustment for non-cash items			
Depreciation		1232	1195
Increase in stocks		(2)	5
Increase in debtors		(421)	(270)
(Decrease) / Increase in creditors due within one year		111	(1008)
(Decrease) / Increase in creditors due after one year		0	(426)
Decrease in provisions		(31)	(37)
Pension costs less contributions paid		509	1349
Interest payable		431	459
Cash generated from operations		2163	104
Net Cash from operating activities		2163	104
Cash flows from investing activities			
Purchase of fixed assets		(857)	(767)
Increase in Capital funding		1986	0
		1129	(767)
Financing activities			
Interest paid		(431)	(459)
Repayments of borrowings		(348)	(1310)
		(779)	(1769)
Increase / (decrease) in cash and cash equivalents in the year		2513	(2432)
Cash and cash equivalents at the beginning of the year		2352	4784
Cash and cash equivalents at the end of the year		4865	2352

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

1

ACCOUNTING POLICIES

Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

General Information

Hartlepool College of Further Education is a corporation 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 15. The nature of the Group's operations are set out in the Report of the Governing Body.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2022-3 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The college is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

The consolidated financial statements are presented in sterling which is also the functional currency of the Group. Monetary amounts in these financial statements are rounded to the nearest £1,000, except where otherwise indicated.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary undertaking, Hartlepool Business Development Centre Limited.

All intra-group transactions, balances and unrealised gains on transactions between group activities 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 for the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

Reduced disclosures

In accordance with the 2015 FE HE SORP and FRS 102, the College in its separate financial statements, which are presented alongside the consolidated financial statements, has taken advantage of the disclosure exemptions available to it in respect of presentation of a cash flow statement and financial instruments.

Going Concern

The Corporation has positive net cash generated from operations and healthy cash balances. On the basis of 2 year cash flow forecasts, based on reasonable assumptions and considered for potential sensitivities, the College is confident that it has adequate cash to meet its debts as they fall due. The forecasts also show that the group is expected to comply with the bank covenants. Based on the aforementioned cash headroom, there remains a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

1 ACCOUNTING POLICIES (continued)

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved.

The recurrent grant from OFS represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when the college is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Adult Education Budget (AEB) grant funding income recognised is a best estimate of the amount receivable in accordance with the annual main funding guidance published by the ESFA and TVCA and either determined as part of the reconciliation process or by separate agreement between the College and the ESFA/TVCA at the reporting period end date. Any subsequent agreement to determination of the AEB funding after the reporting end date which is not provided for in the annual main funding guidance is not reflected in the income recognised.

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

Capital grant funding- government grants

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the college is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

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, including employer funding for co-investment funded apprenticeship 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.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2022

1 ACCOUNTING POLICIES (continued)

Agency arrangements

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

Retirement benefits

Retirement benefits to employees of the Group are principally provided by Teachers' Pensions Scheme (TPS) and the Local Government Pension Scheme (LGPS), which are multi-employer defined benefit plans.

Teachers' Pension Scheme (TPS)

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 qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. 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 as incurred.

The net interest cost on the net defined benefit liability/asset 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 LGPS 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. Any unused benefits are accrued and measured as the additional amount the college expects to pay as a result of the unused entitlement.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

1 ACCOUNTING POLICIES (continued)

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a 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 the Colleges income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet.

Fixed asset investments

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 impairments losses or reversals of impairment losses are recognised immediately in comprehensive income.

Termination Benefits

Termination benefits such as redundancy, severance pay and payment in lieu of notice are recognised as an expense in the year in which the employee's employment to the College is terminated.

Tangible fixed assets

Land and buildings

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment costs. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life, normally 10 years.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

On adoption of FRS 102, the College followed the transitional provision to retain book value of land and buildings, which were revalued in 1994, as deemed cost but not to adopt a policy of revaluations of these properties in the future

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on existing tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it increases the future benefits to the Group, in which case it is capitalised and depreciated on the relevant basis.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

1 ACCOUNTING POLICIES (continued)

Equipment

Equipment costing less than £1000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Inherited equipment has been depreciated on a straight line basis over its remaining useful economic life to the College and is now fully depreciated.

All other assets are depreciated over their useful economic life as follows:

- General equipment - 5% to 20% per year on a straight line basis
- Computer equipment - 25% per year on a straight line basis
- Motor vehicles - 25% per year on a straight line basis

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

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. Impairment of revalued assets are treated as a revaluation loss. All other 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 or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Borrowing costs

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

Leased assets

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

1 ACCOUNTING POLICIES (continued)

Financial Instruments

The Group has chosen to adopt sections 11 of FRS102 in full in respect of financial instrument.

Financial assets and liabilities

Financial assets and 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 obligation, rather than the financial instrument's legal form.

All financial assets and liabilities are initially measured at transactional price (including transaction costs), except for those financial assets measured at fair value through the income or expenditure, which are initially measured at fair value (which is normally transaction price excluding transaction costs), unless arrangement constitutes a financial transaction. A financial asset or liability that is payable or receivable in one year is measured as 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 or similar debt instrument.

Cash at bank and in hand

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has a maturity of 3 months or less from the date of acquisition.

Taxation

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

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

The Colleges subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

1 ACCOUNTING POLICIES (continued)

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted. Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Provisions and contingent liabilities

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

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 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 is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Judgements in applying accounting policies and key sources of estimation uncertainty.

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

- Determine whether leases entered by the College either as a lessor or a lessee are operating or finance leases. The decisions depend on 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.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determining the existence of a minimum funding requirement for the Local Government 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 operation of the primary and secondary contributions.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

1 ACCOUNTING POLICIES (continued)

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives considering residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on several factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme 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 obligation. 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 asset 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 obligation.

Agency Arrangements

The group acts as an agent in distributing Bursary 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 Group where the Group does not have control of the economic benefit relating to the transaction.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

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FUNDING BODY GRANTS

	College		Group	
	2023	2022	2023	2022
	£000	£000	£000	£000
Recurrent grants				
Education & Skills Funding Agency - adult	333	295	333	295
Education & Skills Funding Agency – 16-18	7291	6816	7291	6816
Education & Skills Funding Agency - apprenticeships	3969	3443	3969	3443
Education & Skills Funding Agency - other income	531	520	531	520
Tees Valley Combined Authority - adult	3174	3017	3174	3017
Tees Valley Combined Authority - other	6	20	6	20
Specific grants				
Releases of government capital grants - ESFA	857	820	857	820
Education & Skills Funding Agency – provider relief scheme	0	7	0	7
Total	16161	14938	16161	14938

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TUITION FEES AND EDUCATION CONTRACTS

	College		Group	
	2023	2022	2023	2022
	£000	£000	£000	£000
Tuition fees	608	687	608	687
Education contracts	1002	1000	1002	1000
Total	1610	1687	1610	1687

Included within the above amounts are tuition fees funded by bursaries of £14k (2021/22 £12k).

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RESEARCH GRANTS AND CONTRACTS

	College		Group	
	2023	2022	2023	2022
	£000	£000	£000	£000
European commission	0	0	0	0
Other grant income and contracts	124	264	124	264
Total	124	264	124	264
OTHER INCOME				
	College		Group	
	2023	2022	2023	2022
	£000	£000	£000	£000
Catering and residences operations	360	289	360	289
Releases of deferred capital grants (non-funding council)	72	73	72	73
Other income	640	603	727	743
Total	1072	965	1159	1105

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

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INVESTMENT INCOME

	College		Group	
	2023	2022	2023	2022
	£000	£000	£000	£000
Interest receivable	53	3	53	3
	<u>53</u>	<u>3</u>	<u>53</u>	<u>3</u>

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STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION

The average number of persons (including key management personnel) employed by the College during the year, expressed as average headcount was:

	Number	
	2023	2022
Teaching staff	140	128
Teaching and other support services	54	63
Administration and central services	119	92
Premises	34	28
	<u>347</u>	<u>311</u>

All staff and key management are employed by the College. A recharge of salaries is made to the subsidiary for management and administration of the subsidiary by College staff.

	College		Group	
	2023	2022	2023	2022
	£000	£000	£000	£000
Wages and salaries	8107	8315	8156	8270
Social security costs	748	657	753	739
Other pension costs incl. FRS102 adjustments of £460k (2022 £1127k)	1968	2617	1977	2627
	<u>10823</u>	<u>11589</u>	<u>10886</u>	<u>11636</u>
Restructuring costs – Contractual	108	47	108	47
	<u>10931</u>	<u>11636</u>	<u>10994</u>	<u>11683</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

6

STAFF COSTS (continued)

	2023 £000	2022 £000
Total staff costs, split by type of contract, were:		
Employment costs for staff on permanent contracts	10340	10385
Employment costs for staff on short-term and temporary contracts	194	171
FRS102 retirement benefit charge	460	1127
	<u>10994</u>	<u>11683</u>

Key Management personnel

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 College Executive team which comprises the Principal and three Assistant Principals.

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

	2023 No.	2022 No.
The number of key management personnel including the Accounting Officer was:	5	4

One member of the Colleges key management retired during the period, and was in post between August to Dec, their replacement started in December to the financial year end. The number of personnel in post reflects the transition.

The number of key management personnel and other staff, who received emoluments excluding pension contributions and employers national insurance but including benefits in kind in the following ranges was:

	Number of staff 2023		Number of staff 2022	
	Key Management Personnel	Other Staff	Key Management Personnel	Other Staff
Emoluments excluding pension contributions:				
£25001 - £30000	1	0	0	0
£45001- £50000	1	0	0	0
£70001- £75000	0	0	1	0
£75001- £80000	2	0	2	0
£95001- £100000	1	0	1	0

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

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SENIOR POSTHOLDERS' EMOLUMENTS

Key management personnel, who are also senior postholders, are defined as the Accounting Officer and holders of the other senior posts whom the Governing Body has selected for the purposes of the Articles of Government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

The remuneration of the accounting officer for 2022/23 was determined on 1 April 2018 by the Colleges Remuneration Committee and increased from August 2022 by a 1% consolidated pay award. The accounting officer was not a member of the remuneration committee and was not involved in setting his remuneration. The factors taken into account by the Committee in determining the accounting officer's remuneration for the year to 31 July 2021 included: previous increases; CPI; pay increases for other staff; sector data on pay of accounting officers and the Colleges performance, budget and potential cost demands on its cash resources. Performance was measured by achievement compared with agreed objectives. The accounting officer had a further increase effective from August 2023 of 3%, inline with the board approved award and applicable to all staff.

A similar approach was used to determine the remuneration of other key management personnel.

The College has due regard for the AoC's Colleges Senior Staff Remuneration Code and has followed the minimum requirements of the code.

	2023	2022
	Number	Number
The number of senior post-holders including the Accounting Officer was:	4	4
Senior post-holders' emoluments are made up as follows:	£	£
Salaries – gross of salary sacrifice and waived emoluments	323907	319855
Employers National Insurance	40444	40351
Benefits in kind	0	0
Pension contributions	72086	75075
Total emoluments	436437	435281

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

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid senior postholder) of:

	2023	2022
	£	£
Salary	99890	98889
Benefits in kind	0	0
	99890	98889
Pension contributions	23422	23190
Total emoluments	123312	122079

The pension contributions in respect of the Accounting Officer and senior postholders are in respect of employer's contributions to the Teachers' Pension Scheme and the Local Government Pension Scheme and are paid at the same rate as for other employees.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

The relationship between the accounting officers 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	3.52	3.63
Total remuneration as a multiple of median total remuneration of staff	3.74	3.86

The Accounting Officer and the staff governors 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. There have been no governors expenses during the period.

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OTHER OPERATING EXPENSES

	Group		College	
	2023 £000	2022 £000	2023 £000	2022 £000
	2010	2018	2010	2018
Teaching costs				
Non-Teaching Costs	2944	2459	2929	2452
Premises Costs	1094	1114	1094	1114
	<u>6048</u>	<u>5591</u>	<u>6033</u>	<u>5584</u>

	2023 £000	2022 £000
Surplus / Deficit before taxation is stated after charging:		
Auditors' remuneration:		
Financial statements and regularity audit *	33	27
Internal audit **	16	18
Tax advice services provided by the financial statements and regularity auditor	1	1
Funding audit services	0	0
Hire of land & buildings – operating leases	23	0
Hire of other assets – operating leases	70	66

*Includes £33k in respect of the College (2022: £19k)

**Includes £16k in respect of the College (2022: £14k)

Included within expenditure are the following transactions, individual transactions exceeding £5,000 are identified separately:

	£
Compensation payments	0
Write off and losses	0
Guarantees, letters of comfort and indemnities *	0
Ex Gratia payments	0

* No expenditure is included in the college accounts, however the college has granted support to its subsidiary Hartlepool Business Development Centre Limited, with net liabilities of £81k

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

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INTEREST AND OTHER FINANCE COSTS

	2023 £000	2022 £000
On bank loans, overdrafts and other loans: Repayable wholly or partly in more than 5 years	431	459
Net interest on defined pension liabilities (Note 18)	66	232
	<u>497</u>	<u>691</u>

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TAXATION

	2023 £000	2022 £000
UK Corporation tax	2	0
Corporation tax under accrued in prior year	14	0
	<u>16</u>	<u>0</u>

This taxation is in relation to the activities of the subsidiary company.

11

TANGIBLE FIXED ASSETS - CONSOLIDATED

	FH Land and Building £000	Asset Under Construction £000	Equipment £000	Total £000
Cost or Valuation				
At 1 August 2022	51369	0	2483	53852
Additions	8	511	338	857
Disposal	0	0	(55)	(55)
At 31 July 2023	<u>51377</u>	<u>511</u>	<u>2766</u>	<u>54654</u>
Depreciation				
At 1 August 2022	11102	0	1423	12525
Charge for the period	1029	0	203	1232
Disposal	0	0	(55)	(55)
At 31 July 2023	<u>12131</u>	<u>-</u>	<u>1571</u>	<u>13702</u>
Net Book Value 31 July 2023	<u>39246</u>	<u>511</u>	<u>1195</u>	<u>40952</u>
Net Book Value at 31 July 2022	<u>40267</u>	<u>-</u>	<u>1060</u>	<u>41327</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

11

TANGIBLE FIXED ASSETS - COLLEGE

	FH Land and Building £000	Asset Under Construction £000	Equipment £000	Total £000
Cost or Valuation				
At 1 August 2022	51369	0	2483	53852
Additions	8	511	338	857
Disposal	0	0	(55)	(55)
At 31 July 2023	<u>51377</u>	<u>511</u>	<u>2766</u>	<u>54654</u>
Depreciation				
At 1 August 2022	11102	0	1423	12525
Charge for the period	1029	0	203	1232
Disposal	0	0	(55)	(55)
At 31 July 2023	<u>12131</u>	<u>-</u>	<u>1571</u>	<u>13702</u>
Net Book Value 31 July 2023	<u>39246</u>	<u>511</u>	<u>1195</u>	<u>40952</u>
Net Book Value at 31 July 2022	<u>40267</u>	<u>-</u>	<u>1060</u>	<u>41327</u>

Inherited land and buildings were valued for the purpose of the 1994 financial statements on the basis of depreciated replacement cost by a firm of independent chartered surveyors.

Land and buildings include land valued at £1,355,000 (2022: £1,355,000). The historic cost of these assets is nil.

Land and Buildings with a net book value of £39,838k relate to the redevelopment of the College campus, for which in-principle approval was granted by the LSC on 30 July 2008 followed by detailed approval by the LSC on 8 September 2009. Should these assets be sold, the College may be liable, under the terms of its Financial Memorandum, to surrender the proceeds.

Included within Freehold Land and Buildings is £511,000 (2022: NIL) of assets under construction relating to the development works of the Exeter Street site. The site is largely funded by T Level Wave 4 and Town deal funding and will be completed and operational in 2024. No depreciation and associated grant release has been reflected in the financial statements. During the year assets with a value of £55k were disposed with a NBV of NIL.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

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INVESTMENTS

	College 2023	College 2022
	£	£
Investment in subsidiary company at cost	<u>2</u>	<u>2</u>

The College owns 100% of the issued £1 ordinary shares of Hartlepool Business Development Centre Limited, a company incorporated in England and Wales. The principal activity of the company is the provision of education and training courses for industry and commerce and commercial activities including restaurant, conferencing and gym as well as operating as an apprenticeship training agency, under the trading name of Flagship Training Solutions.

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DEBTORS

	2023 £000	2022 £000
Consolidated:		
Amounts falling due within 1 year		
Trade debtors	120	83
Prepayments & accrued income	824	596
Amounts owed by the ESFA	<u>394</u>	<u>239</u>
	<u>1338</u>	<u>917</u>

College:

Amounts falling due within 1 year		
Trade debtors	66	24
Amounts owed by subsidiary undertaking	300	232
Prepayments & accrued income	820	596
Amounts owed by the ESFA	<u>394</u>	<u>239</u>
	<u>1580</u>	<u>1091</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

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CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2023	2022	
	£000	£000	
Consolidated			
Bank loans and overdrafts	365	348	
Payments received in advance	60	40	
Trade creditors	291	171	
Other taxation and social security	399	389	
Accruals	1315	1339	
Deferred income – government capital grants	930	930	
Amounts owed to the ESFA	149	156	
	<u>3509</u>	<u>3375</u>	
College			
Bank loans and overdrafts	365	348	
Payments received in advance	50	35	
Trade creditors	291	171	
Other taxation and social security	384	375	
Accruals	1315	1339	
Deferred income – government capital grants	930	930	
Amounts owed to the ESFA	149	156	
	<u>3484</u>	<u>3354</u>	
15			
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2023	2022	
	£000	£000	
Consolidated and College			
Bank Loans	5265	5630	
Government Grants (Capital)	33857	31871	
	<u>39122</u>	<u>37501</u>	
Total Creditors falling due after more than one year			
16			
BORROWINGS	2023	2022	
	£000	£000	
Consolidated and College			
Bank loan is repayable as follows:			
In one year or less	365	348	
Between one and two years	382	366	
Between two and five years	1159	1202	
In five years or more	3724	4062	
	<u>5630</u>	<u>5978</u>	

As at 31st July 2023, the bank loan is in the form of a £9.5million term loan, 75% of which is fixed at a base rate of 4.45% plus 3.15% lending margin and is secured on a portion of the freehold land and buildings of the College. The variable loan facility was refinanced in July 2022 and £1 million repaid to Barclays as part of that process.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

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PROVISIONS FOR LIABILITIES

Group and College

	Defined Benefit Obligation	Enhanced Pension	Total
	£000	£000	£000
At 1 August 2022	1160	510	1670
Additional provisions in the year	(5498)	(31)	(5529)
Utilised provision in the year	509	(38)	471
At 31 July 2023	(3829)	441	(3388)

The enhanced pension provision relates to the cost of staff who have already left the Colleges employment. This provision has been recalculated in accordance with guidance issued by funding bodies.

The principal assumptions for this calculation are:

	2023	2022
Interest rate/price inflation	5.0%	2.9%
Net interest rate/discount rate	2.8%	3.3%

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

18

RETIREMENT BENEFITS

The Colleges employees belong to two principal post-employment benefit plans, the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Teesside Pension Fund Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Middlesbrough Council. Both are multi-employer defined benefit plans.

Total pension cost for the year	2022/23		2021/22	
	£000	£000	£000	£000
Teachers' Pension Scheme: contributions paid		1063		1051
Local Government Pension Scheme:				
Contributions paid	454		449	
FRS102 (28) charge	460		1127	
Charge to the Statement of Comprehensive income		914		1576
Enhanced pension charge to the Statement of Comprehensive Income		0		0
Total pension cost for the year within staff costs		1977		2627

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 £180,331 (2022: £177,086) were payable to the schemes at 31 July 2023 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 as a defined benefit plan therefore it is accounted for as a defined contribution plan.

Valuation of the Teachers' Pensions 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.

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 cash flows 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))

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

18

DEFINED BENEFIT OBLIGATIONS (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 an 8% 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 pension costs paid to TPS in the year amounted to £989,000 (2022: £1,490,000)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Middlesbrough Council. The total contribution made for the year ended 31 July 2023 was £582k of which employer's contributions totalled £418k and employees' contributions totalled £164k. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 7.5% for employees, depending on salary.

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
Inflation assumption - CPI	3.0%	2.75%
Rate of increase in salaries	4.0%	3.75%
Rate of increase for pensions	3.0%	2.75%
Discount rate for scheme liabilities	5.05%	3.5%

Principal demographic assumptions

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2023	At 31 July 2022
Retiring in 20 years: Males	21.3	22.9
Retiring in 20 years: Females	25.0	25.3
Retiring today: Males	20.5	21.7
Retiring today: Females	23.5	23.5

The amounts recognised in the balance sheet are as follows:

	Value at 31 July 2023 £000	Value at 31 July 2022 £000
Fair value of plan assets	25200	25691
Present value of funded obligations	(21371)	(26790)
Present value of unfunded liabilities	0	(61)
Net pensions (liability)	<u>3829</u>	<u>(1160)</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

18

DEFINED BENEFIT OBLIGATIONS (continued)

The Colleges share of the assets in the plan at the Balance Sheet date were:

	Fair Value of Assets	
	Value at 31 July 2023	Value at 31 July 2022
	£000	£000
Equities	18396	17470
Government Bonds	0	0
Other Bonds	0	0
Property	5796	4624
Cash	1008	3597
Other	0	0
Total fair value of assets	25200	25691

Changes in the present value of the defined benefit obligation are as follows:

	Year ended 31 July 2023	Year ended 31 July 2022
	£000	£000
Opening defined benefit obligation	26851	36029
Service cost (net of employee contributions)	946	1565
Interest on scheme liabilities	948	623
Actuarial (gain)/loss	(6919)	(11130)
Benefits paid	(641)	(466)
Contributions by scheme participants	186	177
Unfunded pension payments	0	(8)
Past Service Cost	0	61
Closing defined benefit obligation	21371	26851

Changes in the present value of the defined benefit obligation are as follows:

	Year ended 31 July 2023	Year ended 31 July 2022
	£000	£000
Opening fair value of scheme assets	25691	23501
Expected return on assets	899	401
Actuarial gain/(loss)	(1421)	1587
Contributions by employer	478	491
Contributions by scheme participants	186	177
Benefits paid	(633)	(466)
Closing fair value of scheme assets	25200	25691

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

18

DEFINED BENEFIT OBLIGATIONS (continued)

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

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
Amounts included in staff costs		
Current service cost	460	1127
Past service cost	0	0
Total	460	1127

Actual return on plan assets (Excl. net interest)	<u>(247)</u>	<u>1587</u>
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	2023 £000
Present value of defined benefit obligations	25200
Fair value of plan assets	<u>(21371)</u>
Net asset	3829
Restriction to level of asset ceiling	0
Net asset recognised in the balance sheet	<u><u>3829</u></u>

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.

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CAPITAL COMMITMENTS

As at 31 July 2023 the college has committed £2.528m of expenditure to the construction works at Exeter Street, £135k was posted into the fixed asset suspense account, with the balance not yet provided. (2021/22 NIL)

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FINANCIAL COMMITMENTS

At 31 July the College had annual commitments under non-cancellable operating leases as follows:

	College	
	2023 £000	2022 £000
Computer Equipment		
Expiring within one year	75	56
Expiring between two and five years inclusive	64	122
Expiring in over five years	-	-
Commitments contracted for at 31 July	<u>139</u>	<u>178</u>

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Notes to the Financial Statements for the year ended 31 July 2023

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RELATED PARTY TRANSACTIONS

Owing to the nature of the Colleges operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the Colleges financial regulations and normal procurement procedures.

The college conducts an annual review and circulates a mandatory declaration of interests register to its leadership team and board, the interests are made visible to the board of governors through the Finance and General Purposes committee and main Board. In addition and any conflicts of interests are declared at the opening of formal meetings and may arise during agenda items.

Transactions with the funding bodies are detailed in notes 2, 14, 15 and 19.

Key management disclosure is given in note 6.

Hartlepool Business Development Company Ltd is a subsidiary company of the College and during 2023/22, the College sold goods and services of £25,920 to it (2021/22 £25,920). At 31st July 2023, the subsidiary owed the College £300,000 (2021/22 £232,000).

22

AMOUNTS DISBURSED AS AGENT

	2023	2022
Learner support funds	£000	£000
Funding body grants	456	475
	456	475
Disbursed to students	(325)	(363)
Administration costs	(22)	(25)
Balance unspent as at 31 July, included in creditors	109	87

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

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Independent reporting Accountant's report on regularity to the Corporation of Hartlepool College of Further Education 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 November 2022 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 Hartlepool College of Further Education 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 Hartlepool College of Further Education for regularity

The Corporation of Hartlepool College of Further Education 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 Hartlepool College of Further Education 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.

HARTLEPOOL COLLEGE OF FURTHER EDUCATION

Independent reporting Accountant's report on regularity to the Corporation of Hartlepool College of Further Education and the Secretary of State for Education acting through the Education and Skills Funding Agency

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 Hartlepool College of Further Education 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 Hartlepool College of Further Education 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 Hartlepool College of Further Education and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP

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Newcastle Upon Tyne

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18/12/23

