



**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2021**

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

### Key management personnel

Key management personnel are defined as members of the College Leadership Team with substantive leadership responsibilities and were represented by the following in 2020/21:

<b>Peter Kennedy</b>	Principal and CEO; Accounting Officer
<b>Sue Wallis</b>	Deputy Principal
<b>Wendy Ellis</b>	Director of Finance
<b>Martin Goodhand</b>	Assistant Principal

### Board of Governors

A full list of Governors is given on pages 20-24 of these financial statements.

**Sharon Stenton** acted as Clerk to the Corporation throughout the period.

### Professional advisers

#### Financial statements auditors and reporting accountants:

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

#### Bankers

Lloyds Bank plc  
2<sup>nd</sup> Floor  
14 Church Street  
Sheffield  
S1 2HP

Nationwide Building Society  
Kings Park Road  
Moulton Park  
Northampton  
NN3 6NW

#### Solicitors

Wilkin Chapman LLP Solicitors  
Cartergate House  
26 Chantry Lane  
Grimsby  
DN31 2LJ

Menzies Law  
St Brandon's House  
29 Great George Street  
Bristol  
BS1 5QT

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## REPORT OF THE GOVERNING BODY

### Nature, objectives and strategies

The members present their report and the audited financial statements for the year ended 31 July 2021.

### Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Franklin Sixth Form College. The College is an exempt charity for the purposes of part 3 of the Charities Act 2011.

The Corporation was incorporated as Franklin Sixth Form College. Subsequently the Secretary of State granted consent to the Corporation to change its name to Franklin College.

The College's designation as the Sixth Form College for North East Lincolnshire formally became effective on the 1 April 2010. Its strategic role is underpinned by this special status.

### Vision

The College's vision is to provide the best possible life chances for young people; to promote learning and to inspire success.

### Public Benefit

Franklin Sixth Form College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 20-24.

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

The delivery of public benefit is covered throughout the Report of the Governing Body.

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

- High-quality teaching, learning and assessment
- Widening participation and tackling social exclusion
- Excellent employment record for students and progression to higher education programmes
- Strong student support systems
- Links with employers, industry and commerce
- Links with Local Enterprise Partnership (LEPs)

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Strategic Objectives

Franklin Sixth Form College, in common with all incorporated further education and sixth form colleges in England, is planning the delivery of its strategic objectives against a backdrop of uncertainty. The most significant contributor to this uncertainty is the known increase in students within the local demographic who may wish to study at the College and the availability of funding to expand the estate to meet this significant increase in demand. In the period the virus affected all educational establishments' activities and operations. The College has taken a risk-based approach to the pandemic, placing the safety of its students and staff at the heart of all decisions taken: such decisions included periods of complete online learning and an adjusted timetable to reduce the number and length of time students were on site. The College's ability to respond effectively was aided by the ongoing historic strategic investment in the College's IT infrastructure. The College achieved high levels of engagement from students throughout the period and mechanisms continued to be available to support those students with higher educational, emotional and financial needs.

The College continues to collaborate strategically with two other local sixth form colleges (John Leggott College in Scunthorpe and Wilberforce Sixth Form College in Hull) which make up the Advance Colleges Trust. In common with our strategic partners, Franklin Sixth Form College will continue as an independent, incorporated sixth form college, a structure which Governors and senior leaders believe offers the greatest range of flexibility and opportunity for a provider of sixth form education. Governors have already made a clear statement that they wish the high-quality provision at the College to continue, and for real choice to be available to young people at age 16 and their families. In addition, the College has retained and further developed its adult skills provision.

The College Governing body is, however, cognisant of the changes taking place within the SFC Sector, and so retains the prerogative to explore proactively any structural change opportunities that might be of greater benefit to the College's future, within the scope of the mission.

### Implementation of the Strategic Plan 2019-2022

#### (a) Strategic Objectives

The College's Strategic Ambitions for 2019-2022 were developed following consultation with students, staff and Governors, and constitute the objectives for Franklin Sixth Form College for the duration of the Strategic Plan to 2022. The 2019-2022 Plan contained six Strategic Objectives::

#### Strategic Objective 1 - An inclusive Sixth Form College serving its community

The College will remain inclusive in approach, retaining a curriculum which includes Level 2 and Level 3 provision and a range of academic and applied options as relevant and appropriate to our community and a small adult provision which is predominantly geared to supporting the development of adult numeracy and literacy locally.

In order to achieve this we will:

- Describe our 'Curriculum Intent' for Corporation approval in Spring 2020, revisited at each Strategy Day from Autumn 2020
- Continue to invest in our marketing and schools liaison function to maintain its vibrancy and forward thinking approach – using our enrolled student numbers as an indicator of performance
- Review our curriculum offer and entry thresholds annually to ensure that our inclusive intent is maintained and that we recruit with integrity to that offer
- Maintain a substantial Level 2 programme and programme manager, such that study programmes at this level make up between 5 and 10% of our total cohort
- Continue to offer some courses as "niche" courses which may not be profitable in their own right in order to add to the diverse offer of the College and its overall character
- Manage the increasing demographic pressures in an inclusive way by focussing admissions planning, implementing a robust approach to deadlines and late applicants

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Implementation of the Strategic Plan (continued)

- Continue to engage with the Careers Hub, schools, HEIs and Local Authorities so that we can respond flexibly to our community's changing needs and aspirations
- Further develop the Centre for Professional Development concept into a College USP, drawing together Career Ready and other employer engagement/progression activities coherently in support of regional priorities related to the future professional infrastructure and shortfall areas (c60,000 shortfall in level 4 qualified individuals by 2030).

### Strategic Objective 2 - A high performing college

The College will be known locally as the most successful post-16 education provider because our students succeed beyond their expectations and beyond what might be expected from their incoming attainment and because our students go on to positive destinations which are aspirational and productive.

In order to achieve this we will:

- Secure progress measures in the performance tables which are 'significantly positive' and so will be within the best performing 25% nationally for L3 qualification types (A level and Applied General)
- Continue to secure performance measures for all indicators which rank the College as the best performer in the region
- Secure GCSE progress measures of at least half a grade per entry above average
- Demonstrate a secured destinations rate of over 90% annually and at least 2% above regional and national averages
- Secure internal progression rates of over 95% for L3 students progressing from Yr12 to Yr13 and over 60% for students progressing from Level 2 to Level 3
- Support all groups of students to ensure that their performance meets the average for the College (based on retention and progress indicators)
- Utilise our partner organisations such as the Advance Colleges Trust and NorVic to support the curriculum and Cross College areas and drive up quality and service.

### Strategic Objective 3 - A college campus that supports learning and development

The College will create a dynamic campus to support students learning and development through investing in repairs and maintenance works, in developing and improving our student 'social spaces', in revisiting and improving on replacement policies, in maximising our classroom space to maximise accommodation and in identifying growth potential.

In order to achieve this we will:

- Review with Corporation in the Spring, then annually at the strategy day, our identified priority areas for investment across the College.
- A review of the IT infrastructure and replacement procedures to ensure that the College IT system and stock of computers and peripherals is fit for purpose
- Regularly review, identify and implement where necessary any changes to locations/suiting in order to maximise the classroom space available for growth
- Develop costing and lending proposals in more detail around campus development to enhance the student social, study and refectory spaces.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Implementation of the Strategic Plan (continued)

#### Strategic Objective 4 - A great place to work

The most recent staff survey indicated that there has been an improvement in morale across the staff body as the College's performance has improved.

As the College grows, develops and improves, it is essential that it continues to build a sustainable staff body, who are appropriately qualified, live the College values and have the opportunity for continued professional development, utilising internal progression and advancement opportunities as they occur.

In order to achieve this we will:

- Further develop our Aspiring Leaders Programme so that those staff intent on career progression have opportunities to develop their skills and to enhance their opportunities to progress internally or elsewhere
- Continue to recognise and offer opportunities to develop and recognise staff contribution to the College
- Ensure that our strong links with the Humber Teaching School and BGU give us access to the best trainee teachers and support trainees to enter the profession successfully.
- Develop our Performance Management Systems further so that performance is specifically linked to our agreed values and behaviours and staff feel able to challenge in all situations where these values and behaviours are not met

#### (b) Operating Review, Key Developments and Strategy

The College Corporation reviewed the three year rolling Strategic Plan 2019-2022 in April 2021. The original plan was initially approved by the College Corporation in December 2019. Governors, staff, students and other stakeholders contributed to the Plan which sets out the College's vision and strategic objectives until 2022. The Strategic Plan is consistent with, and is underpinned, by the College's three year Finance Plan 2020-2023. The College will continue to review strategy as the full impact of the changing political, economic and health climates become clearer. The amount of funding available for students aged 16-19 continues to represent a significant challenge against a back drop of rising costs. In addition, the College faces a significant rise in student applications from 2022 onwards due to the increase in student numbers in Secondary Schools. The College's plan to manage these risks includes a continuous review of staffing and structures, its curriculum and services, including reviewing pay and non-pay costs as well as developing a wider range of other income generating and partnership activities.

The College was subject to an Ofsted inspection in September 2018 which resulted in an evaluation that the College is GOOD across all inspection aspects.

**REPORT OF THE GOVERNING BODY (CONTINUED)****Implementation of the Strategic Plan (continued)****i. 11 - 19 Provision: Partnership**

With all local secondary schools being effectively independent of the Local Authority (all are now members of multi-Academy trusts [MATs]), the College has developed a strategic approach to 11-19 partnerships. In response to the diminished role of the Local Authority, the College is committed to developing partnership models that enhance and support educational attainment and aspiration, and developing clear guidance and progression pathways that make a positive contribution to economic well-being and the wider economic regeneration.

The College has a history of good partnership working arrangements with most of the secondary academies in North East Lincolnshire and other schools across the County of Lincolnshire, and three members of the College Leadership Team are on the governing bodies of four secondary academies in the area (including as Chair).

In addition to the work the College has done and continues to do with secondary academies, it is developing its links with primary schools in the area. Up to March 2020 it delivered a wide range of enrichment activities (including sports) to local primaries. The College plans to re-engage with enrichment activities with schools, adhering to the Covid operational guidance issued to the education sector.

The College also engages widely with a range of stakeholders including the Local Authority, Humber LEP, Greater Lincolnshire LEP and forums/groups developed to promote the area and community.

We have close links with Bishop Grosseteste University in Lincoln and are a placement centre for their trainee teacher programmes.

**ii. 16-18 Provision**

Student numbers are predicted to increase significantly due to Year 11 numbers in North East Lincolnshire (and across northern Lincolnshire) rising. The College is the main provider of Level 3 courses in the area, particularly GCE A levels. The numbers of young people able to access Level 3 is expected to increase, due to a combination of the raising of the participation age, employment prospects for 16 and 17 year olds, and the underlying improvement in KS4 outcomes. To meet these challenges, the College annually reviews both its strategic and financial plans to ensure our provision is fully accessible and relevant to young people in the area.



## REPORT OF THE GOVERNING BODY (CONTINUED)

### Implementation of the Strategic Plan (continued)

The College competes with a wide range of local providers for 16-18 learners:

- Grimsby Institute of Further and Higher Education (GIFHE) recruiting mainly to Level 1/2 and Level 3 vocational programmes, and to L3 academic programmes through Career6, the sixth form of The 14-19 Academy Grimsby (TAG) which is part of the Grimsby Institute Group
- Tollbar Academy and Havelock Academy offer A level programmes as 11-18 providers
- Slightly further afield in Lincolnshire there are Comprehensive and Grammar schools in Louth, Market Rasen, Alford and Caistor (offering mainly GCE A level at Level 3).

The College has developed a wide range of vocational courses which provide improved access from the current arrangements in Key Stage 4, and offer successful progression pathways alongside (and in some cases combined with) GCE A levels and GCSEs.

Since 2015/16 the College has included English and Maths (including, or leading to, GCSE) in the Study Programmes of students who had not achieved a minimum of Grade 4 by the time they left secondary school. For many years the College has delivered such provision to our Level 3 and Level 2 students – these are passport qualifications for further study and employment – and we have very strong expertise in this area. The achievement of a standard pass grade or better (4+) in resit GCSE maths and English continues to be significantly above the most recently available sector average.

Funded students (16-18) in 2020/21 were marginally lower than 2019/20 due to more students continuing their education at their secondary school. The recruitment in September 2021 has seen a significant increase in the number of Y12 students but, given the reduced recruitment the year before, led to a smaller Y13 cohort, so giving an overall cohort of c1600, some 50 larger than the 2019 and 2020 16-19 student cohort levels. The increased number of Y12 students plus the significant demographic growth in students does support a forecast increase in the total number of students expected in Sept 2022.

College accommodation and resources were sufficient in 2020/21 to successfully meet the additional student numbers. It should be noted however that the College is developing proposals for further capital expansion.

Key developments 2020/21 include:

- Support and further develop the quality of teaching, learning and assessment across the College; in particular the delivery of online teaching and student support.
- Focus on student outcomes, particularly in relation to added value and progression pathways.
- Investment in the College site to accommodate the buses on site to meet the increased needs for social distancing and ensure the safety of staff and students.

### iii. Employer Engagement

In collaboration with John Leggott College, North East Lincolnshire Local Authority and North East Lincolnshire CCG, and latterly Wilberforce College in Hull, the College is focussing on student progression opportunities, especially as they relate to the new normal. The banner of 'Centre for Professional Development' (CfPD) encompasses the notion of the College's place within its community and playing its part in the economic regeneration of the region through educating a large proportion of the region's Level 3 16-19 year old cohort. It also subsumes the College's sector-leading work in Career-Ready and Franklin Professionals programmes and the Careers support functions and partnership activity with which the College is involved. It also encapsulate the College's Regional STEM Conference and Exhibition (annually in March) and further developments of the College's Careers and Progression annual event and mode of operation.

The CfPD parlance is developing momentum as a partnership vehicle with regional stakeholders including GL-LEP, Lincolnshire LA, Lincoln University, Hull University, BGU, our local MPs and others, and its further development into elements of Adult and Community education is gathering pace.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Implementation of the Strategic Plan (continued)

#### 19+ Provision

The College's part-time adult education provision continues to be guided by local demand and LEP priorities. A priority area is training to help the local population to gain employment. The provision is predominantly English and Maths (both GCSE and Functional Skills), ESOL, part-time vocational programmes in health, childcare and teaching assistant support. We continue to have a sub-contract partnership provision with the Skills Network offering home study programmes in work related and personal development courses. During 2020/21 our old nursery building was re-purposed to form a Community Hub, from which the majority of our Adult provision is being delivered.

#### (c) Quality Development

The College has a strong focus on improving outcomes for all students, with a particular emphasis on learner retention. Value added (the difference between qualifications on entry and what a student can achieve at the next tier of learning) remains a significant College strength in the area, although remains a key improvement objective in meeting the stated aim of securing an Ofsted Outstanding judgement.

Key strengths identified include:

- Excellent achievement rates in GCE A Level, GCSE, vocational L3 and L2 qualifications
- Good progress made by learners, including good levels of added value on Level 3 programmes
- Outstanding student support arrangements, including the monitoring of teaching, learning and assessment and effective and timely interventions
- Excellent progression pathways for students leading to higher education destinations, into employment with training, and into further education and training
- Very good teaching, learning and assessment anchored in up to date research
- Wide range of provision at L3 that meets the needs of a diverse range of students, and the needs of local employers
- Good social and educational inclusion
- Outstanding financial management
- Good governance, providing robust challenge to senior leaders and with a strong mix of skills and relevant experience.

Areas for improvement the College is addressing include to:

- Develop and implement strategies to assure sustainable financial planning in 2022/23 and beyond, exploring opportunities to increase income and reduce costs
- Improve value added further overall at A Level and especially in those areas/courses where this is below average
- Quicken the pace of improvement of courses where this is below the College's average performance in terms of headline achievement rates and/or value added performance
- Sustain current levels of student recruitment through a continued strengthening of the College's Marketing and Schools Liaison function.
- Further development of partnership work across curriculum and cross college functions with key partners, notably JLC in Scunthorpe and Wilberforce in Hull, within the context of both cost saving and quality improvements.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Implementation of the Strategic Plan (continued)

#### Estates Strategy

In the period under review the College recruited a new Premises Manager who, working with other staff teams and small works contractors, has enabled the College to take forward several capital projects including:

- Installation of new touch screen TVs in teaching classrooms
- Replacement windows in the Science block
- Continued maintenance works to teaching areas including re-decoration of classrooms, staff rooms and common areas and corridors
- Investment in the covered courtyard including a new floor covering and bespoke outdoor furniture
- Investment in new IT equipment within the Media and IT suite
- Installation of new grass and fencing to the front elevation of the College

In looking forward, the College recognises that student numbers are predicted to increase in 2022/23 as Year 11 numbers in North East Lincolnshire (and across northern Lincolnshire) continue to rise. Teaching space and social space within the College have been placed under increasing pressure as a result of the increased number of students enrolled in Sept 2021. This increase in students requiring a place within College will rise, increasing the pressure on College resources, most notably the estate facilities. This is a significant risk and the College has continued planning for capital works to social spaces; such planning includes sourcing funding for future capital works.

#### Financial objectives

The College wishes to remain financially sound so as to deliver its strategic ambitions by:

- Protecting itself against unforeseen adverse changes in learner recruitment and/or changes to the funding methodology
- Generating sufficient income to enable maintenance and improvement of its accommodation, IT infrastructure and other resources
- Building in flexibility and resilience to enable the College to react to potential opportunities and threats
- Maintaining the confidence of students, staff, external partners, regulatory body, funders and auditors.

Specifically these objectives will be achieved by:

#### Maintaining a sound financial base (solvency and liquidity) by aiming to:

- Achieve an operating surplus on the income and expenditure account from 2021 onwards.
- Achieve a minimum operating surplus as a percentage of income of 4% from 2021 onwards.
- Achieve 5% or higher cash generation from operating activities.
- Achieve an adjusted current ratio greater than 1:1.5 throughout the life of the plan
- Maintain cash days of 3 months or more throughout the life of the plan

These financial targets have been developed with a view to achieving and maintaining a financial health score of 'Outstanding' by 2021. The College Leadership Team and the Corporation do however recognise that, in the short-term, the priority over the life of the Finance Plan must be to return to a position of positive cash flow from ordinary operations.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Implementation of the Strategic Plan (continued)

#### Adopting systems and policies to ensure sound financial management by:

- Producing timely management accounts on a monthly basis incorporating:
  - a) commentary including key risks with a specific section reporting on the financial impacts of Covid-19
  - b) cost centre income and expenditure account
  - c) consolidated balance sheet
  - d) capital expenditure progress report
  - e) 12-month rolling cashflow forecasts
  - f) reports on the progress towards key performance indicators (including information relating to Human Resources)
  - g) regular treasury management activity reports
  - h) regular ad-hoc reports on the performance of specific business areas
- Ensuring that College financial regulations and procedures are in place, adhered to, and are periodically reviewed for appropriateness
- Strengthening procedures for testing the desirability and affordability of any proposals which have financial implications
- Adhering to the highest standards of regularity, including the implementation of a robust procurement policy
- Introducing post-implementation review procedures for assessing the success or otherwise of major investments
- Creating business plans, cost centres and project management structures to reduce the risk of lost opportunities.

#### Maintaining the confidence of the funding body, suppliers, regulatory bodies, auditors and other professional advisors by:

- Providing financial and non-financial returns on time and in the agreed format (e.g. ESFA Capital Fund returns, Value Added Tax returns, Office for National Statistics declarations, pensions and payroll related returns)
- Ensuring all returns requiring audit certification are unqualified
- Ensuring competitive tendering is adopted for large scale projects above financial thresholds as described within College financial regulations
- Ensuring all suppliers of goods and services are paid within agreed credit terms.

#### Raising awareness of financial issues by:

- Providing advice, guidance and training to staff, management and Governors on financial issues
- Seeking the views of budget holders and others on the effectiveness of the operational finance team and on the use of College resources
- Regular briefings by the Director of Finance on the financial position to the College Leadership Team and Corporation.

#### Maintaining College assets, accommodation and equipment by:

- Ensuring an asset management plan is in place and up to date
- Ensuring adequate procedures are in place to protect assets from loss, theft and neglect, including regular reviews of the College's insurance portfolio
- Generating sufficient funds to ensure that the College's specified programme of planned maintenance, property strategy and CILT replacement policy can be implemented.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Performance Indicators

#### Financial results

##### COVID-19:

There have been minimal impacts on commercial income as a result of Covid 19 due a relatively low level of annual income prior to Covid 19. Overall operational savings made in the period as a result of volume driven costs being lower have been utilised to complete maintenance works on the campus.

The College ended the year with a surplus before tax of £124,000 (2020 deficit 245,000) and cash balances of £2.5m (2020 £1.4m).

During the year Franklin College Trading Limited was dormant and will remain as a dormant entity for the foreseeable future.

Tangible fixed asset additions during the year 2020-2021 amounted to £173,000.

The College has significant reliance on the ESFA for its principal funding, largely from recurrent grants. In 2020-2021 these organisations provided 98% of the College's total income.

The College has in place a three year finance plan covering the period 2020-2023 that was approved by the Corporation in July 2021. The College Leadership Team and Corporation recognise that, in the short-term, the priority over the life of the finance plan is to maintain a position of positive cash flow from ordinary operations beyond 2021.

Key performance indicator	Measure/Target	Actual for 2020/21
Education specific EBITDA as % of income	> 5%	10.10%
Staff costs as % of total income	< 76%	69%
Adjusted current ratio	> 1:1	1:2.55
Borrowing as % of income	< 40%	0%
ESFA income as a % of total income	< 90%	98%
<b>Financial Health Score</b>	Good	Outstanding

The College is committed to observing the importance of sector measures and indicators and uses the data available on the GOV.UK website which looks at measures such as success rates. The College also subscribes to the ALPS and Six Dimensions student progress performance measures. The College is required to complete the annual Finance Record for the Education Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having a "Good" financial health grading for the year 2018/19. The current rating of "Good" is considered an excellent outcome, the forecast financial health grading for the year 2020/21 is "Outstanding".

<u>Financial Health (ESFA)</u>	2018/19	Good
	2019/20	Good
	2020/21	Outstanding

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Performance Indicators (continued)

The College's Financial Health score was assessed as Outstanding in 2020/21.

<u>EBITDA (Education Specific)</u>	2018/19	3.36%
	2019/20	4.12%
	2020/21	10.04%

At the start of the financial year the Financial Health Grade was expected to be Outstanding. Income remained stable during the period with a minimal amount of external lettings income not achieved. No staff were placed on furlough during lockdown and staff costs remained in line with budget.

Savings achieved impacted positively on cash, which increased by £1.03m compared to the previous year. The defined benefit pension liability was positively impacted in the period by £58,000.

### Student Outcomes

2021 outcomes were awarded on the basis of Teacher Assessed Grades. In submitting our TAGs, we worked within the guidelines issued by Ofqual. We internally moderated teachers' submitted grades, and were careful to ensure that the evidence base for grade awards was substantial and comprehensive. Overall outcomes were in line with our record of recent improvements brought from our focus in ensuring 'right student – right course', showing a small improvement in added value and an increase in high grades at A level commensurate with students' higher level of qualifications on entry.

As with all providers, even though we provided TAGs in good faith, they are undoubtedly on the 'generous' side (as with CAGs in 2020). This is because in any more normal year, some students will, for a variety of reasons; fail to attend the examination, lack sufficient preparation to reflect their abilities or struggle with the process and pressure of an examinations sitting and go on to underperform. These issues in concert however would not be of a scale sufficient to change the final position that this group of students outperformed their predecessors. They do however mean that we must recognise that we still have work to do to consolidate these improvements and to secure further improvements next year.

Whilst like-for-like comparisons are problematic given the TAG methodology and the continuing 'unusual' circumstances, the class of 2021 outperformed all previous cohorts at the College and we saw some significant individual successes worthy of note, including two students securing places at Oxbridge, four to Medicine and large numbers securing places at Russell Group Universities.

### 2021 Recruitment

The significantly larger 2021 cohort has resulted in a large first year, higher than the College has known in recent years. The second year student cohort is smaller than the previous year. The overall result is that whilst the College 16-19 cohort is only around 50 larger than last year, the 2021 total student number will include a smaller second year/returning cohort. The significantly larger Y11 cohort in 2021/22 and subsequent years suggests that it is highly likely the future first year intakes will be at least the same size as the September 2021 intake, leading to significant growth in total student numbers.

### Treasury policies and objectives

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

The College has a separate Treasury Management Policy in place. Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Performance Indicators (continued)

#### Cash flows and liquidity

The College's cash position as at 31 July was £2.46m (2020: £1.43m).

The increase in cash of £1,030,000, (2019/20: £144,000) from operating activities was in line with financial planning expectations. The net cash inflow resulted from additional capital funding received, lower than expected student bursary awards and less operating expenditure than planned. Capital expenditure increased in the period as a result of increased investment in the equipment, campus facilities and infrastructure.

The College had no bank borrowings to report in the period and has structured its approach to placing funds on deposit to maximise interest rates available while ensuring funds are available to meet planned operations.

#### Reserves policy

The College recognises the importance of reserves in the financial stability of an organisation, whilst ensuring resources are provided for the College's core business. The College is in the process of formulating a reserves policy to establish appropriate levels of free reserves to ensure the College's main operations would continue during a period of change or uncertainty. The aim of the policy is to maintain at least enough unrestricted cash to pay the College's operating expenses including salaries for a minimum period of 60 days. The College currently has no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserves stand at £2.1m (2020: £1.9m). It is the Corporation's intention and focus to increase the College's reserves over the life of the Strategic Plan.

Increased levels of cash at the year-end positively impacted on the number of days the College held cash. This increase is in line with the financial plan and after the College made investments in new and improved facilities for students such as new outdoor work space, increased spaces for independent study, new windows and IT equipment in classrooms.

The number of calculated unrestricted days has been reviewed and remains appropriate.

#### Events after the end of the reporting period

There are no post balance sheet events to report for the period.

#### Resources:

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main College site.

##### Financial

The College has £3.2m of net assets including £3.1m pension liability.

##### People

The College employs 130 people (expressed as full time equivalents), of whom 71 are teaching staff.

##### Reputation

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

## REPORT OF THE GOVERNING BODY (CONTINUED)

### PRINCIPAL RISKS AND UNCERTAINTIES

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

Based on the strategic plan, the Accounting Officer and College Leadership Team receive regular reports through the Board Assurance Framework and other sources of external assurance. From this information they undertake a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Audit Committee will also consider any risks which may arise as a result of any new area of work being undertaken by the College. The analysis of risks and any commissioned assurance reports are endorsed by the Corporation on the recommendation of the Audit Committee.

The College operates a Board Assurance Framework and through this process maintains a risk register at College level which is reviewed at least monthly by the Board Assurance Committee, which includes the College Leadership members. The register is also reviewed at least annually 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 prioritised using a consistent scoring system. The College consider that the risks associated with Covid-19 have the potential to impact all risks and as such no single new risk was created for Covid-19. Instead, each risk owner considered their risks alongside Covid-19 and reported any impacts identified together with control measures to mitigate or manage the risk impacts.

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

#### Government funding

The College has considerable reliance on continued Government funding through the further education sector funding bodies. In 2020/21, 98% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue on at least the same levels or on the same terms.

The College is aware of several issues which may impact on future funding, including the economic impacts of Covid-19 on central government budgets and the planned removal of vocational (Applied General) qualifications. The College, in conjunction with its key stakeholders, is developing both a strategy for growth in response to these agendas and a continued ability to meet alternative ways of delivering education including increased online provision.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training
- By ensuring the operational model for the delivery of education can respond to both physical onsite and online delivery requirements
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- The establishment of a sub-contractor framework to assist in delivery of the College's Adult Education provision
- Ensuring the College remains focussed on providing accessible education for the local community
- Regular dialogue with funding bodies.



## REPORT OF THE GOVERNING BODY (CONTINUED)

### Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

This risk is mitigated by an agreed deficit recovery plan with the East Riding Pension Fund.

### Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "Outstanding" as described above. This is largely the consequence of maintaining pay and non-pay costs in line with levels of income as student numbers grow.

Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

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

## Future Prospects

### Stakeholder relationships

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

- Students
- Parents
- Sixth Form Commissioner
- Education and Skills Funding Agency
- Staff
- The LEP (currently both Humber and Greater Lincolnshire)
- Local employers (with specific links)
- Local Authorities
- Government Offices
- The wider local community
- Other FE institutions
- Higher Education Institutions
- Trade unions
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them, through all forms of current communications, achieved through both physical and online platforms.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Equality

The College 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 College's Equality Policy is published on the College's Intranet site.

Franklin Sixth Form College is committed to enabling individual students to achieve their full potential in a supportive and inclusive environment.

We welcome applications for study and employment from all individuals, regardless of any protected characteristic as defined in the Equality Act 2010 or socio-economic background.

We are actively involved in developmental work to support the increasing number of home educated young people in the local population.

Franklin Sixth Form College has an Equality & Diversity policy statement dated January 2018 and a Single Equality Duty Action Plan. An annual report is produced and is published in October each year.

The aim of the College's Equality and Diversity Policy is to eliminate and, ideally, prevent and ultimately eliminate all forms of unfair discrimination that might occur in the College.

The College will continuously strive to:

- Develop an awareness of equality and diversity issues amongst all staff, students, Governors and visitors
- Encourage the promotion of equality and celebration of diversity in all aspects of College life
- Foster good relations between persons who share protected characteristics and persons who do not share them
- Ensure that all members of the College community are valued equally
- Eliminate discriminatory practices, ensuring equitable treatment within the College and responding promptly to any concerns regarding inequitable treatment
- Eliminate all forms of harassment and victimisation
- Monitor equality and diversity and deal with any concerns which arise
- Comply with all general and specific duties set down by the public sector equality duty.

The College's Equality and Diversity policy statement demonstrates our commitment to the values of the Equality Act 2010 which provides a single overriding legal framework to replace all of the different equality laws.

Equality and Diversity is more than just meeting legal obligations. It is about making a positive difference to the lives of the people we serve in the way we work each day, treating all people with dignity and respect and recognising the value of each individual as a unique member of the College community. The College has a clear vision and a set of core values which enables it to be committed to eliminating inequitable treatment, advancing equality of opportunity for all and fostering good relations between different people throughout the organisation.

The College's recruitment and selection process is free from bias and discrimination as documented within our Recruitment and Selection Policy. Recruitment procedures will be conducted objectively and any decision regarding an applicant's suitability for a post will be based upon specific, non-discriminatory job-related criteria.

All staff will undertake appropriate training and updating on Equality and Diversity. This will include covering all aspects of the College ethos and core values related to Equality and Diversity.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new staff is carried out on an ongoing basis.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010.

Franklin prides itself in its disability access of the entire site. In addition, the College's dedicated Learning Support Team aim to identify, as early as possible, any new students who may have specific needs and then working with those students to make appropriate arrangements to the built environment to resolve complicated access issues in time for the arrival of those who may need additional support.

### Trade union facility time

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

#### Relevant Union Officials

Numbers of employees who were TU officials during relevant period	FTE employee number
1	1

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

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

#### Percentage of time spent on facility time

Total cost of facility time	£1,534
Total pay bill	£5,818,831
Percentage of total bill spent on facility time	0.0003%

#### Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time	0%
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### Going Concern

The Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the financial statements.

In making this determination, the Corporation has given full consideration to the College's current performance in terms of student outcomes, its funding performance against target (linked to student number growth), the economic, social and political challenges facing North East Lincolnshire and the surrounding area, and its risk appetite relative to the attainment of its Strategic Ambitions. Cash flow forecasts for 2021/22 and beyond are very positive following a highly successful recruitment in September 2021 and a natural significant increase in the local demography for the region from September 2022. The level of cash days in hand is set to rise further in 2020/21 to an average of 357 days, which is 297 days higher than the Six Form College Median forecast for that year of 60 days cash in hand.

The financial impacts of Covid have been minimal with the only lost revenue relating to less than £10,000 from external lettings. Financial savings achieved through reduced operating costs have enabled the College to invest in increased campus repairs and maintenance. The Adult Learning delivery has been impacted in 2020/21 with some students finding it harder to engage with work remotely. This has resulted in an anticipated claw back of the AEB of circa £90,000.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Going Concern (continued)

Student outcomes at the end of full-time Study Programmes (and in the case of 19+ students, part time programmes) are good. Achievement rates are above national averages. Student progress against their starting points is good. Feedback from students and their families, and from employers, is positive.

Student destinations are good, with around 70% of leavers progressing to Higher Education, and 98% leave the College for positive destinations. The College's curriculum meets employer needs and is aligned with the strategic ambitions of the local authority and both the Humber and Greater Lincolnshire Local Enterprise Partnerships.

Student recruitment in September 2021 increased significantly compared to the previous year. This growth is expected to continue as the College is set to benefit from a significant increases in the Y11 population from September 2022 onwards. An important element of forward planning is related to the capacity of the estate, which at present cannot cope with the likely pressures of the demographic upturn over the next five years. Recent amendments to the funding rate are very welcome and suggest that the College's medium term future is very strong indeed.

The College has an excellent local reputation and works closely with schools and employers to ensure its curriculum and destinations meet the needs of young people.

The College has a long track record of collaboration and co-operation with other organisations and institutions, with at its heart the core aim of improving the life chances of young people in North East and the wider county of Lincolnshire. During 2020/21 the Venn Partnership was dissolved and the Advance Colleges Trust established, the benefits from this collaboration have already be seen. The Advance Colleges Trust is a collaboration between Franklin, John Leggott College in Scunthorpe and Wilberforce Sixth Form College in Hull.

In September 2018, the College was subject to an Ofsted Inspection, the outcome of this inspection being a grade of Good. The grade reflects the hard work and relentless focus on quality of provision and student outcomes, this focus continuing through 2020/21.

The Corporation have considered actual financial performance in the period against planned financial performance and have concluded that the year's outturn is better than expected. The Governors remain committed to retaining the College's incorporated status and are working closely with the Accounting Officer to explore options to allow this including greater strategic collaboration with sixth form colleges in the region, in particular through the continued work within the Advance Colleges Trust of which the College is a member.

In establishing the going concern as a basis for the preparation of the financial statements, the College has reviewed the financial plan 2020-2023, forecast management accounts and future cash flow forecasts to 31 July 2022. These sources reflect a healthy financial base, most significantly through a cash increase of over £1m in 2020/21 and a significant future increase in student numbers in the local region. The Corporation considers the College to have a strong financial base and future growth prospects which support the preparation of the Financial Statements on the basis of a strong going concern.

## REPORT OF THE GOVERNING BODY (CONTINUED)

### Going Concern (continued)

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the financial statements.

### Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 7 December 2021 and signed on its behalf by:



Alex Baxter  
Chairman

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2020 to 31 July 2021 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
- ii. Having due regard to the UK Corporate Governance Code 2018 ("the Code") insofar as it is applicable to the further education sector.

The Corporation recognises that, as a body entrusted with public funds, it has a particular duty to observe the highest standards of corporate governance at all times. To this end, it conducts its business in accordance with the seven principles identified by the Committee on Standards in Public Life and having due regard to the UK Corporate Governance Code and the Charity Governance Code insofar as it is applicable to the further education sector. In July 2015, the Corporation expressed its wish to adopt the English Colleges' Code of Good Governance and has worked to become compliant with it. The Corporation considered the adoption of the senior post holder remuneration code in July 2019 and at the meeting of the Remuneration Committee in November 2019. A Corporation decision on the matter was deferred in the run-up to the Covid-19 lockdown, but was taken in September 2020, when the Corporation decided to adopt the Code in its entirety. In the meantime, the College has complied with all the stipulations contained within the College Accounts Direction. The Corporation is also committed to exhibiting best practice in all aspects of corporate governance.

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

### GOVERNANCE CODE

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2021.

### The Corporation

Throughout the year Governors contribute significant amounts of their time to support the strategic outcomes of the College. In order to accomplish these outcomes and to inform themselves through first-hand experience as to the ways in which the Strategic Plan is being achieved, Governors freely give the College their commitment and their time outside of the Corporation and Committee structure. They participate as "external" critical friends in curriculum and cross-College Self-Assessment and Quality Improvement Plan reviews (November and December) and the February mid-year reviews of the latter. They gain a better understanding of the College through their curriculum links and visits to their subject areas. Those with designated link responsibilities visit and attend meetings with the appropriate members of staff and departments. Governors are invited and attend extra-curricular occasions such as open evenings, progression and professional development events, and student performances, as well as representing the College at external events.

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)****The Corporation (continued)**

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

Name	Date of Appointment	Term of Office	Status of Appointment	Committees Served	Occupation/ Experience	Attendance 2020/21
George Baker	23.11.2000 Reappointed on 23.11.2004. Reappointed on 23.11.2008 Reappointed on 23.11.2012 Reappointed 23.11.2016 Reappointed 23.11.2020 Membership ceased 27.05.2021	23.11.2004  23.11.2008  23.11.2012  23.11.2016  23.11.2024	Independent Member	Audit	Chemical industry, Voluntary Services	Corporation: 0/2  Committee: 0/4
Alex Baxter	30.09.2010 Reappointed 30.09.2014 Reappointed 30.09.2018	30.09.2022	Independent Member	Search; Remuneration; Resources	Consultant, Defence Industry	Corporation: 6/6  Committee: 9/9
Additional non-committee meeting activities conducted include: regular meetings with College Leadership Team and other managers as Chair of the Corporation, Governors' strategy days, training events, regular Venn Partnership/ACT meetings, regular Committee Chairs' meetings, regular self-assessment and quality improvement progress meetings						
Alan Bird	14.12.2016  Reappointed 14.12.2020	14.12.2024	Independent Member	Resources	Finance, Education	Corporation: 5/6  Committee: 3/3
Additional non-committee meeting activities conducted include: task group meeting, Governors' strategy day, training events						
Joshua Briggs	08.03.2017 Reappointed 08.03.2021	08.03.2025	Independent Member	Resources; Remuneration	Solicitor	Corporation: 5/6  Committee: 4/4
Additional non-committee meeting activities conducted include: training events						

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

## The Corporation (continued)

Carole Faulder	13.07.2006 Reappointed 13.07.2010 Reappointed 13.07.2014 Reappointed 13.07.2018 Resigned wef 31.07.2021	13.07.2022	Independent Member	Quality, Teaching and Learning; Search; Audit; Remuneration	Retired Local Government Officer	Corporation: 5/6  Committee: 10/10
Additional non-committee meeting activities conducted include: regular self-assessment and quality improvement progress meetings, training events, Governors' strategy day						
Helen Forman	16.09.2019	16.09.2023	Staff Member	Quality, Teaching and Learning	Education, sport, safeguarding	Corporation: 6/6  Committee: 4/4
Additional non-committee meeting activities conducted include: Governors' strategy day, training events						
Joanne Hewson	27.04.2018  Leave of absence from 17.07.2020 to 17.12.2020  Leave of absence extended from 17.12.2020 to 17.06.2021	27.04.2022	Independent Member	Audit	Local Government Senior Manager	Corporation: 0/1  Committee: 1/1
Additional non-committee meeting activities conducted include: Governors' strategy day						
Geoff Hirst	26.09.2002 Reappointed 26.09.2006 Reappointed 26.09.2010 Reappointed 26.09.2014 Reappointed 26.09.2018	26.09.2022	Independent Member	Audit; Search; Remuneration	HR Consultant	Corporation: 6/6  Committee: 6/6
Additional non-committee meeting activities conducted include: Governors' strategy days, training events, Venn Leadership Conference, regular self-assessment and quality improvement progress meetings						



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

## The Corporation (continued)

Sabine Holmes	14.12.2016 Reappointed 14.12.2020	14.12.2024	Independent Member	Audit	Employment and skills training	Corporation: 6/6  Committee: 3/3
	Additional non-committee meeting activities conducted include: task group meeting, Governors' strategy days, training events, regular self-assessment and quality improvement progress meetings					
Nicki Jarvis	17.12.2019 Term of office expired 31.07.2021	While a parent of a FSFC student	Parent Member	Quality, Teaching and Learning	Arts and heritage, Community engagement	Corporation: 6/6  Committee: 4/4
	Additional non-committee meeting activities conducted include: Governors' strategy days, training events, regular self-assessment and quality improvement progress meetings					
Peter Kennedy	01.05.2018	While the FSFC Principal	Principal	Resources; Search; Quality, Teaching and Learning	Education	Corporation: 6/6  Committee: 9/9
Lacey King	15.10.2020	While an FSFC student	Student Member	Quality, Teaching and Learning	Student	Corporation: 4/5  Committee: 3/3
	Additional non-committee meeting activities conducted include: Governors' strategy days, training events					

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)****The Corporation (continued)**

Greg Marsden	14.07.2015 Reappointed 14.07.2019	14.07.2023	Independent Member	Resources; Quality, Teaching and Learning; Search; Remuneration	Retired Head Teacher, community leader	Corporation: 6/6  Committee: 10/10
	Additional non-committee meeting activities conducted include: Governors' strategy days, training events, regular self-assessment and quality improvement progress meetings					
Mark Midgley	15.12.2020	15.12.2024	Independent Member	Audit	Secondary education, Head teacher, senior management	Corporation: 4/5  Committee: 1/1
	Additional non-committee meeting activities conducted include: Governors' strategy day					
Elly Sample	15.12.2020	15.12.2024	Independent Member		Higher Education, Communications, marketing	Corporation: 1/5  Committee: n/a
	Additional non-committee meeting activities conducted include: Governors' strategy day					
Libbi Sinderson	15.10.2020	While an FSFC student	Student Member	Quality, Teaching and Learning	Student	Corporation: 2/5  Committee: 0/2
Catherine Stephens	07.10.2014 Reappointed 07.10.2018	07.10.2022	Staff Member	Quality Teaching and Learning	Sport, Education, marketing	Corporation: 6/6  Committee: 2/4
Additional non-committee meeting activities conducted include: Governors' strategy days						

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)****The Corporation (continued)**

Sara Wood	13.12.2017	While a parent of a FSFC student under 19 years	Parent Member	Audit	Nursing, medical	Corporation: 5/6  Committee: 2/3
	Term of office expired 31.07.2021 Additional non-committee meeting activities conducted include: regular self-assessment and quality improvement progress meetings					
Jerry Woolner	12.11.2015 Reappointed 12.11.2109	12.11.2023	Independent Member	Resources; Quality, Teaching and Learning; Search; Remuneration	MD of training organisation, management consultancy	Corporation: 5/6  Committee: 8/10
	Additional non-committee meeting activities conducted include: regular team safeguarding meetings in relation to role as safeguarding link governor, regular meeting in relation to role as CEIAG link governor, Governors' strategy days, training events					
Sharon Wroot	03.10.2019  Resigned 12.03.2021	03.10.2023	Co-opted Member	Resources	Finance, senior management, local authority	Corporation: 0/3  Committee: 0/2

It is the Corporation's 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 human resources related matters including health and safety and environmental issues. The Corporation meets at least termly.

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 comprise of Audit, Resources, Quality, Teaching and Learning; Remuneration, Search, and occasional special or Appeals committees.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at [www.franklin.ac.uk](http://www.franklin.ac.uk) or from the Clerk to the Corporation at:

Franklin Sixth Form College  
Chelmsford Avenue  
Grimsby  
DN34 5BY

Corporation minutes are also made available on the College Website.

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

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

### The Corporation (continued)

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

Formal agendas, papers and reports are supplied to Governors in a timely manner prior to Corporation meetings. Briefings are also provided at each full Corporation meeting.

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.

### COVID-19

The College considered the Procurement Policy Notices throughout the period, as it had done in the previous year. Within the period the transport provision for the college was re-tendered and a new provider identified, the process was conducted in line with procurement regulations and with consideration to PPN 02/20 to ensure value for money was achieved. The operational infrastructure of the college was considered and maintained throughout the period and outcomes reported to Corporation through the usual reporting structure.

### 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 which comprises the Chair of Corporation, Chairs of Audit, Resources, Quality, Teaching and Learning, the Principal and one other Governor and is responsible for the selection and nomination of any new Governor for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

In July 2014, the Corporation agreed that, in accordance with good practice, Governors should not serve more than two terms of office. However, to ensure the continuance of an effective balance of skills and experience within the governing body, it was decided that this stipulation should be introduced incrementally, with the two terms provision applying to each existing governor from the date when their present term of office expired and their reappointment considered.

### Corporation Performance

The Governors of Franklin Sixth Form College and the College Leadership Team are committed to ensuring the provision of effective governance. The roles, responsibilities and accountabilities of the Corporation and its Committees are clearly defined and Governors are active in ensuring that the decision-making structure is fit for purpose. Governors' skills sets are regularly reviewed to make certain that the experience and skills of Corporation members is appropriate to meet the roles and responsibilities of the governing body, and that recruitment of new Governors is effectively undertaken. New Governors undergo a programme of induction training and all Governors receive ongoing training, development and briefing sessions.

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

### Corporation Performance (continued)

Regarding performance, Governors demonstrate a strong commitment to the College and to its vision, mission, values and culture. They are required to complete a self-assessment questionnaire annually which addresses both the effectiveness of the Corporation and each Governor's own personal effectiveness. In 2020/21, evaluation of the questionnaires indicated that Governors were either satisfied or extremely satisfied that they were working effectively as a Corporation. To continue achieving the positive results which the evaluation identified, Governors have expressed their determination to improve their own individual and collective impact and outcomes on a continuing basis. Corporation performance is also regularly reviewed against KPIs agreed and monitored by Governors.

Working relationships between Governors and the College Leadership Team are good and a positive atmosphere exists to support effective governance. At the same time, the need for constructive challenge by the Corporation is understood and is undertaken appropriately and effectively, while still maintaining the distinction between governance and leadership.

Corporation outcomes include the formulation, review and achievement of the agreed Strategic Plan and of standards of financial health and sustainability. Governors are effective in ensuring the student experience is positive and that targets for academic and service provision are being met. The required standards of accountability and legal and regulatory compliance are met and risk is well managed. Overall, the Corporation recognises and fulfils its important leadership role through effective governance.

### Remuneration Committee

Throughout the year ending 31 July 2021, the College's Remuneration Committee comprised the Chair of Corporation, Vice Chair of Corporation and the Chairs of the Resources, Audit, and Quality, Teaching and Learning Committees and one other Governor. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2021 are set out in note 7.

### Audit Committee

The Audit Committee comprises the Chair of Audit and at least three other members of the Corporation (excluding the Accounting Officer and Chair of the Corporation). 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 College's regularity and financial statements auditors, and any third party assurance providers, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the Further Education funding body, as they affect the College's business.

The College operates a Board Assurance Framework which identifies risk, risk management controls and governance processes in accordance with an agreed assurance plan. The findings of the framework and third party assurance providers is reported to leadership and the Audit Committee.

Leadership are responsible for the implementation of agreed audit recommendations, and a programme of assurance undertakes periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of regularity and financial statements auditors and their remuneration for audit work as well as reporting annually to the Corporation.

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

### Statement from the Audit Committee

The Audit Committee has advised the Board of Governors that the Corporation has in place an effective framework for governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets.

The specific areas of work undertaken by the Audit Committee in 2020/21 and up to the date of the approval of the financial statements are those areas of the College's functions which could present either a financial risk, an operations and people risk and/or a reputational risk. The Audit Committee has monitored and considered the risk reviews carried out by the appropriate committees, given an opinion as to its assurance, and reported those outcomes to the Corporation.

### Internal Control

#### Scope of responsibility

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

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 College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Agreements between the College and its funding body. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

#### The purpose of the system of internal control

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

#### Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ending 31 July 2021 and up to the date of approval of the annual report 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 Resources Committee of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance

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

### The risk and control framework (continued)

- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate.

The College has not appointed an internal audit service for the year ended 31 July 2021. For that year the College leadership and Governors have assessed the internal controls and developed a Board Assurance Framework, clearly showing the mapping of assurance sources against the risks identified.

The analysis of risks to which the College was exposed, and a programme of assurance, was agreed with the Audit Committee. The Committee was provided with regular reports on the assurance activities in the College which included:

- Funder assessment and validation reports from the ESFA
- Independent peer reviews by other colleges within the Advance Colleges Trust
- Independent quality and audit reports for specific areas of operations including JCQ Examinations audit, BTEC QRD/CTEC and A Level awarding body reports and Local Safeguarding Children's Board audits.

At a minimum annually, the Board Assurance Framework reporting mechanism provides the governing body with a report on assurance activity in the College. The report includes a statement on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

### COVID-19

Since the lockdown of the College, the Corporation and its committees have operated a system of virtual and physical meetings using Microsoft Teams and the College's premises. This has proved to be an effective means of ensuring the decision making process has continued efficiently, and it is planned to continue holding meetings in this way for at least the first part of the 2021/22 academic year.

### Review of effectiveness

In the opinion of the Audit Committee, no significant internal control weaknesses or failures have arisen within the College as a result of the Covid-19 pandemic. The College's risk management processes have continued throughout the 2020/21 year and the effectiveness of risk reviews has not been impaired.

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".

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 informed by:

- The Board Assurance Framework and external, third party sources of assurance
- 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 College's financial statements 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 Board Assurance Framework and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the systems in place.

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)****Review of effectiveness (continued)**

The Accounting Officer and the College Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Principal, the College Leadership Team and the Audit Committee also receive regular reports and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from The College Leadership Team and the Audit Committee.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee.

The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its meeting on 7 December 2021, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from The College Leadership Team and board assurance reports, and taking account of events since 31 July 2021.

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".

Approved by order of the members of the Corporation on 7 December 2021 and signed on its behalf by:



Alex Baxter  
Chairman



Peter Kennedy  
Accounting Officer



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

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

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

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



Alex Baxter  
Chairman

7 December 2021



Peter Kennedy  
Accounting Officer

7 December 2021

## STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the Corporation's Conditions of Funding with the ESFA and any relevant funding bodies, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year, in accordance with the *Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2020 to 2021 issued by the ESFA, and which give a true and fair view of the state of affairs of the Corporation and the result for that year.*

In preparing the financial statements the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards were followed, subject to any material departure 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 Report of the Governing Body which describes the Corporation mission and how it is implementing it, including the legal and administrative status of the Corporation.

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA and any other public funds are used only in accordance with ESFA's grant funding agreements and any other conditions that may be prescribed from time to time by the ESFA or any other public funder. Members of the Corporation must ensure that there are appropriate financial and management controls in place sufficient to safeguard public and other funds and ensure that they are used properly. In addition, members of the Corporation are responsible for securing economical, 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 7 December 2021 and signed on its behalf by:



Alex Baxter  
Chairman

## INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF FRANKLIN COLLEGE

### Opinion

We have audited the financial statements of Franklin Sixth Form College (the "College") for the year ended 31 July 2021 which comprise the College statement of comprehensive income, the College balance sheet, the College statement of changes in reserves, the College 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).

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2021 and of the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

### Other information

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

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

We have nothing to report in this regard.

### 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 2020 to 2021 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

## INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF FRANKLIN COLLEGE (CONTINUED)

### Responsibilities of the Corporation of Franklin College

As explained more fully in the Statement of responsibilities of members of the Corporation set out on page 31, 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 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 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.

### 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 audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the College operate in and how the College are complying with the legal and regulatory framework;
- 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. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

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

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were

## INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF FRANKLIN COLLEGE (CONTINUED)

not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

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

### Use of our report

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



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

Date

16/12/21

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2021

	Notes	2021 £'000	2020 £'000
<b>INCOME</b>			
Funding body grants	3	8,210	7,029
Tuition fees and education contracts	4	-	2
Other income	5	187	149
Investment income	6	1	5
<b>Total income</b>		<b>8,398</b>	<b>7,185</b>
<b>EXPENDITURE</b>			
Staff costs	7	5,823	5,372
Other operating expenses	8	1,804	1,545
Depreciation	11	468	470
Interest and other finance costs	9	47	42
<b>Total expenditure</b>		<b>8,142</b>	<b>7,430</b>
<b>(Deficit) / Surplus before other gains and losses</b>		<b>256</b>	<b>(245)</b>
Loss on disposal of assets		(132)	-
<b>(Deficit) / Surplus before tax</b>		<b>124</b>	<b>(245)</b>
Taxation	10	-	-
<b>(Deficit) / Surplus for the year</b>		<b>124</b>	<b>(245)</b>
Re-measurement of net defined benefit pension liability	17	58	(947)
<b>Other comprehensive income for the year</b>		<b>58</b>	<b>(947)</b>
<b>Total comprehensive Income for the year</b>		<b>182</b>	<b>(1,192)</b>
<b>Total comprehensive Income for the year attributable to Corporation of the College</b>		<b>182</b>	<b>(1,192)</b>

**BALANCE SHEET AS AT 31 JULY 2021**

	Notes	2021 £'000	2020 £'000
<b>Fixed assets</b>			
Tangible assets	11	8,560	8,992
Investments	12	-	-
		<u>8,560</u>	<u>8,992</u>
<b>Current assets</b>			
Debtors	13	244	172
Cash at bank and in hand		2,459	1,427
		<u>2,703</u>	<u>1,599</u>
<b>Current liabilities</b>			
Creditors – amounts falling due within one year	14	(1,242)	(881)
<b>Net current assets</b>		<u>1,461</u>	<u>718</u>
<b>Total assets less current liabilities</b>		<u>10,021</u>	<u>9,710</u>
 Creditors – amounts falling due after more than one year	15	 (3,532)	 (3,664)
<b>Provisions for liabilities</b>			
Defined benefit pension scheme	17	(3,127)	(2,901)
Other provisions	16	(115)	(80)
<b>Total net assets</b>		<u>3,247</u>	<u>3,065</u>
 <b>Unrestricted Reserves</b>			
Income and expenditure reserve		2,139	1,909
Revaluation reserve		1,108	1,156
<b>Attributable to the College Corporation and total unrestricted reserves</b>		<u>3,247</u>	<u>3,065</u>

The financial statements on pages 34 to 58 were approved and authorised for issue by the Corporation on 7 December 2021 and were signed on its behalf on that date by:



Alex Baxter

Chair



Peter Kennedy

Accounting Officer

## STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2021

	Attributable to College corporation		Total
	Income and expenditure reserve	Revaluation reserve	
	£'000	£'000	£'000
<b>College</b>			
<b>Balance at 1 August 2019</b>	3,053	1,204	4,257
Deficit for the year	(245)	-	(245)
Other comprehensive income	(947)	-	(947)
Transfers between revaluation and income and expenditure reserves	48	(48)	-
<b>Total comprehensive income for the year</b>	<b>(1,144)</b>	<b>(48)</b>	<b>(1,192)</b>
<b>Balance at 31 July 2020</b>	<b>1,909</b>	<b>1,156</b>	<b>3,065</b>
Profit for the year	124	-	124
Other comprehensive income	58	-	58
Transfers between revaluation and income and expenditure reserves	48	(48)	-
<b>Total comprehensive income for the year</b>	<b>230</b>	<b>(48)</b>	<b>139</b>
<b>Balance at 31 July 2021</b>	<b>2,139</b>	<b>1,108</b>	<b>3,247</b>



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2021

	Notes	2021 £'000	2020 £'000
<b>Operating activities</b>			
Cash generated from operations	21	804	154
Taxation paid		-	-
<b>Net cash from operating activities</b>		<u>804</u>	<u>154</u>
<b>Investing activities</b>			
Investment income		5	5
Purchase of tangible fixed assets		132	61
Disposal of tangible fixed asset		173	
		<u>1,114</u>	<u>66</u>
<b>Financing activities</b>			
Interest paid		(47)	(42)
Repayment of Finance Lease		(35)	(34)
		<u>(82)</u>	<u>(76)</u>
<b>Increase / (Decrease) in cash and cash equivalents in the year</b>		<u>1,032</u>	<u>144</u>
Cash and cash equivalents at beginning of the year		1,427	1,283
Cash and cash equivalents at end of the year		<u>2,459</u>	<u>1,427</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

#### General information

Franklin Sixth Form College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 24. The nature of the College's operations are set out in the Report of the Governing Body.

#### Basis of accounting

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (F & HE SORP 2019), the College Accounts Direction for 2020 to 2021 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) under the historical cost convention. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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

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

The financial statements present information about the College as an individual undertaking and not about its group, as the wholly owned subsidiary company is not material for the purpose of giving a true and fair view (individually and collectively).

#### Going concern

In the opinion of the Accounting Officer and Corporation, supported by the 2019-2022 finance plan submitted to the ESFA, the College remains a going concern.

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cash flow and liquidity are described in the Financial Statements and accompanying notes.

The latest three year financial plan including a cash flow forecast prepared by the College covers the period 2020-2023. This shows that the College expects to maintain a healthy financial position over the period of the plan.

The financial impacts of Covid-19 during 2020/21 were positive as less volume driven expenditure was incurred and the IT infrastructure previously invested in assisted the College to move to online learning. The resulting reduction in expenditure meant the College's cash was higher than planned.

Accordingly the Governors have a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future and specifically for the 18 month period following the date the financial statements were signed, and for this reason will continue to adopt the going concern basis in the preparation of its annual Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1. Accounting policies (continued)

#### Recognition of income

##### Grants – government and non-government

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

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

For 2020-21 in light of Covid-19, the ESFA have announced that there will be a tolerance of 90% for clawback of AEB. In addition they have also announced pre-year end that they are developing arrangements to allow colleges to apply for support either as a result of local circumstances which made it impossible to deliver at or close to 90% and recovery of funds at 90% would not cover the AEB delivery costs, or applying the full amount of AEB claw back would cause significant financial difficulties for the college. The details of the final arrangements are expected to be published in September 2021.

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.

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

##### Other income

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1. Accounting policies (continued)

#### Retirement benefits

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

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

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

#### Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. The cost of any unused holiday entitlement the College expects to pay in future periods is recognised in the period the employees' services are rendered.

#### Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to comprehensive income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding body.

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

#### Tangible fixed assets

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

#### Land and buildings

Land and buildings are stated at cost/deemed cost at the date of transition to FRS 102 less accumulated depreciation and accumulated impairment losses.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1. Accounting policies (continued)

#### Equipment

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

#### Depreciation and residual values

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

- Freehold buildings – 20 to 40 years
- Motor vehicles – 25 percent per annum
- Furniture, fixtures and fittings – 8-33 percent per annum
- Computer hardware – 20 percent per annum
- Computer software – 50 percent per annum
- Website software – 33 percent per annum

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

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

#### Impairments of fixed assets

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

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

#### Leased assets

##### Finance leased assets

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

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

The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1. Accounting policies (continued)

#### Leased assets (continued)

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

#### Operating leases

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

#### Cash and cash equivalents

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

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

#### Financial Instruments

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

#### Financial assets and liabilities

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1. Accounting policies (continued)

#### Taxation

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

The College receives no similar exemption in respect of Value Added Tax. The College registered for VAT in the period and is only able to recover input VAT in relation to the delivery of its on-site catering service. Capital costs and non-pay expenditure are therefore shown inclusive of VAT.

#### Provisions and contingent liabilities

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

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

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

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

#### Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. Critical accounting judgements and estimation uncertainty

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

#### Critical areas of judgement

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

- Determined whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These 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.

#### Critical accounting estimates and assumptions

- Tangible fixed assets

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

- Impairment of fixed assets

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

- East Riding Pension Fund

The present value of the East Riding Pension Fund defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 17, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****3. Funding body grants**

	2021 £'000	2020 £'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency (Adult Education)	310	420
Education and Skills Funding Agency (Apprenticeship income)	1	9
Education and Skills Funding Agency (16-19 Provision)	7,319	6,205
<b>Specific grants</b>		
Teacher Pension Scheme contribution grant	211	220
16-19 High Value Course Premium	87	-
16-19 Tuition Fund	71	-
Covid mass testing funding	32	-
Releases of government capital grants	179	175
<b>Total</b>	<u>8,210</u>	<u>7,029</u>

**4. Tuition fees**

	2021 £'000	2020 £'000
Tuition fees	-	2
<b>Total</b>	<u>-</u>	<u>2</u>

**5. Other income**

	2021 £'000	2020 £'000
Catering	-	-
Other income generating activities	1	7
Miscellaneous income	186	142
<b>Total</b>	<u>187</u>	<u>149</u>

**6. Investment income**

	2021 £'000	2020 £'000
Other interest receivable	1	5
<b>Total</b>	<u>1</u>	<u>5</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****7. Staff costs and key management personnel remuneration**

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

	2021 No.	2020 No.
Teaching staff	71	68
Non teaching staff	59	56
	<u>130</u>	<u>124</u>

Staff costs for the above persons were:

	2021 £'000	2020 £'000
Wages and salaries	4,240	3,988
Social security costs	394	369
Other pension costs	1,189	1,013
<b>Payroll sub-total</b>	<b>5,823</b>	<b>5,370</b>
Restructuring costs - Contractual	-	2
- Non Contractual	-	-
<b>Total staff costs</b>	<b><u>5,823</u></b>	<b><u>5,372</u></b>

There were no staff restructuring costs incurred in the period

**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 Leadership Team.

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

	2021 No.	2020 No.
The number of key management personnel including the Accounting Officer was:	<u>4</u>	<u>4</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****7. Staff costs and key management personnel remuneration (continued)**

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

	Key management personnel		Other staff	
	2021	2020	2021	2020
	No.	No.	No.	No.
£50,001 to £55,000 p.a	-	-	-	-
£55,001 to £60,000 p.a	-	-	-	-
£60,001 to £65,000 p.a	1	2	-	-
£65,001 to £70,000 p.a	1	-	-	-
£70,001 to £75,000 p.a	-	-	-	-
£75,001 to £80,000 p.a.	-	-	-	-
£80,001 to £85,000 p.a.	-	-	-	-
£85,001 to £90,000 p.a.	1	1	-	-
£90,001 to £95,000 p.a.	-	-	-	-
£95,001 to £100,000 p.a.	-	-	-	-
£100,001 to £105,000 p.a.	-	-	-	-
£105,001 to £110,000 p.a	-	-	-	-
£110,001 to £115,000 p.a	-	-	-	-
£115,001 to £120,000 p.a	1	1	-	-
	<u>4</u>	<u>4</u>	<u>-</u>	<u>-</u>

Including part time workers grossed up to full time equivalent and staff on maternity, paternity or sickness leave at their usual rate of pay, 4 members of key management personnel were paid in the £50,001 to £120,000 banding in 2021 (2020:4).

Key management personnel is made up as follows:

	2021	2020
	£'000	£'000
Salaries	338	320
Benefits in kind	3	12
National Insurance	42	43
	<u>383</u>	<u>375</u>
Pension contributions	81	73
<b>Total emoluments</b>	<u>464</u>	<u>448</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****7. Staff costs and key management personnel remuneration (continued)**

The governing body adopted AoC's Senior Staff Remuneration Code in September 2020 after considering the codes principals at the Remuneration Committee in October 2020 and the Corporation meeting in July 2021. Throughout 2020/21 the governing body applied the Codes principals.

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

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

	Accounting Officer 2021 £'000	Accounting Officer 2020 £'000
Salaries	119	108
Pension contributions	28	25
<b>Total</b>	<b>147</b>	<b>133</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****7. Staff costs and key management personnel remuneration (continued)****Compensation for loss of office paid to former key management personnel**

	2021	2020
	£	£
Compensation paid to former post-holder - contractual	-	-
Estimated value of other benefits, including provisions for pension benefits	-	-
<b>Total</b>	<u>-</u>	<u>-</u>

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

The remuneration of the Accounting Officer for 2020-21 was determined on 10 November 2020 by the College's Remuneration Committee. The Accounting Officer was not involved in setting their remuneration. The factors taken into account by the Committee in determining the Accounting Officer's remuneration for the year to 31 July 2021 included: the objectives that had been set, all of which were achieved; the success in performance of the College, most notably the improved academic achievements of students and the increase in student recruitment and the use of sector salary benchmark data (SFCA Workforce Survey 2018).

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

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

	2021	2020
	No.	No.
Basic salary as a multiple of median basic salary of staff	4.75:1	4.1:1
Total remuneration as a multiple of median total remuneration of staff	5.98:1	5.5:1

Calculations do not include sessional workers on flexible working hours.

**Governors' remuneration**

The Accounting Officer and the staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as Governors. The other members of the Corporation did not receive any payments from the College in respect of their roles as Governors.

The total expenses paid to or on behalf of the Governors during the year was £nil; (2020 £nil). Any amounts paid would represent travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiary during the year.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****8. Other operating expenses**

	2021	2020
	£'000	£'000
Teaching costs	851	747
Non teaching costs	669	578
Premises costs	284	220
<b>Total</b>	<b>1,804</b>	<b>1,545</b>

	2021	2020
	£'000	£'000
<b>Deficit before taxation is stated after charging</b>		
Auditors' remuneration:		
Financial statements audit	21	14
Other services provided by financial statements auditors:		
Audit related assurance services – regularity	5	3
Other assurance services	1	1
Operating lease rentals	29	30

**9. Interest payable and other finance costs**

	2021	2020
	£'000	£'000
Interest on Finance lease	1	2
Net interest on defined pension liability (note 17)	46	40
<b>Total</b>	<b>47</b>	<b>42</b>

**10. Taxation**

The members do not believe the College is liable for any corporation tax arising out of its activities during either year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 11. Tangible fixed assets

	Freehold land and buildings £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>			
At 1 August 2020	13,961	2,793	16,754
Additions	-	173	173
Disposals	(407)	-	(407)
At 31 July 2021	<u>13,554</u>	<u>2,966</u>	<u>16,520</u>
<b>Depreciation</b>			
At 1 August 2020	5,177	2,585	7,762
Disposals	(270)	-	(270)
Charge for year	331	137	468
At 31 July 2021	<u>5,238</u>	<u>2722</u>	<u>7,960</u>
<b>Carrying amount at 31 July 2021</b>	<u>8,316</u>	<u>244</u>	<u>8,560</u>
<b>Carrying amount at 31 July 2020</b>	<u>8,784</u>	<u>208</u>	<u>8,992</u>

The net book value of equipment includes an amount of £nil (2020 – £38,521) in respect of assets held under finance leases.

Freehold land is not depreciated as it is considered to have an infinite useful life. The value of freehold land is £580,000. Land and buildings were valued in 1994 at depreciated replacement cost by a firm of independent chartered surveyors.

If inherited land and buildings had not been valued, they would have been included at the following amounts:

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

## 12. Investments

	2021 £	2020 £
Investments in subsidiary company	<u>2</u>	<u>2</u>

The College owns 100 per cent of the issued ordinary £1 shares of Franklin College Trading Limited, a company incorporated in England and Wales. The principal business of Franklin College Trading Limited is property development. Franklin College Trading Ltd has not traded in the year and the financial statements have therefore been prepared for the College only. The registered office of Franklin College Trading Limited is Chelmsford Avenue, Grimsby, North East Lincolnshire, DN34 5BY. Franklin College Trading Limited is a dormant company and therefore exempt from audit.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 13. Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade debtors	37	46
Prepayments and accrued income	207	126
<b>Total</b>	<b>244</b>	<b>172</b>

## 14. Creditors - amounts falling due within one year:

	2021 £'000	2020 £'000
Obligations under finance Lease	-	39
Trade creditors	352	138
Other taxation and social security	107	92
Other creditors	354	309
Accruals and deferred income	63	34
Government grants – capital	167	174
Government grants – revenue	63	95
Amounts due to ESFA	136	-
<b>Total</b>	<b>1,242</b>	<b>881</b>

## 15. Creditors - amounts falling due after one year

	2021 £'000	2020 £'000
Obligations under finance lease	-	-
Government capital grants	3,532	3,664
<b>Total</b>	<b>3,532</b>	<b>3,664</b>

## Finance leases

The total future minimum lease payments are payable:

	2021 £'000	2020 £'000
In one year or less	-	39
Between one and five years	-	-
	-	39

Finance lease obligations are secured on the assets to which they relate.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 16. Provisions for liabilities

	Enhanced Pension £'000
At 1 August 2020	80
Amounts utilised	
Changes in Period charged to Statement of Comprehensive Income	35
<b>At 31 July 2021</b>	<b>115</b>

The enhanced pension provision includes £33,386 in respect of former senior post-holders.

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

The principal assumptions for this calculation are:

	2021	2020
Price inflation	2.2%	1.90%
Discount rate	1.3%	1.50%

## 17. Retirement benefits

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

	2021 £'000	2020 £'000
<b>Total pension cost for year</b>		
Teachers' Pension Scheme: contributions paid	617	573
East Riding Pension Fund		
Contributions paid	292	251
FRS 102 (28) charge	238	202
Charge to the Statement of Comprehensive Income	530	453
Enhanced pension charge to Statement of Comprehensive Income		11
Other pension costs	43	(24)
<b>Total pension cost for year within staff costs</b>	<b>1,190</b>	<b>1,013</b>

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

Contributions amounting to £104,000 (2020 £111,000) were payable to the scheme at 31 July and are included within creditors.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 17. Retirement benefits (continued)

#### 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 so it is accounted for as a defined contribution plan.

#### Valuation of the Teachers' Pension Scheme

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

#### Valuation of the Teachers' Pension Scheme

The latest actuarial valuation was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuation and Employer Cost Cap) Directions 2014 except it has been prepared following the Government's decision to pause the operation of the cost control mechanisms at the time when legal challenges were still pending.

The valuation report was published in April 2019. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £218 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £196 billion
- Notional past service deficit of £22 billion
- Discount rate is 2.4 % in excess of CPI.

As a result of the valuation, new employer contributions rates were set at 23.68% of pensionable pay from September 2020 onwards (compared to 16.48% during 2019/20). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year.

The pension costs paid to TPS in the year amounted to £617,000 (2020: £573,000).

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

#### East Riding Pension Fund

The East Riding Pension Fund is a funded defined-benefit plan, with the assets held in separate funds administered by East Riding Local Authority. The total contributions made for the year ended 31 July 2021 were £368,000, of which employer's contributions totalled £291,000 and employees' contributions totalled £77,000. The agreed contribution rates for future years are 22.2% for employers and range from 5.5% to 12.5% for employees, depending on salary.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 17. Retirement benefits (continued)

## Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by a qualified independent actuary.

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries*	2.0%	1.9%
Future pensions increases	1.5%	2.0%
Discount rate	1.7%	1.5%
Inflation assumption (CPI)	2.6%	1.9%
Commutation of pensions to lump sums	60%	60%
Commutation of pensions to lump sums (post April 2008)	80%	80%

\*The salary increase assumption is 2% per annum until 31 July 2022 (reverting to the long term assumption of CPI thereafter for 31 July 2020, 31 July 2019 and 31 July 2018 year ends).

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

	At 31 July 2021 Years	At 31 July 2020 Years
<i>Retiring today</i>		
Males	21.0	20.9
Females	23.7	23.3
<i>Retiring in 20 years</i>		
Males	22.2	21.8
Females	25.5	24.8

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

	Fair value at 31 July 2021 £'000	Fair value at 31 July 2020 £'000
Equity instruments	6,685	5,287
Debt instruments	1,868	1,383
Property	1,081	976
Cash	197	488
<b>Total fair value of plan assets</b>	<b>9,831</b>	<b>8,134</b>
<b>Actual return on plan assets</b>	<b>1,506</b>	<b>(405)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 17. Retirement benefits (continued)

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

	2021	2020
	£'000	£'000
Fair value of plan assets	9,831	8,134
Present value of plan liabilities	(12,947)	(11,024)
Present value of unfunded liabilities	(11)	(11)
<b>Net pensions liability</b>	<b>(3,127)</b>	<b>(2,901)</b>

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

	2021	2020
	£'000	£'000
<b>Amounts included in staff costs</b>		
Current service cost	(530)	(453)
Net interest on the net defined benefit pension liability	(46)	(40)
<b>Total</b>	<b>(576)</b>	<b>(493)</b>

**Amount recognised in Other Comprehensive Income:**

Re-measurements of net defined benefit pension liability	58	(947)
<b>Amount recognised in Other Comprehensive Income</b>	<b>58</b>	<b>(947)</b>

	2021	2020
	£'000	£'000

**Changes in the present value of defined benefit obligations**

<b>Defined benefit obligations at start of period</b>	<b>11,035</b>	<b>10,105</b>
Current service cost	530	453
Interest cost	169	227
Contributions by scheme participants	77	69
Actuarial gains / (losses)	1,325	355
Benefits paid	(178)	(174)
<b>Defined benefit obligations at end of period</b>	<b>12,958</b>	<b>11,035</b>

	2021	2020
	£'000	£'000

**Changes in fair value of plan assets**

<b>Fair value of plan assets at start of period</b>	<b>8,134</b>	<b>8,393</b>
Interest income	123	187
Return on plan assets (excluding net interest on the net defined benefit liability)	1,383	(592)
Employer contributions	292	250
Contributions by scheme participants	77	69
Benefits paid	(178)	(173)
<b>Fair value of plan assets at end of period</b>	<b>9,831</b>	<b>8,134</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****18. Amounts disbursed as agent learner support funds**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Funding body grants – bursary support	339	286
Funding body grants – discretionary learner support	-	2
Funding body grants – free school meals	98	78
	<u>437</u>	<u>366</u>
 Disbursed to students	 (207)	 (182)
Administration costs	(10)	(7)
	<u>220</u>	<u>177</u>
 Balance unspent as at 31 July, included in creditors		

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

**19. Financial commitments – commitments under operating leases**

At 31 July the College had total future minimum lease payments under non-cancellable operating leases as follows:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Payments due:		
Not later than one year	29	30
Later than one year and not later than five years	65	30
<b>Total lease payments due</b>	<u>94</u>	<u>60</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****20. (a) Notes to cash flow statement**

	2021	2020
	£'000	£'000
Profit after tax for the year	124	(245)
Adjustment for:		
Depreciation	468	470
Investment income	(1)	(5)
Interest payable	47	42
Increase / (decrease) in provisions	(261)	2
Pensions costs less contributions payable	238	202
Operating cash flow before movements in working capital	615	466
 Increase in debtors	(72)	(163)
Decrease in creditors	261	(149)
 <b>Net cash generated from operations</b>	<b>804</b>	<b>154</b>

**21. Related party transactions**

Key management compensation disclosure is given in note 7.

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

## **Conclusion**

We have carried out an engagement, in accordance with the terms of our engagement letter dated 26 October 2020 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA") or any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by Franklin College during the period 1 August 2020 to 31 July 2021 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 2020 to 31 July 2021 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. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) data returns, for which the ESFA has other assurance arrangements in place.

We are independent of the Franklin College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

## **Responsibilities of Corporation of Franklin College for regularity**

The Corporation of Franklin College is responsible, under the grant funding agreements and contracts with the ESFA and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of Franklin College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

## **Reporting accountant's responsibilities for reporting on regularity**

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code.

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

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

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

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

**Use of our report**

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

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