

KIRKLEES COLLEGE

**Report and Financial Statements
for the year ended 31 July 2015**

Report and Financial Statements

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Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2015.

Legal status

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

The Corporation was incorporated as Huddersfield Technical College. However, on 1st August 2008 the College merged its activities with Dewsbury College and at that date all assets, liabilities and activities of Dewsbury College were transferred to Huddersfield Technical College and Dewsbury College was dissolved. The Secretary of State granted consent to the Corporation to change the College's name to Kirklees College with effect from that date.

Mission

Kirklees College is committed to creating a culture of continuous improvement that challenges and stretches our ambition. We aim to be a desirable place to work and learn, exhibiting values and behaviours that encourage staff and students to be aspirational for themselves and inspirational to others.

Governors reviewed the College's mission during 2011/12 and on 9 December 2011 adopted a revised mission statement as follows:

'Creating opportunity, changing lives'

This mission statement was agreed following an extensive consultation exercise with stakeholders. The roadmap to the delivery of this mission was then established through a revision to the College values and its strategic plan. This mission celebrates the fact that Kirklees College is an institution that provides ladders of opportunity irrespective of previous academic achievement and changes lives through the power of high quality vocational education and training which deliver successful outcomes and progression to meet individual and community needs.

Public Benefit

Kirklees College is an exempt charity under Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 16.

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

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

Operating and Financial Review *Continued*

- High quality teaching and learning which provides students with the skills and knowledge they need to progress into further study or employment
- Ladders of opportunity irrespective of previous achievement which also widen inclusion in our community and reduce NEETS
- Excellent success and progression rates for students
- Comprehensive support systems which support 'at risk' students to achieve
- Proactive partnerships with a range of stakeholders including employers, Kirklees Council and the LEP.

Further detail on the College's delivery of public benefit is covered throughout the Operating and Financial Review.

Implementation of strategic plan

On 11 July 2014, the Corporation formally approved the College's strategic plan for the period 2014 to 2016. This document outlined the College's strategic priorities and the values that the College aims to develop to create a 'culture' that underpins professional standards and behaviours.

The College values were agreed as:

| | |
|------------|---|
| Excellence | Pursuit of Excellence to be the best that we can be as professionals, departmental teams and as a College to stretch our students to fulfil their potential. |
| Integrity | Integrity , transparency, fairness and honesty in our management, behaviours and communications |
| Equality | Active promotion of the principles behind the College Equality and Diversity Policy. |
| Respect | Respectful and supportive behaviour towards each other, our students, the College and our community.. |
| Caring | Playing our individual part in the provision of a Caring environment that is safe, healthy, supportive and student responsive |
| Efficient | The College provides value for public money and is Efficient in the use of all resources |
| Innovation | We promote an environment where Innovation and creativity are encouraged. |

The College strategic priorities were agreed as:

- 1 To relentlessly pursue excellence of service in everything we do with student success and progression rates above national average.
- 2 To provide enterprising, responsive and effective education and training which meets college targets.
- 3 To develop and provide an inclusive, efficient and innovative learning environment that is safe and focussed on success and progression.
- 4 To provide modern and efficient estate and facilities for students and staff which supports effective learning.
- 5 To ensure effective marketing, examinations, admissions, customer services and external partnerships which support curriculum departments to achieve targets and provide effective communication.
- 6 To attract, develop, support and retain a highly skilled and professional workforce who work collectively to deliver the College's strategic priorities.
- 7 To ensure the solvency of the College, provide accurate and timely management information, and ensure resources are prioritised to improve the student learning experience.
- 8 To support creative and effective learning and decision making, and meet all funder requirements, by the provision of responsive, timely, accurate and high quality, MI, ILT and risk management services.

Operating and Financial Review *Continued*

Against each of these objectives, critical success criteria and KPIs were set and performance against them monitored by corporation committees. Progress against these objectives has been continuous. Key progress against the agreed objectives includes:

- 1 To relentlessly pursue excellence of service in everything we do with student success and progression rates above national average.
 - Overall vocational success rates have remained exceptionally high over the last 3 years, 89% in 2012/13, 90% in 2013/14 and 90% in 2014/15.
 - There have been sustained significant improvements at level 3 with success rates of 92%, a further rise on 2013/14 and 8% above the national average.
 - Apprenticeship success rates continue to perform above the national average
 - 92% of lesson observations were graded 'good' or better, this continues a very positive 3 year trend.
 - All of curriculum area self-assessments are graded good or better for teaching, learning and assessment.
 - The College has self-assessed as 'good' for learner outcomes and the quality of teaching, learning and assessment for 2014/15.
 - Progression to higher level study or employment was high.
 - At its most recent Ofsted inspection in November 2012 the College was assessed as 'Good' overall with Leadership and Management being 'Outstanding'.
- 2 To provide enterprising, responsive and effective education and training which meets college targets
 - The College has continued to positively engage with all major stakeholders to ensure that provision is responsive to the needs of our community.
 - The college introduced an enterprise week for all learners in 2014/15 linked to our very successful Peter Jones Enterprise Academy.
 - The College continues to offer basic skills, ESOL, foundation learning and IT provision from over 20 community based locations in response to community demand.
 - The development of new employer responsive provision has seen the successful development of a number of new apprenticeships to provide training for the food, pharmaceutical and chemical industries where there are existing and emerging skills shortages. This has led to a partnership of employers and the local authority led by the college to address skills gaps in process industries through a capital bid for a new facility adjacent to the Engineering Centre in Huddersfield.
 - In addition to the engineering and science focus, strong relationships with industry and employers have been established in the contexts of Construction, Creative Industries and Land Based.
 - STEM is promoted across the curriculum and the College has led locally in bringing together a Kirklees steering group including membership with public, private and third sector industry representation, FE, HE and schools.
 - High levels of employer satisfaction as evidenced in the national employer survey.
 - Curriculum opportunities enhanced in the year through the introduction of study programmes included the introduction of enterprise week, Maths and English for all who need it and our partnership with Stafflex to improve work experience opportunities..

Operating and Financial Review *Continued*

- 3 To develop and provide an inclusive, efficient and innovative learning environment that is safe and focussed on success and progression.
 - Equality and diversity are central to the college and its culture. Any differences between the performance of different groups are monitored and swiftly addressed.
 - Students report that they feel safe in the college, and there is zero tolerance to bullying or harassment.
 - The implementation of blended learning in 2014/15 has enhanced the students' independent learning skills and focused on technology in learning.
 - A team of progress coaches support students very effectively to achieve at college.
 - There are very effective processes to identify learners who are at risk and support interventions are put in place rapidly.
 - Higher Education student satisfaction was high in the HE national student survey.
- 4 To provide modern and efficient estate and facilities for students and staff which supports effective learning
 - Following on from the success of the Engineering Centre the college has been successful in its bid for a new process manufacturing building, which will complement the existing Engineering building through shared resources. The building works commenced on site in early July 2015 and it is anticipated the new building will be operational from 2016.
 - Following approval of the college's LEP Expression of Interest bid, a further Business Case bid has been made to the LEP for improvement works to the Dewsbury Campus.
 - The College is in the process of relocating the 'Hair Academy' to new premises in Huddersfield in partnership with the private sector for the start of the 2015/16 academic year.
 - The college entered into an option agreement for the sale of New North Road at the end of 2014.
 - The sale of Highfields Theatre completed shortly after the July 2015 year end.
 - A settlement was agreed in the long running dispute with the contractors of the Waterfront centre building, which brought that £72m project completed within budget.
 - New fire alarm, power and data installations were carried out at the Dewsbury Centre and Batley School of Art.
 - The Brunel Centre buildings were re-roofed and insulated and a new lift is being installed to the Dewsbury Centre Oldroyd Block over the summer of 2015.
- 5 To ensure effective marketing, examinations, admissions, customer services and external partnerships which support curriculum departments to achieve targets and provide effective communication.
 - The customer services and exams teams continued working towards the 'Customer Service Excellence® Standard' (the only Government recognised standard for service development and excellence). Satisfaction rates of 'good or above' for the college enrolment experience enrolling thousands of students was at 99%.
 - The college was one of the principal sponsors at Manufactured Yorkshire 2015, a two day manufacturing conference with over 800 delegates at the John Smith's stadium. The college promoted the new Process Manufacturing Centre (being built for launch in 2016), opportunities for businesses to access the LEP Skills Service, Apprenticeships, Traineeships, bespoke training and KC Works (innovative work placement project in partnership with Stafflex recruitment agency).

Operating and Financial Review *Continued*

- The college celebrated many award wins during 2014/15;
 - National Beacon Award for Staff Development (City & Guilds)
 - Silver Pearson's Teaching Award for FE Teacher of the Year 2014 Corrine Scandling
 - AoC Gold Award for 'college alumni 2014' won by former student Christopher Bailey, Burberry
 - National Canon photographic competition won by Sam Johnson, photography student
 - National Association of College and University Entrepreneurs 2014 award for Level 3 business students
 - CEIAG accreditation careers team
 - Construction Industry Training Board Skillbuild 2014 Finalist and regional heat winner: student Idowu Imasuen Osawe
 - The relationship with Huddersfield Town AFC went from strength to strength. A particular focus for the college's employer partnership work was the sponsorship of the Huddersfield Town Enterprise Academy (the club's business network). The sponsorship led to numerous direct opportunities for our students, including an annual 'Town Take-over' match day at the stadium where Peter Jones Enterprise students networked with businesses, performing arts students did a 'flash-mob' dance, and public services students helped stadium stewards. The HTEA sponsorship also established new successful business relationships, bringing in further apprenticeships, revenue and sponsorships.
- 6 To attract, develop, support and retain a highly skilled and professional workforce who work collectively to deliver the College's strategic priorities.
- The college won the City and Guilds staff development AoC Beacon Award for the innovative Aspiring Managers programme. The programme ran its third year in 2014/15.
 - A comprehensive staff development offer, teaching and learning conferences and a highly effective teacher development team has resulted in improvements in the quality of teaching, learning and assessment to such an extent that the College self-assesses this aspect as 'Outstanding'.
 - College sickness absence rates are below sector averages.
 - The employment of apprentices into substantive posts is now well embedded, and recruitment targets have been met.
 - A comprehensive "Coaching for Performance" programme has been launched and implemented in 2014/15 for all staff in team leader roles. The impact of this programme will be followed up by 'action learning sets'.
 - Staff costs have been closely managed leading to overall reductions and efficiencies of 183 full time equivalents over a three year period.

Operating and Financial Review *Continued*

- 7 To ensure the solvency of the College, provide accurate and timely management information, and ensure resources are prioritised to improve the student learning experience.
 - The College has returned an improved financial performance for 2014/15 through increased non agency income and prudent management of expenditure and the Financial Notice of Concern was lifted.
 - Significant improvements have been embedded in financial and cash flow forecasting and planning, and the link between financial and curriculum planning remains strong.
 - Staff costs have been effectively reduced, without impacting negatively on student success. Staff to income ratios remain within the range suggested by the FE Commissioner as best practice.
 - Bank facilities have been agreed to October 2017 to support the College with cash flow through its continued financial recovery and capital strategies. Cashflow has been managed within facilities and all covenants have been complied with.
 - The College online store has been enhanced and has operated highly successfully during the year, providing a flexible and secure payment portal for our students .
- 8 To support creative and effective learning and decision making, and meet all funder requirements, by the provision of responsive, timely, accurate and high quality, MI, ILT and risk management services.
 - Curriculum Support Administration has been operational for over 2 years with over 40 staff in post carrying out a varied, interesting and responsive role in the College. Staff have been through much training and up-skilling over the last two years and now work with a wider understanding of the processes carried out in administration, management information, timetabling and registers.
 - Risk management continues to be strongly embedded in strategic decision making.
 - The Management Information and Funding team have submitted all returns for 2014/15 timely and with no errors using the new funding software and ensuring the data meets the requirements of the new funding regimes.
 - The IT team has delivered several major capital projects through the year, including creating 6 new IT classrooms in the Huddersfield and Taylor Hill Centres, increasing the amount of IT equipment in all College Learning Resource Centres to service the blended learning provision and refreshing the student IT estate with 300 new personal computers, over 120 tablets and over 60 Apple Macintosh computers.

Financial objectives

In January 2012, the College received a Financial Notice to Improve (FNtI) from the SFA. This was served as a result of a worsening financial position caused by a range of factors but substantially due to historical underperformance against funding contracts, falling funding allocations and increased costs of funding the new build projects due to the increase in the rate of VAT.

In response to the FNtI, the College prepared a Strategic Recovery Plan (SRP) that incorporated financial objectives to restore financial health within a timeframe acceptable to the SFA. The SRP was prepared and agreed by the Corporation in April 2012.

Operating and Financial Review *Continued*

Three key financial objectives were identified in the SRP were:

- To focus on the management of solvency
- To improve budget planning and forecasting
- To increase the knowledge base of managers throughout the College

Significant progress was made against all of these objectives, and the FNTI was lifted in early 2015. Delivering against the principles of the financial objectives will remain a feature of college financial management in order that financial health is sustained into the future.

Performance indicators

College performance in 2014/15 against individual performance indicators has been outlined in the strategic objectives section of this report; however performance against the key measures of success rates and financial and funding performance are:

- While overall performance of primary learning goals remains very strong and further improvements have occurred in level 3, apprenticeships and HE success rates, overall success rates have declined due to the scale of maths and English provision in the college resulting from the new study skills requirements which now accounts for 25% of all enrolments. Until the new national averages are published it is impossible to determine our comparative position but while it will have declined from the upper decile position we have held for the past two years, it will still compare favourably with national averages
- The 2014/15 financial operating performance ratio is strong at 8% (2013/14 7%), and £2.4m in cash has been generated from operations to reduce debt. Cost reduction targets have been achieved.
- Cash targets from funding agencies have been met or exceeded, with the exception of mandated ESOL provision

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The current rating of 'Satisfactory' is considered an acceptable outcome, particularly in the light of the college levels of borrowing undertaken to improve inadequate estate and student facilities. Without this level of capital borrowing the college financial category would be at least 'Good' for 2014/15.

FINANCIAL POSITION

Financial results

The College generated an operating surplus in the year of £796,000 (deficit of £92,000 in 2013/14). This operating surplus is after an FRS17 credit of £111,000 (charge of £440,000 in 2013/14). The college returned a surplus on continuing operations after depreciation of assets at valuation, impairment, exceptional items and tax of £796,000 (deficit of £37,000 in 2013/14).

The College has adopted the measure of Operating Surplus for Performance Ratio (OSPR) for monitoring financial performance. This measure adjusts the operating position for the major non cash transactions of depreciation, capital grant releases and the FRS17 operating credit/charge. In 2014/15, the College outturned an OSPR of £2,969,000 against a target of £2,500,000 (2013/14 £2,658,000).

Operating and Financial Review *Continued*

The College's consolidated accounts show accumulated reserves of £4,414,000 prior to the pension deficit reserve of £15,894,000, i.e. a net deficit general reserve position of £11,480,000 compared to the net deficit general reserve of £9,079,000 in 2013/14. The deterioration in this position is substantially due to an increase in the deficit pension reserve of £3,449,000. Note 23 to the Financial Statements explains the movement in this reserve in more detail.

Tangible fixed asset additions during the year amounted to £1,957,000 (£3,692,000 in 2013/14). This was split between freehold land and buildings of £1,517,000 and equipment purchases of £440,000. £1,277,000 of the land and buildings additions related to the new Process Manufacturing Centre, but other major additions included roofing works to the Dewsbury and Brunel centres and improvements to network infrastructure. Additions includes a VAT refund net of advisory fees of £689,000 in relation to disabled access works to the Waterfront campus together with elements of the building that qualified for zero-rate VAT.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2014/15 the SFA and EFA provided 83% of the College's total income, down 2% from 2013/14

The College had one wholly owned subsidiary company, Pennine College Limited. Pennine College Limited ceased trading in 2013/14 and was dissolved during 2014/15.

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.

In March 2010, the College agreed a long-term borrowing facility of £23.4m from the local authority at a fixed rate for 25 years of 5.08%. This loan was taken out as the agreed sum that the College would contribute towards the financing of the £85m major capital build projects in Huddersfield. A short-term loan of £14.151m was also approved at the same meeting, to be drawn down as required to bridge the gap between the 3 year build period and the 5 year £55m SFA receipt of grant period. In March 2015, this facility was reduced to £6m to bridge the timing of LEP grant receipts on the Process Manufacturing Centre and receipts from the

sale of the New North Road campus. At the 31 July 2015 year end, the sum drawn against this facility was £4.1m.

The College also has facilities with Lloyds Bank, which were reduced from £6m at the start of the year, to £4.5m in October 2014 (£1.5m fixed term loan and a £3m revolving credit facility). The revolving credit facility was reduced further to £2.5m in April 2015.

Drawdowns against agreed short term borrowing facilities are authorised by the Director of Finance. The establishment of all borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

There was a net cash inflow from operating activities of £2,351,000 in 2014/15 compared to £3,446,000 in 2013/14. Notes 24 and 26 of the Financial Statements explain the movements in cash flows in more detail.

Operating and Financial Review *Continued*

Liquidity

Financial targets were rebased and agreed by the College Corporation in July 2014. The cash generation from operating activities targets set out within this revision were marginally missed in the 2014/15 year, but have been exceeded over the two year period from August 2013 to July 2015. The net assets position is £1.5m better than the target set in July 2014

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2013/14 the College has reported activity that has produced £31,612,000 in SFA/EFA funding (2013/14, £33,690,000). The College had approximately 16,000 funded learners from these allocations. The College also had 350 full time and part time HE students.

Curriculum achievements

At its most recent Ofsted inspection in November 2012 the College was assessed as 'Good' with 'Outstanding' leadership and management. Since that time outcomes on vocational qualifications has been maintained at a very high level. The college has focused on constant improvements in teaching, learning and assessment, investing in staff who are well qualified in their vocational and professional area. Constant vigilance and assessment of the quality of teaching learning and assessment, linked to effective performance management, has led to year on year improvements. Close attention is paid to the identification and support for those students identified as being at risk of not completing their programme, this also includes close liaison with schools and referral agencies to ensure effective transfer from school to college.

Apprenticeship success rates remain above the national average and the growth in apprenticeships has been significant particularly in response to employer demand and skills shortages. In the 2014/15 employer survey the college was rated very positively by employers at 8.7, this was up from 8.2 in 2013/14. The college continually strives to build on its reputation and the ability to meet the needs of the community it serves.

The college has been on a journey over the last 6 years taking it from bottom end of performance in the further education sector to performing among the top providers in the country. This level of vocational performance has now been maintained for the last 5 years.

Curriculum developments

The college has increased significantly the numbers and percentage of students studying at level 3 and success rates at this level are outstanding. However the college continues to provide opportunities for learners that have low levels of prior educational achievement and continues to ensure that they achieve their vocational qualifications. This has led to high levels of positive progressions, in 2014/15 96% of all full time learners progressed onto higher and further education, training or employment.

The college continues to offer a curriculum strong in breadth and depth, including courses from entry level to Higher Education opportunities. There has been a very strong focus on listening to and working with a wide range of employers, this has led to curriculum development, new apprenticeship programmes and bespoke full cost training.

2014/15 saw the introduction of 10% of curriculum delivery through blended learning. The project was very effectively planned and delivered through a truly cross college 'Team Kirklees' approach involving library services, teacher development, ICT technical expertise and curriculum departments.

Operating and Financial Review *Continued*

The year also saw the successful launch of the West Yorkshire Peter Jones Academy in the college who supported the cross college introduction of 'Enterprise Week' across and as may be expected won first prize in the Enterprise competition.

Future curriculum developments will focus on skills shortage areas, local and regional LEP priorities and employer identified demands. This links into the effective partnership with Stafflex which has expanded our penetration into SMEs who make up 99.5% of local employers. This work has already led to new apprentices in laboratory technicians for the asbestos and textile industries, the development of social media and marketing apprenticeship routes, warehousing, and performing engineering operations tailored to specific employers.

The key foci for new curriculum development in the future are the expansion of apprenticeships including the new provision in process manufacturing, expansion of level 3-5 skills based provision and the development of new income streams through skills service, traineeships and overseas students

Environmental matters

Whilst the College seeks to minimise its impact on the environment, the nature of some of its estate limits the extent of what it can do. Elements of the old estate are energy inefficient and some facilities and equipment are duplicated at the existing sites. Measures we have introduced such as energy efficient lighting, improvements to our heating and water systems and improved control of energy and water usage have all worked to improve this position. Both the Engineering Centre and Waterfront buildings meet the Building Research Establishment Environmental Assessment Model (BREEAM) level of 'Excellent' rating, and the new Process Manufacturing Centre will also meet this standard.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the year ended 31 July 2015, the College paid 92.96% of its invoiced values within 30 days (94.54% of invoice volumes). The College incurred no interest charges in respect of late payment for this period.

Future developments

The major College development continues to be the enhancement of the College's estate. Following the successful opening of the College's new Engineering and Waterfront centres in 2012 and 2013, the College is opening an extension to the Engineering centre in 2016 to house new curriculum in process manufacturing.

Whilst recent new buildings have been constructed in Huddersfield, the College remains committed to the development of learning in Dewsbury, and will be working with our local authority, LEP, communities and employers to deliver a thriving curriculum offer that meets their needs.

Our College remains determined to continue raising standards in everything it does. We have demonstrated significant improvements to the learner experience; the support we provide for our students and the quality of teaching and learning provided. This will continue to be a focus in future years.

Operating and Financial Review *Continued*

Going concern

The College has continued to make good progress in 2014/15 in improving its financial health.

One of the key risks to the College continuing as a 'going concern' in a difficult financial climate has been the maintenance of cash flow. The College has operated within its negotiated facilities during 2014/15 and has agreed bank facilities in place until the end of October 2017 sufficient to support the cash flow forecasts.

Whilst uncertainties remain in respect of changing funding methodologies, the College believes it can manage these fluctuations, and therefore believes that presenting these financial statements on a going concern basis is appropriate.

RESOURCES

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

Tangible resources as at 31st July 2015 include the main College sites in Huddersfield and Dewsbury and five other specialist sites situated in the Kirklees area.

Financial

The College group has net assets of £72,278,000 as at 31st July 2015 (£76,918,000 at 31 July 2014 year-end), including a pension liability of £15,894,000 (£12,445,000 at 31 July 2014).

People

The College employed an average of 769 full time equivalent staff in the year to 31st July 2015 (789 in 2013/14) of whom 362 (374 in 2013/14) are teaching staff.

Reputation

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

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.

The Risk Management Policy, Procedures and Register were fully embedded into College operations throughout 2014/15. All risks are linked to strategic objectives and are 'owned' by the strategic objective 'owner'. The Risk Register is reviewed with the Risk owners on a termly basis and then presented to the Senior Leadership Team for consideration before being presented to the Governing Body.

We feel that our robust policy and procedures gives us and other stakeholders assurance with regard to reducing and mitigating the risks where appropriate.

A "heat map" procedure is applied to assess levels of risk. 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. Using the heat map process, the risks are prioritised in a RAG (Red, Amber, Green) manner which gives us an easily recognised picture at a glance but with the detail beneath it as and when required.

Operating and Financial Review *Continued*

The Risk Management Policy and Procedures identify the inherent risks, the residual risks following implementation of appropriate controls and also show a target risk profile.

The Senior Leadership Team also consider any risks which may arise as a result of a new area of work being undertaken by the College, and have a separate risk register for any capital builds. Outlined below is a list of the high risk factors that the College has assessed as its key risks. Whilst all risks are reported, the risks below form the focus of reports to us. Not all the factors are within the College's control. Other factors besides those listed may also adversely affect the College.

- The College fails to dispose of New North Road, impacting on the ability to repay its loans;
- Changes in government funding adversely affect the curriculum plan and associated finances;
- Failure to have an effective disaster recovery plan;
- The college fails to achieve ambitious cost reduction targets;
- The new process manufacturing centre is not delivered on time or to budget;
- The college fails to diversify income streams and maximise opportunities afforded by advanced learning loan facilities;
- The curriculum plan is not driven by appropriate customer needs analysis;
- Internal targets for the delivery of blended learning are not achieved;
- The college fails to respond to the new and emerging needs of the SEN reforms;
- The curriculum plan is not achieved, resulting in a loss of funding and/or student numbers;

The above are some of the high risk areas identified by the Senior Leadership Team. The Risk Register lists all of the controls and risk reduction measures under every risk. We continue to monitor and mitigate our risks on a regular basis.

STAKEHOLDER RELATIONSHIPS:

In line with other Colleges and with universities, Kirklees College has many stakeholders. These include:

- Students;
- Local employers (with specific links); (is it necessary to refer to specific links?)
- The local community;
- Staff;
- Education sector funding bodies;
- Our bankers;
- Kirklees Council;
- The Leeds City Region Local Enterprise Partnership (LEP);
- Regional local authorities;
- FE Commissioner;
- Other FE institutions;
- Kirklees schools;
- Trade unions;
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

Operating and Financial Review *Continued*

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010, and the Disability Discrimination Act 1995 as amended by the Special Educational Needs and Disability Acts 2001 and 2005.

Equal opportunities and employment of disabled persons

Kirklees 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, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

The College's Equal Opportunities Policy, including its Race Relations and Transgender Policies, is published on the College's Intranet site.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. An equalities plan is published each year and monitored by managers and governors.

Equality and Diversity

It is our policy to provide equal opportunities to all who learn with and work for Kirklees College irrespective of gender, race, ethnic origin, disability, age, nationality, national origin, religious belief, sexual orientation or marital status. We oppose all forms of unlawful and unfair discrimination.

The College seeks to positively remove conditions and barriers which place people at a disadvantage and we will actively promote equality for all and celebrate diversity. To do this, we will monitor our performance and publish an annual report. We will ensure that all our procedures for both staff and students are open and easily accessible. We have developed an action plan specifically to ensure that we close any achievement gaps. In 2014/15 there were no major differences in retention or success rates among ethnic groups. All students and staff are helped and encouraged to develop their full potential within an ethos which reflects the equal status of all members of the College.

The College has introduced its single Equality Action plan which is the response to the statutory general and specific duties enshrined in the Race Relations (Amendment) Act (2000), the Disability Discrimination Act (2005), the Equality Act (2006), and the SEND Act (2001).

The action plan highlights how the College plans to meet its statutory duties to promote race, disability and gender equality. The plan will also act as a framework for compliance with other legislation and policy guidance outlawing discrimination on the grounds of age, belief or sexual orientation.

The principles of equality and fair treatment for all are therefore to be the basis for every aspect of the College's business.

Under the Race Relations Amendment (2000) Act all public bodies, including Colleges have a legal responsibility to assess and consult on how their policies and functions affect different racial groups, and to monitor any possible negative impact on race equality. The purpose of equality impact assessment is to ensure that all the College's policies, procedures, practices, provisions and criteria are fair to all groups of people.

Operating and Financial Review *Continued*

In addition, the Disability and Discrimination Act 2005 also demands a similar process of equality assessment in relation to disability, and clear outlines of how this will be undertaken. The Equality Act 2006 places a statutory duty upon public bodies when carrying out their public duties to have due regard of the need to eliminate unlawful discrimination and harassment and promote equality of opportunity between men and women. The general duty places a proactive responsibility upon all public bodies to ensure that their services, practices and policies are developed with the different needs of women and men in mind. This will lead to a more inclusive society with high quality contemporary services - targeted to meet the specific needs of men and women.

The College has extended its legal duty to undertake generic equality impact assessment, taking account of other equality dimensions outlined in anti-discrimination legislation covering gender, age, religion and sexual orientation. In addition the College wants to make sure that no other group or individual is treated unfairly for any other reason such as social class, part-time status etc.

Safeguarding

The college has gained a sound reputation for sharing best practice in safeguarding, and has been applauded by the Education Training Foundation (ETF) and the Home Office particularly for its approach to the Prevent agenda.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 11 December 2015 and signed on its behalf by:

Signed

.....
Mr G Alvy, Chairman

Date

..... 11/12/2015

Operating and Financial Review *Continued*

Professional advisers

Financial statement and regularity auditors:

Grant Thornton (UK) LLP
No. 1 Whitehall Riverside
Whitehall Road
Leeds
LS1 4BN

Internal auditors

Kirklees Council Internal Audit
Civic Centre 1
Huddersfield
HD1 2NF

Bankers:

Lloyds Bank plc
1 Westgate
Huddersfield
HD1 2DN

Kirklees Council
Civic centre
3 Market Street
Huddersfield
HD1 1WG

Solicitors:

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Eaton Smith LLP
14 High Street
Huddersfield
HD1 2HA

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

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);
- ii. Having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. From 1 August 2015, the Corporation adopted the English Colleges' Code of Good Governance. Prior to this, we had not adopted and therefore did not apply the earlier voluntary English Colleges' Foundation Code of Governance. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice and in the opinion of the Governors, the College has complied throughout the year ended 31 July 2015. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are 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.

The Corporation

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

| Member | Date of Appointment | Term of Office Expires | Date of Resignation | Status of Appointment | Committees Served | Attendance |
|---------------------|---------------------|------------------------|---------------------|-----------------------|---|------------|
| Mr J Akhtar | 15.07.05. | 31.03.15 | 31.03.15 | Independent | Search, QPS | 5/5 |
| Mrs R N Afzaal-Khan | 01.08.08. | 31.03.16 | | Independent | | 4/7 |
| Mr G T Alvy (Chair) | 01.08.08. | 31.03.16 | | Independent | Search, EEC, Finance | 5/7 |
| Mrs J Bracewell | 14.07.11 | 31.07.17 | | Independent | QPS, EEC, Audit, Search, Academic Board | 7/7 |
| Mrs L Carruthers | 14.07.11 | 31.07.17 | | Independent | Audit | 6/7 |
| Mr R A Dawson | 20.01.06. | 31.03.16 | | Independent | Audit; QPS; Health & Safety, EEC | 5/7 |
| Ms J Gedman | 09.12.11 | 31.07.17 | | Independent | | 5/7 |

Statement of Corporate Governance and Internal Control *Continued*

| Member | Date of Appointment | Term of Office Expires | Date of Resignation | Status of Appointment | Committees Served | Attendance |
|-------------------|---------------------|------------------------|---------------------|---------------------------|----------------------|------------|
| Ms C George | 25.5.14 | 31.3.17 | | Independent | Finance, QPS, Search | 7/7 |
| Mr A Hawley | 25.5.14 | 31.3.17 | | Independent | Audit | 3/7 |
| Mr G Hetherington | 15.05.15 | 31.03.18 | | Independent | | 1/1 |
| Mrs L Holdsworth | 30.01.15 | 31.12.17 | | Staff (Business Support) | | 3/4 |
| Prof. C Jarvis | 22.03.13 | 31.03.16 | | Independent | QPS | 6/7 |
| Mr P McCann | 23.5.11 | | | Principal | Finance, QPS, Search | 7/7 |
| Mr M McKay | 30.01.15 | 31.07.15 | | Student | QPS | 3/3 |
| Ms K Mullarkey | 11.10.13 | 31.7.16 | | Staff member (Curriculum) | Audit | 3/7 |
| Mr Z Pervaiz | 15.05.15 | 31.03.18 | | Independent | | 1/1 |
| Ms C Rowley | 23.09.11 | 31.07.17 | 18.11.15 | Independent | Finance | 4/7 |
| Mr J M Royle | 17.05.06. | 31.03.16 | | Independent | Finance, QPS | 7/7 |
| Prof. J Thompson | 22.03.13 | 31.03.16 | | Independent | | 5/7 |
| Ms T Ugada | 20.03.15 | 31.07.15 | | Student | QPS | 2/3 |
| Mr J Williams | 12.7.12 | 31.3.18 | | Independent | Finance, EEC, Search | 6/7 |

Mr D Winward acts as the Clerk to the Corporation.

The following persons, whilst not full members of the Corporation, served as external, co-opted members:

| Members' name | Status of Appointment | Date of Appointment | Term of Office Expires | Date of Resignation | Total Service to 31.7.14 | Attendance |
|---------------|-----------------------|---------------------|------------------------|---------------------|--------------------------|------------|
| Ms G Ellis | QPS Committee | 11.10.13 | 31.07.16 | | 2 years | 2/4 |
| Mrs C Hardern | Finance Committee | 09.12.11 | 31.07.16 | | 3.5 years | 5/5 |
| Mr R Tatnis | Audit Committee | 14.12.12 | 31.07.15 | 09.03.15 | 2 years | 1/3 |
| Mr M Pearmain | Audit Committee | 15.05.15 | 31.07.16 | | 0 years | 1/1 |

Statement of Corporate Governance and Internal Control *Continued*

Expenses claimed from 1 August 2014 to 31 July 2015 by five members of the Corporation totalled £1,634 (£1,029 in 2013/14 from four members).

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 personnel-related matters such as health and safety and environmental issues. The Corporation meets twice each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference which have been approved by the Corporation and are reviewed annually. These committees are Audit, Finance, Executive Employment, Quality, Performance & Standards (QPS) and Search . Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at: Kirklees College, Huddersfield Centre, Waterfront Quarter, Huddersfield, HD1 3LD or, alternatively, on the College's website: www.kirkleescollege.ac.uk

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

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

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee which is comprised of a minimum of five members and up to seven members to include the Chair of Corporation and Principal, ex officio), which is responsible for the selection and nomination of any new member, for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided, as required.

Independent members are appointed for a term of office of up to 3 years. On the expiry of their term of office, they are eligible for re-appointment up to a maximum of three terms of office, subject to a rigorous review of their performance. Extension beyond 3 terms is only made in truly exceptional circumstances with an absolute maximum of 4 terms of 3 years. Staff members are elected by College staff and appointed for a single 3 year term. Student members are elected by the Students union and are appointed for a single term of one year.

Statement of Corporate Governance and Internal Control *Continued*

Executive Employment Committee

During the year ending 31 July 2015, the College's Executive Employment Committee comprised:-

Mr G T Alvy, Mrs J Bracewell, Mr R Dawson, and Mr J Williams.

The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Principal and other senior postholders.

Details of remuneration for the year ended 31 July 2015 are set out in notes 7 and 8 to the financial statements.

Audit Committee

The Audit Committee comprises five members of the Corporation and one co-opted member. The Principal and the Chair of the Corporation are not eligible to be members of this committee. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

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

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee

Management is responsible for the implementation of agreed audit recommendations and that internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

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

Finance Committee

The finance committee comprises a minimum of five and a maximum of seven members of whom one is the College Principal and one co-opted member with relevant experience as required. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to determine and advise the Corporation on all financial matters, but in particular matters of budget monitoring and setting and the recommendations for capital investment.

The finance committee normally meet twice termly and at other times if required.

Statement of Corporate Governance and Internal Control *Continued*

Quality, Performance and Standards Committee

The quality, performance and standards committee comprises a minimum of five and a maximum of ten members of whom one is the College Principal and up to two co-opted members with relevant experience as required.

The quality, performance and standards committee normally meets twice in the first term and once in the second and third terms and at other times if required. The committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to have oversight of and monitor strategic objectives related to quality performance and standards, to advise on behalf of the Corporation on the setting of student targets, and to monitor on behalf of the Corporation the College's overall curriculum framework, its quality and the contribution and impact of student and other support functions on the learner experience.

Internal Control

Scope of Responsibility

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

The Corporation has delegated to the Principal, as Accounting Officer, the day-to-day responsibility 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 Memorandum between the College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or break-downs 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 at Kirklees College for the year-ended 31 July 2015 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls 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 period ending 31 July 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

Statement of Corporate Governance and Internal Control *Continued*

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 Corporation of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines, where appropriate.

Kirklees College has an internal audit service which operates in accordance with the requirements of the SFA's Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. The Kirklees Council Internal Audit Service, who were the College's internal auditors for the year-ended 31 July 2015, provide the Corporation with an annual report on the internal audit activity in the College.

In addition to the report produced by the internal auditors, the Audit Committee also produces for the Corporation an annual audit report. The purpose of this report is to advise the Corporation on the Committee's views on the adequacy of the College's systems and arrangements for risk management and governance processes. The College's internal auditors also included a review of the College's arrangements for corporate governance in their annual programme of audits.

Review of Effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:-

- The work of the internal auditors;
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- Comments made by the College's financial statements and regularity auditors, the appointed funding auditors in their management letters and other reports

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

The Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the Directorates and reinforced by risk awareness training. The Senior Leadership Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

Statement of Corporate Governance and Internal Control *Continued*

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its 7th December 2015 meeting, the Audit Committee considered its annual report for the year ended 31 July 2015.


Based on the advice of the Audit Committee and the Principal, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets."*

Going Concern

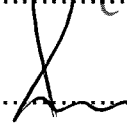
After considering the financial risks and uncertainties facing the College, and after making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern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

Approved by order of the Members of the Corporation on 11 December 2015 and signed on its behalf by:

Signed


.....
Mr G Alvy, Chairman

Signed


.....
Mr P McCann, Principal

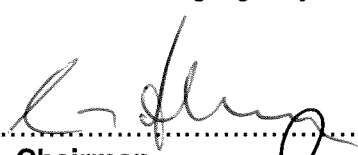
Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the financial memorandum.

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

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 Skills Funding Agency.

Signed


.....
Mr G Alvy, Chairman

Signed


.....
Mr P McCann, Principal

Dated

11 December 2015

Statement of the 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 Financial Memorandum agreed between the Skills Funding Agency/ Education Funding Agency and the Corporation of the College, the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the Accounts Direction for 2014 to 2015 financial statements issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College 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 accounting estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

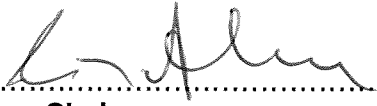
The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial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

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 Skills Funding Agency and the Education Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency/Education Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds from the Skills Funding Agency, the Education Funding Agency and Kirklees Council are not put at risk.

Statement of the Responsibilities of the Members of the Corporation (*continued*)

Approved by order of the Members of the Corporation on 11 December 2015 and signed on its behalf by:

Signed


.....
Mr G Alvy, Chairman

Date


.....

Independent auditor's report to the Corporation of Kirklees College

We have audited the financial statements of Kirklees College for the year ended 31 July 2015 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Historical Cost Surpluses and Deficits, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the College Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, in accordance with Article 16 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required 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 College and the Corporation/Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporation and auditor

As explained more fully in the Statement Responsibilities of the Corporation set out on page 24, the College's Corporation is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements


In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2015 and of the Group's surplus of income over expenditure for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and the Accounts Direction for 2014 to 2015

Matters on which we are required to report by exception

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

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



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
18 December 2015

Reporting accountant's assurance report on regularity

To the Corporation of Kirklees College and Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency

In accordance with the terms of our engagement letter dated 26 November 2015 and further to the requirements of the financial memorandum with Skills Funding Agency and funding agreement with Education Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by Kirklees College during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency in August 2015. In accordance with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Skills Funding Agency and Education Funding Agency have other assurance arrangements in place.

This report is made solely to the corporation of Kirklees College as a body, and the Skills Funding Agency as a body, in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Kirklees College and the Skills Funding Agency those matters we are required to state in a limited assurance 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 Kirklees College as a body, and the Skills Funding Agency as a body, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Kirklees College and the reporting accountant

The corporation of Kirklees College is responsible, under the requirements of the Further and Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by are imposed by law and professional standards and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. 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 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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 consequently 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.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw our conclusion includes:

- making enquiries of management;
- analytical procedures;
- evaluation of controls and walkthroughs on a sample of material items
- review of completed and signed self-assessment questionnaire (SAQ);
- review of Board and Committee meeting minutes;
- review of internal audit papers (where relevant); and
- limited testing, on a selective basis, on a number of areas which are considered within the SAQ

Conclusion

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 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds

18 December 2015

Consolidated Income and Expenditure Account
for the year ended 31 July 2015

| | <i>Note</i> | 2015 £'000 | 2014 £'000 |
|--|-------------|-----------------------|-----------------------|
| Income | | | |
| Funding body grants | 2 | 34,430 | 36,431 |
| Tuition fees and education contracts | 3 | 4,823 | 4,200 |
| Other grants and contracts | 4 | 100 | 67 |
| Other income | 5 | 1,369 | 1,923 |
| Investment income | 6 | 631 | 314 |
| | | <hr/> | <hr/> |
| Total income | | 41,353 | 42,935 |
| | | <hr/> | <hr/> |
| Expenditure | | | |
| Staff costs | 7 | 24,440 | 24,975 |
| Exceptional restructuring costs | 7 | 78 | 136 |
| Other operating expenses | 9 | 10,031 | 11,154 |
| Depreciation | 13 | 4,780 | 5,510 |
| Interest payable | 10 | 1,228 | 1,252 |
| | | <hr/> | <hr/> |
| Total expenditure | | 40,557 | 43,027 |
| | | <hr/> | <hr/> |
| Surplus/(deficit) on continuing operations after depreciation of assets at valuation, and before exceptional items and tax | | 796 | (92) |
| Exceptional items: | | | |
| Profit on disposal of assets | | - | 55 |
| | | | |
| Surplus/(deficit) on continuing operations after depreciation of assets at valuation, impairment and exceptional items and before tax | | 796 | (37) |
| | | | |
| Taxation | 11 | - | - |
| | | <hr/> | <hr/> |
| Surplus/(deficit) on continuing operations after depreciation of assets at valuation, impairment, exceptional items and tax | | 796 | (37) |
| | | <hr/> | <hr/> |

The income and expenditure account is in respect of continuing activities.

Consolidated Statement of Historical Cost Surpluses and Deficits

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax | 796 | (37) |
| Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount | 482 | 885 |
| Historical cost surplus for the year | 1,278 | 848 |

Consolidated Statement of Total Recognised Gains and Losses *For the year ended 31 July 2015*

| | 2015 £'000 | 2014 £'000 |
|--|----------------|---------------|
| Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax | 796 | (37) |
| Unrealised (deficit)/surplus on revaluation of fixed assets | (344) | 10,725 |
| FRS17 actuarial gain in respect of the pension scheme | (3,560) | 3,213 |
| FRS12 actuarial loss | (119) | (52) |
| Unrealised movement on restricted reserve | 11 | (1) |
| Total recognised gains since last report | (3,216) | 13,848 |
| Reconciliation | | |
| Opening reserves | 20,132 | 6,284 |
| Total recognised (losses)/gains for the year | (3,216) | 13,848 |
| Closing reserves | 16,916 | 20,132 |

Consolidated Balance Sheet
at 31 July 2015

| | Note | 2015 £'000 | 2014 £'000 |
|--|------|-----------------|----------------|
| Fixed assets | | | |
| Tangible assets | 13 | 114,787 | 117,954 |
| Investments | 14 | 8 | 8 |
| | | <u>114,795</u> | <u>117,962</u> |
| Current assets | | | |
| Stock | | 38 | 33 |
| Debtors | 15 | 2,892 | 2,650 |
| Assets held for resale | | 1,462 | 1,525 |
| Cash at bank and in hand | | 1,566 | 464 |
| | | <u>5,958</u> | <u>4,672</u> |
| Creditors: Amounts falling due within one year | 16 | (9,168) | (10,249) |
| Net current liabilities | | <u>(3,210)</u> | <u>(5,577)</u> |
| Total assets less current liabilities | | <u>111,585</u> | <u>112,385</u> |
| Creditors: Amounts falling due after more than one year | 17 | (21,246) | (20,898) |
| Provisions for liabilities and charges | 19 | (2,167) | (2,124) |
| | | <u>88,172</u> | <u>89,363</u> |
| Net Assets excluding pension liability | | | |
| Net pension liability | 23 | (15,894) | (12,445) |
| Net assets including pension liability | | <u>72,278</u> | <u>76,918</u> |
| Deferred capital grants | 20 | 55,362 | 56,786 |
| Reserves | | | |
| Income and expenditure account excluding pension reserve | 22 | 4,414 | 3,366 |
| Pension reserve | 23 | (15,894) | (12,445) |
| | | <u>(11,480)</u> | <u>(9,079)</u> |
| Income and expenditure account including pension reserve | 22 | | |
| Restricted reserve | | 49 | 38 |
| Revaluation reserve | 21 | 28,347 | 29,173 |
| | | <u>16,916</u> | <u>20,132</u> |
| Total Funds | | <u>72,278</u> | <u>76,918</u> |

The financial statements on pages 29 to 57 were approved by the Corporation on 11 December 2015 and were signed on its behalf by:

Mr G Alvy, Chairman

Mr P McCann, Accounting Officer

College Balance Sheet
at 31 July 2015

| | Note | 2015 £'000 | 2014 £'000 |
|--|------|---|---|
| Fixed assets | | | |
| Tangible assets | 13 | 114,787 | 117,954 |
| Investments | 14 | 8 | 62 |
| | | <u>114,795</u> | <u>118,016</u> |
| Current assets | | | |
| Stock | | 38 | 33 |
| Debtors | 15 | 2,892 | 2,650 |
| Assets held for resale | | 1,462 | 1,525 |
| Cash at bank and in hand | | 1,566 | 406 |
| | | <u>5,958</u> | <u>4,614</u> |
| Creditors: Amounts falling due within one year | 16 | (9,168) | (10,245) |
| | | <u>(3,210)</u> | <u>(5,631)</u> |
| Net current liabilities | | | |
| | | <u>111,585</u> | <u>112,385</u> |
| Total assets less current liabilities | | | |
| Creditors: Amounts falling due after more than one year | 17 | (21,246) | (20,898) |
| Provisions for liabilities and charges | 19 | (2,167) | (2,124) |
| | | <u>88,172</u> | <u>89,363</u> |
| Net Assets excluding pension liability | | | |
| Net pension liability | 23 | (15,894) | (12,445) |
| | | <u>72,278</u> | <u>76,918</u> |
| Net Assets including pension liability | | | |
| | | <u>55,362</u> | <u>56,786</u> |
| Deferred capital grants | 20 | | |
| | | <u>Reserves</u> | <u>Reserves</u> |
| Income and expenditure account excluding pension reserve | 22 | 5,299 | 4,251 |
| Pension reserve | 23 | (15,894) | (12,445) |
| | | <u>Income and expenditure account including pension reserve</u> | <u>Income and expenditure account including pension reserve</u> |
| | 22 | (10,595) | (8,194) |
| Restricted reserve | | 49 | 38 |
| Revaluation reserve | 21 | 27,462 | 28,288 |
| | | <u>16,916</u> | <u>20,132</u> |
| | | <u>72,278</u> | <u>76,918</u> |
| Total Funds | | | |

The financial statements on pages 29 to 57 were approved by the Corporation on 11 December 2014 and were signed on its behalf by:

Mr G Alvy, Chairman

.....

Mr P McCann, Accounting Officer

.....

Consolidated Cash Flow Statement
for the year ended 31 July 2015

| | <i>Note</i> | 2015 £'000 | 2014 £'000 |
|--|-------------|-----------------------------|---------------|
| Cash flow from operating activities | 24 | 2,351 | 3,446 |
| Returns on investments and servicing of finance | 26 | (1,224) | (1,252) |
| Capital expenditure and financial investment | 26 | (838) | 1,337 |
| | | <hr/> | <hr/> |
| Cash inflow before use of liquid resources and financing | | 289 | 3,531 |
| Management of liquid resources | 26 | - | - |
| Financing | 26 | 813 | (6,007) |
| | | <hr/> | <hr/> |
| Increase/(Decrease) in cash in the period | | 1,102 | (2,476) |
| | | <hr/> <hr/> | <hr/> <hr/> |

Reconciliation of Net Cash Flow to Movement in Net Funds

| | <i>Note</i> | 2015 £'000 | 2014 £'000 |
|--|-------------|-----------------------------|-----------------|
| Increase/(Decrease) in cash in the period | | 1,102 | (2,476) |
| Cash inflow from new secured loan | | - | (13,050) |
| Change in net debt resulting from cash flows | 26 | (813) | 19,057 |
| | | <hr/> | <hr/> |
| Movement in net funds in period | | 289 | 3,531 |
| Net funds at 1 August | | (24,864) | (28,395) |
| | | <hr/> | <hr/> |
| Net funds at 31 July | | (24,575) | (24,864) |
| | | <hr/> <hr/> | <hr/> <hr/> |

Notes

(forming part of the financial statements)

1 Statement of accounting policies

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

Basis of preparation including going concern assumption

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP), the Accounts Direction for 2014/15 financial statements and in accordance with applicable accounting standards.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes

The College currently has £22m of term loans outstanding with bankers and the local authority on terms negotiated in 2010 and 2014. Additionally there is a £6m facility with the local authority for bridging cashflow between capital project expenditure and grant receipts of which £1.9m was undrawn at the year end and a £2.5m unsecured facility available for unconditional drawdown with Lloyds Bank.

The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the College and its subsidiary, Pennine College Limited up to the point it was dissolved. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income and expenditure account from the date of acquisition to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with Financial Reporting Standard (FRS 2), the activities of the student union have not been consolidated because the College does not control those activities. All financial statements of group members are made up to 31 July 2015.

Recognition of income

The recurrent grant from the funding bodies is that receivable as informed by the results of the funding audit undertaken. The recurrent grant from HEFCE represents the funding allocation attributable to the current financial year and is credited direct to the income and expenditure account.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Income from tuition fees is recognised in the period for which it is receivable and includes all fees chargeable to students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS).

Contributions to the TPS are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 23, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in the pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Enhanced Pensions

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

Tangible fixed assets

Land and buildings

Some of the College's buildings are specialised buildings and therefore it is not appropriate to value all of them at open market value. Land and buildings are stated in the Balance Sheet at valuation on the basis of a revaluation exercise carried out in July 2013, carried out by an independent surveyor. Valuation is stated on the most appropriate basis of open market value or depreciated replacement cost. Freehold land is not depreciated.

Notes (continued)

1 Statement of accounting policies (continued)

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs that are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the asset has subsequently improved;
- Assets capacity increases;
- Substantial improvement in the quality of output or reduction in operating costs; and
- Significant extension of the assets life beyond that conferred by repairs and maintenance

The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 50 years.

Equipment

Equipment costing less than £1,000 per individual item (excluding IT equipment purchased in bulk) is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Equipment is depreciated on a straight line basis over its useful economic life as follows:

| | | |
|--------------------------------------|---|-----------------|
| Motor vehicles and general equipment | - | 15% per annum |
| Computer equipment | - | 33⅓ % per annum |

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

Stocks

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

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in different currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

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 Chapter 3 Part 11 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 to exclusively charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks.

Provisions

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 a reliable estimate can be made of the amount of the obligation.

Investments

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Notes *(continued)*

1 **Statement of accounting policies** *(continued)*

Agency arrangements

The College acts as an agent in the collection and payment of discretionary learner support funds and bursary funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 31, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. The College employs five members of staff dedicated to the administration of Learner Support Fund applications and payments.

Income and expenditure related to subcontracted activity is reflected gross in the accounts. Under the principles of FRS 5, the College has the right to adopt this policy on the basis that it controls this activity and bears a significant element of the related risk.

Notes (continued)

2 Funding body grants

| | 2015 £'000 | 2014 £'000 |
|---|---------------|---------------|
| SFA/EFA grants | 31,612 | 33,690 |
| HEFCE grant | 406 | 452 |
| Releases of deferred capital grants (note 20) | 2,412 | 2,289 |
| Total | 34,430 | 36,431 |

3 Tuition Fees and Education Contracts

| | 2015 £'000 | 2014 £'000 |
|---------------------|---------------|---------------|
| Tuition Fees | 4,178 | 3,486 |
| Education contracts | 645 | 714 |
| | 4,823 | 4,200 |

No fees were funded by bursaries.

4 Other grants and contracts

| | 2015 £'000 | 2014 £'000 |
|----------------------------|---------------|---------------|
| Other grants and contracts | 100 | 67 |
| | 100 | 67 |

Notes (continued)

5 Other income

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Residences, catering and conferences | 638 | 423 |
| Examination fees receivable | 90 | 77 |
| Nursery income | - | - |
| Releases from deferred capital grants (non-funding body) | 84 | 911 |
| Other income | 557 | 512 |
| | <hr/> | <hr/> |
| | 1,369 | 1,923 |
| | <hr/> | <hr/> |

6 Investment income

| | 2015 £'000 | 2014 £'000 |
|---------------------------|---------------|---------------|
| Other interest receivable | 4 | - |
| Pension finance income | 627 | 314 |
| | <hr/> | <hr/> |
| | 631 | 314 |
| | <hr/> | <hr/> |

Notes (continued)

7 Staff costs

The average number of persons employed by the group (including senior post holders) during the year, expressed as full-time equivalents, was as follows:

| | 2015 Number | 2014 Number |
|--------------------|----------------|----------------|
| Teaching staff | 362 | 374 |
| Non teaching staff | 407 | 415 |
| | <hr/> | <hr/> |
| | 769 | 789 |
| | <hr/> | <hr/> |

Staff costs for the above persons were as follows:

| | 2015 £'000 | 2014 £'000 |
|---------------------------------|---------------|---------------|
| Wages and salaries | 20,245 | 20,525 |
| Social security costs | 1,335 | 1,384 |
| Pension Costs | 2,344 | 2,312 |
| FRS 17 adjustments | 516 | 754 |
| | <hr/> | <hr/> |
| Subtotal | 24,440 | 24,975 |
| Exceptional Restructuring costs | 78 | 136 |
| | <hr/> | <hr/> |
| | 24,518 | 25,111 |
| | <hr/> | <hr/> |

The number of senior post-holders and other staff, who received annual emoluments excluding pension contributions but including benefits in kind in the following ranges was:

| | Senior Post-holders | | Other Staff | |
|----------------------|---------------------|-------------|-------------|-------------|
| | 2015 No. | 2014 No. | 2015 No. | 2014 No. |
| £30,001 to £40,000 | - | 1 | | |
| £40,001 to £50,000 | 1 | 1 | | |
| £50,001 to £60,000 | - | 1 | | |
| £60,001 to £70,000 | - | - | 6 | 5 |
| £90,001 to £100,000 | 2 | 1 | - | - |
| £140,001 to £150,000 | 1 | 1 | - | - |
| Total | 4 | 5 | 6 | 5 |

There have been no variations in the number of posts in these staff categories, variations are explained by changes in postholders. Higher paid staff are only reflected in the table above where emoluments exceed £60,000 in the year.

Notes (continued)

8 Emoluments of senior post holders and members

Senior postholders are defined as the Principal (Chief Executive) and holders of other senior posts whom the Corporation have selected for the purposes of the Articles of Government of the College relating to the appointment and promotion of staff who are appointed by the Corporation.

| | 2015 Number | 2014 Number |
|---|------------------------|------------------------|
| The number of senior post-holders including the Principal was | 4 | 5 |

Senior post-holders' emoluments are made up as follows:

| | 2015 £'000 | 2014 £'000 |
|-----------------------|-----------------------|-----------------------|
| Salaries | 365 | 365 |
| Pension contributions | 50 | 50 |
| Total emoluments | 415 | 415 |

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:

| | 2015 £'000 | 2014 £'000 |
|-----------------------|-----------------------|-----------------------|
| Salaries | 141 | 141 |
| Pension contributions | 20 | 20 |
| Total emoluments | 161 | 161 |

There have been no variations in the number of posts in these staff categories, variations are explained by changes in postholders, with two postholders in one post during the year.

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and the West Yorkshire Superannuation Fund, and are paid at the same rate as for other employees.

The members of the Corporation other than the Principal and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. In total, £1,634 in expenses was reimbursed to members of the Corporation.

Notes (continued)

9 Other operating expenses

| | 2015 £'000 | 2014 £'000 |
|--------------------|---------------|---------------|
| Teaching costs | 3,445 | 4,156 |
| Non-teaching costs | 3,284 | 3,551 |
| Premises Costs | 3,302 | 3,447 |
| | <hr/> | <hr/> |
| | 10,031 | 11,154 |
| | <hr/> | <hr/> |

Other operating expenses include:

Auditors remuneration:

| | | |
|---|----|-----|
| Financial statements audit | 24 | 27 |
| Internal audit | 15 | 23 |
| Hire of land and buildings – operating leases | 70 | 120 |

10 Interest payable

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| On bank loans, overdrafts and other loans: | | |
| Repayable within five years not by instalments | 119 | 159 |
| Repayable within five years by instalments | 45 | - |
| Repayable wholly or partly in more than five years | 1,064 | 1,093 |
| | <hr/> | <hr/> |
| | 1,228 | 1,252 |
| | <hr/> | <hr/> |

11 Taxation

The Members do not believe the College was liable for any corporation tax arising out of its activities during either period.

12 Surplus/(deficit) on continuing operations for the year

The deficit on continuing operations for the year is made up as follows:

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| College's surplus/(deficit) for the year | 796 | (149) |
| Surplus generated by subsidiary undertakings and transferred to College under Gift Aid | - | 147 |
| Deficit retained by subsidiary undertaking | - | (90) |
| | <hr/> | <hr/> |
| | 796 | (92) |
| | <hr/> | <hr/> |

Notes (continued)

13 Tangible fixed assets

Group

| | Land and Buildings Freehold | Buildings Under Construction | Equipment | Total |
|------------------------------------|--------------------------------|------------------------------------|---------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | |
| At 1 August 2014 | 113,856 | - | 16,772 | 130,628 |
| Additions | 240 | 1,277 | 440 | 1,957 |
| Disposals | - | - | (883) | (883) |
| Revaluations | (400) | - | - | (400) |
| At 31 July 2015 | 113,696 | 1,277 | 16,329 | 131,302 |
| Accumulated depreciation | | | | |
| At 1 August 2014 | 3,075 | - | 9,599 | 12,674 |
| Charge for year | 2,807 | - | 1,973 | 4,780 |
| Eliminated in respect of disposals | - | - | (883) | (883) |
| Revaluations | (56) | - | - | (56) |
| At 31 July 2015 | 5,826 | - | 10,689 | 16,515 |
| Net book value | | | | |
| At 31 July 2015 | 107,870 | 1,277 | 5,640 | 114,787 |
| At 31 July 2014 | 110,781 | - | 7,173 | 117,954 |

The College's properties of New North Road, and Highfields Theatre are surplus to requirements and have been marketed for sale. The carrying value of these land and buildings is £1,462,000. These properties have been included in Current Assets at the lower of cost and net realisable value in recognition of the College's intention to sell the properties.

Land and buildings were valued for the purpose of the 2013 financial statements at the most appropriate of open market value or depreciated replacement cost by a firm of independent chartered surveyors, Eddisons Commercial, in accordance with RICS Statement of Asset Valuation Practice and Guidance notes.

Notes (continued)

13 Tangible fixed assets (continued)

College

| | Land and Buildings Freehold | Buildings Under Construction | Equipment | Total |
|------------------------------------|--------------------------------|------------------------------------|---------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | |
| At 1 August 2014 | 113,855 | - | 16,772 | 130,627 |
| Additions | 240 | 1,277 | 440 | 1,957 |
| Disposals | - | - | (883) | (883) |
| Revaluations | (400) | - | - | (400) |
| At 31 July 2015 | 113,695 | 1,277 | 16,329 | 131,301 |
| Depreciation | | | | |
| At 1 August 2014 | 3,074 | - | 9,599 | 12,673 |
| Charge for year | 2,807 | - | 1,973 | 4,780 |
| Eliminated in respect of disposals | - | - | (883) | (883) |
| Revaluations | (56) | - | - | (56) |
| At 31 July 2015 | 5,825 | - | 10,689 | 16,514 |
| Net book value | | | | |
| At 31 July 2015 | 107,870 | 1,277 | 5,640 | 114,787 |
| At 31 July 2014 | 110,781 | - | 7,173 | 117,954 |

Notes (continued)

14 Investments

| | Group 2015 £'000 | College 2015 £'000 | Group 2014 £'000 | College 2014 £'000 |
|--------------------------|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| Listed investments | 8 | 8 | 8 | 8 |
| Investment in subsidiary | - | - | - | 54 |
| | <u>8</u> | <u>8</u> | <u>8</u> | <u>62</u> |

During 2013/14, the process of winding up the College's wholly owned subsidiary, Pennine College Limited began. In July 2014, Pennine College Limited exercised a capital reduction, and subsequently the tangible fixed assets held within its accounts were transferred to the accounts of Kirklees College.

At the 31st July 2014 balance sheet date, the value of the Kirklees College investment in Pennine College Limited represented the aggregate of net current assets remaining in the subsidiary accounts. Pennine College Limited was dissolved during the year to 31 July 2015.

15 Debtors

| | 2015 | | 2014 | |
|---|------------------------|--------------------------|------------------------|--------------------------|
| | Group £'000 | College £'000 | Group £'000 | College £'000 |
| Amounts falling due within one year: | | | | |
| Trade debtors | 655 | 655 | 595 | 595 |
| Amounts owed by subsidiary undertakings | - | - | - | - |
| Other debtors | 271 | 271 | 359 | 359 |
| Amounts owed by the SFA | 696 | 696 | 1,099 | 1,099 |
| Prepayments and accrued income | 1,270 | 1,270 | 597 | 597 |
| | <u>2,892</u> | <u>2,892</u> | <u>2,650</u> | <u>2,650</u> |

16 Creditors: Amounts falling due within one year

| | 2015 | | 2014 | |
|---|------------------------|--------------------------|------------------------|--------------------------|
| | Group £'000 | College £'000 | Group £'000 | College £'000 |
| Local Authority loans | 4,716 | 4,716 | 2,336 | 2,336 |
| Bank loans | 300 | 300 | 2,300 | 2,300 |
| Payments received on account | 217 | 217 | 248 | 248 |
| Trade creditors | 498 | 498 | 519 | 519 |
| Amounts owed to subsidiary undertakings | - | - | - | - |
| Amounts owed to the SFA | 417 | 417 | 157 | 157 |
| Other Creditors | 451 | 451 | 241 | 241 |
| Other taxation and social security | 695 | 695 | 729 | 729 |
| Accruals | 1,874 | 1,874 | 3,719 | 3,715 |
| | <u>9,168</u> | <u>9,168</u> | <u>10,249</u> | <u>10,245</u> |

Notes (continued)

17 Creditors: Amounts falling due after more than one year

| | 2015 | | 2014 | |
|-----------------------|----------------|------------------|----------------|------------------|
| | Group £'000 | College £'000 | Group £'000 | College £'000 |
| Local authority loans | 21,125 | 21,125 | 20,692 | 20,692 |
| Other creditors | 121 | 121 | 206 | 206 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 21,246 | 21,246 | 20,898 | 20,898 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

18 Analysis of borrowings

Local Authority loans and bank overdrafts

| | 2015 | | 2014 | |
|---|----------------|------------------|----------------|------------------|
| | Group £'000 | College £'000 | Group £'000 | College £'000 |
| Local Authority loans and bank overdrafts are repayable as follows: | | | | |
| Within one year | 5,016 | 5,016 | 4,636 | 4,636 |
| Between one and two years | 948 | 948 | 616 | 616 |
| Between two and five years | 2,901 | 2,901 | 2,046 | 2,046 |
| In five years or more | 17,276 | 17,276 | 18,030 | 18,030 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 26,141 | 26,141 | 25,328 | 25,328 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Local authority loans include a 25 year term loan of £20,691,508 at 5.08% and short term revolving facilities of £4,100,000 (2014: £1,750,000) at LIBOR plus 1%. These are secured on a portion of freehold land and buildings of the College. Bank borrowings with Lloyds Bank include short term unsecured revolving facilities of £0 (2014: £2,300,000) payable at LIBOR plus 2.75% and a £1,350,000 (2014: £0) 5 year term loan payable at 4.56%.

19 Provisions for liabilities and charges

Group and College

| | Enhanced Pensions £'000 |
|---|-------------------------------|
| At 1 August 2014 | 2,124 |
| New provision in year | - |
| Expenditure in the period | (162) |
| Transferred from income and expenditure account | 205 |
| | <hr/> |
| At 31 July 2015 | 2,167 |
| | <hr/> |

Notes (continued)

19 Provisions for liabilities and charges (continued)

The principal assumptions for the enhanced pension provision are:-

| | 2015 | 2014 |
|---------------|-------|-------|
| Interest Rate | 3.46% | 4.06% |
| Discount Rate | 1.75% | 2.25% |

20 Deferred capital grants

Group and College

| | SFA/EFA | Other grants | Total |
|---|---------|--------------|--------|
| | £'000 | £'000 | £'000 |
| At 1 August 2014 | | | |
| Land and buildings | 50,987 | 2,669 | 53,656 |
| Equipment | 3,017 | 113 | 3,130 |
| Cash received: | | | |
| Land and buildings | 270 | - | 270 |
| Equipment | 24 | - | 24 |
| Grant Receivable: | | | |
| Land and buildings | - | 778 | 778 |
| Released to income and expenditure account: | | | |
| Land and buildings | 1,486 | 58 | 1,544 |
| Equipment | 926 | 26 | 952 |
| | <hr/> | <hr/> | <hr/> |
| At 31 July 2015 | | | |
| Land and buildings | 49,771 | 3,389 | 53,160 |
| Equipment | 2,115 | 87 | 2,202 |
| | <hr/> | <hr/> | <hr/> |
| | 51,886 | 3,476 | 55,362 |
| | <hr/> | <hr/> | <hr/> |

21 Revaluation reserve

| | Group £'000 | College £'000 |
|--|----------------|------------------|
| At 1 August 2014 | 29,173 | 28,288 |
| Revaluations in the year | (344) | (344) |
| Transfer from revaluation reserve to income and expenditure account in respect of: | | |
| Depreciation on revalued assets | (482) | (482) |
| | <hr/> | <hr/> |
| At 31 July 2015 | 28,347 | 27,462 |
| | <hr/> | <hr/> |

Notes (continued)

22 Movement on general reserves

| | Group 2015 £'000 | College 2015 £'000 | Group 2014 £'000 | College 2014 £'000 |
|--|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| At 1 August | (9,079) | (8,194) | (13,088) | (12,164) |
| Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax | 796 | 796 | (37) | (49) |
| Transfer from revaluation reserve to income and expenditure account | 482 | 482 | 885 | 858 |
| Actuarial gains and past service gains in respect of pension scheme | (3,679) | (3,679) | 3,161 | 3,161 |
| At 31 July | (11,480) | (10,595) | (9,079) | (8,194) |
| Balance represented by: | | | | |
| Income and expenditure account reserve excluding pension reserve | 4,414 | 5,299 | 3,366 | 4,251 |
| Pension Reserve | (15,894) | (15,894) | (12,445) | (12,445) |
| | (11,480) | (10,595) | (9,079) | (8,194) |

23 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the West Yorkshire Pension Fund. Both are defined-benefit schemes.

Total pension cost for the year

| | | 2014/15 £000s | | 2013/14 £000s |
|---|-------|--------------------------|-------|--------------------------|
| Teachers Pension Scheme: contributions paid | | 1,247 | | 1,251 |
| Local Government Pension Scheme | | | | |
| Contributions Paid | 1,105 | | 1,069 | |
| FRS 17 Charge | 516 | | 754 | |
| Charge to Income and Expenditure Account (staff costs): | | 1,621 | | 1,823 |
| | | | | |
| Total Pension Cost for the Year | | 2,868 | | 3,074 |

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the TPS was 31 March 2012 and of the LGPS 31 March 2013. Contributions amounting to £301,451 (2014 £301,869) were payable to the schemes at 31 July and are included within creditors.

Notes (continued)

23 Pensions and similar obligations (continued)

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. 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 under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation and the subsequent consultation are:

- employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations

The new employer contribution rate for the TPS will be implemented in September 2015. A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

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

Notes (continued)

23 Pensions and similar obligations (continued)

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme will commenced on 1 April 2015.

The employers pension costs paid to TPS in the year amounted to £1,252,055 (2014: £1,243,192).

FRS 17

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis.

Accordingly, the College has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by the West Yorkshire Pension Fund. The total contribution made for the year ended 31 July 2015 was £1,601,492 of which employer's contributions totalled £1,078,064 and employee's contributions totalled £523,428. The agreed contribution rates reduced from 13.1% to 12.9% from 1 April 2015 for the employer and range from 5.5% to 12.5% for employees depending on salary.

Notes (continued)

23 Pensions and similar obligations (continued)

Principal Actuarial Assumptions

The following information is based on a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2015 by a qualified actuary.

| | 31 July 2015 | 31 July 2014 |
|---|-----------------|-----------------|
| Rate of increase in salaries | 3.60% | 3.70% |
| Rate of increase in pensions | 2.10% | 2.20% |
| Discount rate for scheme liabilities | 3.60% | 4.10% |
| Inflation (RPI) | 3.20% | 3.20% |
| Inflation (CPI) | 2.10% | 2.20% |
| Commutation of pensions to lump sums: | | |
| Each member % of maximum pre 1 April 2010 entitlement | 75% | 50% |
| Each member % of maximum post 31 March 2010 entitlement | 75% | 75% |

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

| | 31 July 2015 Years | 31 July 2014 Years |
|-----------------------------|--------------------------|--------------------------|
| <i>Retiring today</i> | | |
| Males | 22.6 | 22.5 |
| Females | 25.5 | 25.4 |
| <i>Retiring in 20 years</i> | | |
| Males | 24.8 | 24.7 |
| Females | 27.8 | 27.7 |

The assets in the scheme and the expected rates of return were:

| | Long term rate of return expected at 31 July 2015 | Value at 31 July 2015 | Long term rate of return expected at 31 July 2014 | Value at 31 July 2014 |
|-------------------------------------|--|-----------------------------|--|-----------------------------|
| | | £'000 | | £'000 |
| Equities | 7.00% | 39,158 | 7.50% | 35,289 |
| Government Bonds | 2.50% | 5,365 | 3.20% | 4,840 |
| Other Bonds | 3.10% | 2,373 | 3.70% | 2,443 |
| Property | 6.20% | 2,322 | 6.80% | 1,551 |
| Cash/Liquidity | 1.10% | 774 | 1.10% | 1,833 |
| Other | 7.00% | 1,599 | 7.50% | 1,034 |
| Total market value of assets | | 51,591 | | 46,990 |
| Present value of scheme liabilities | | (67,485) | | (59,435) |
| Related Deferred Tax liability | | | | |
| Deficit in the scheme | | (15,894) | | (12,445) |

Notes (continued)

23 Pensions and similar obligations (continued)

Analysis of the amount charged to the income and expenditure account

| | 2015 £'000 | 2014 £'000 |
|---|---------------|---------------|
| Employer service cost (net of employee contributions) | 516 | 730 |
| Past service cost | - | 24 |
| | <hr/> | <hr/> |
| Total operating charge | 516 | 754 |
| | <hr/> | <hr/> |

Analysis of pension finance income

| | | |
|--|---------|---------|
| Expected return on pension scheme assets | 3,079 | 3,057 |
| Interest on pension liabilities | (2,452) | (2,743) |
| | <hr/> | <hr/> |
| Pension finance income | 627 | 314 |
| | <hr/> | <hr/> |

Amounts recognised in the statement of total recognised gains and losses (STRGL)

| | 2015 £'000 | 2014 £'000 |
|---|---------------|---------------|
| Actuarial gain/(loss) on pension scheme asset | 1,287 | (1,506) |
| Actuarial (loss)/gain on scheme liabilities | (4,847) | 4,719 |
| | <hr/> | <hr/> |
| Actuarial (loss)/gain recognised in STRGL | (3,560) | 3,213 |
| | <hr/> | <hr/> |

Movement in deficit during year

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Deficit in scheme at beginning of year | (12,445) | (15,218) |
| Movement in year: | | |
| Current service charge | (1,614) | (1,827) |
| Contributions | 1,098 | 1,097 |
| Past service costs | - | (24) |
| Net interest/return on assets | 627 | 314 |
| Movements through STRGL | (3,560) | 3,213 |
| | <hr/> | <hr/> |
| Deficit in scheme at end of year | (15,894) | (12,445) |
| | <hr/> | <hr/> |

Notes (continued)

23 Pensions and similar obligations (continued)

Asset and Liability Reconciliation

| | 2015 £'000 | 2014 £'000 |
|--------------------------------------|---------------|---------------|
| Reconciliation of Liabilities | | |
| Liabilities at start of period | 59,435 | 60,497 |
| Service Cost | 1,614 | 1,827 |
| Interest Cost | 2,452 | 2,743 |
| Employee contributions | 524 | 518 |
| Actuarial gain/(loss) | 4,847 | (4,719) |
| Benefits paid | (1,387) | (1,455) |
| Past service costs | - | 24 |
| | <hr/> | <hr/> |
| Liabilities at end of period | 67,485 | 59,435 |
| | <hr/> | <hr/> |

| | 2015 £'000 | 2014 £'000 |
|---------------------------------|---------------|---------------|
| Reconciliation of Assets | | |
| Assets at start of period | 46,990 | 45,279 |
| Expected return on assets | 3,079 | 3,057 |
| Actuarial gain/(loss) | 1,287 | (1,506) |
| Employer contributions | 1,098 | 1,097 |
| Employee contributions | 524 | 518 |
| Benefits paid | (1,387) | (1,455) |
| | <hr/> | <hr/> |
| Assets at end of period | 51,591 | 46,990 |
| | <hr/> | <hr/> |

History of experience gains or losses

| | 2015 £'000 | 2014 £'000 | 2013 £'000 | 2012 £'000 | 2011 £'000 |
|--|---------------|---------------|---------------|---------------|---------------|
| Difference between the expected and actual return on assets: | | | | | |
| Amount | 1,287 | (1,506) | 4,423 | (2,036) | 1,961 |
| Experience gains and losses on scheme | | | | | |
| Liabilities: | | | | | |
| Amount | 303 | 896 | (22) | (252) | 5,837 |
| Total amounts recognised in the STRGL | | | | | |
| Amount | (3,560) | 3,213 | 4,125 | (7,701) | 8,196 |

The estimated value of employer contributions for the year ended 31st July 2016 is £1,106,000.

Notes (continued)

24 Reconciliation of operating surplus/(deficit) to net cash inflow from operating activities

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax | 796 | (37) |
| Depreciation | 4,780 | 5,510 |
| Impairment of assets | 25 | - |
| Deferred capital grants released to income | (2,496) | (3,200) |
| Interest receivable | (4) | - |
| Interest payable | 1,228 | 1,252 |
| (Profit)/loss on asset sale | - | (55) |
| Pension cost less contributions payable | 516 | 754 |
| FRS17 Pension finance income | (627) | (314) |
| (Increase)/decrease in stocks | (5) | 13 |
| Increase in debtors | (251) | (356) |
| (Decrease)/increase in creditors | (1,535) | (52) |
| Decrease in provisions | (76) | (69) |
| Net cash inflow from operating activities | 2,351 | 3,446 |

25 Analysis of changes in net funds

| | At 1 August 2014 £'000 | Cash flows £'000 | Other Changes £'000 | At 31 July 2015 £'000 |
|--------------------------|---------------------------------|---------------------|---------------------------|--------------------------------|
| Cash at bank and in hand | 464 | 1,102 | - | 1,566 |
| Overdrafts | | | - | |
| | <u>464</u> | <u>1,102</u> | <u>-</u> | <u>1,566</u> |
| Debts due after 1 year | (20,692) | (433) | - | (21,125) |
| Debts due within 1 year | (4,636) | (380) | - | (5,016) |
| | <u>(24,864)</u> | <u>289</u> | <u>-</u> | <u>(24,575)</u> |

Notes (continued)

26 Analysis of cash flows for headings netted in the cash flow statement

| | 2015 £'000 | 2014 £'000 |
|---|---------------|---------------|
| Returns on investments and servicing of finance | | |
| Interest received | 4 | - |
| Interest paid | (1,228) | (1,252) |
| Interest element of finance lease rental payment | | |
| | <hr/> | <hr/> |
| Net cash outflow from returns on investments and servicing of finance | (1,224) | (1,252) |
| | <hr/> | <hr/> |
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (1,957) | (3,692) |
| Sales of tangible fixed assets | 38 | 518 |
| Deferred capital grants received | 1,081 | 4,511 |
| | <hr/> | <hr/> |
| Net cash (outflow)/inflow for capital expenditure and financial investment | (838) | 1,337 |
| | <hr/> | <hr/> |
| Financing | | |
| Debt due beyond a year: | | |
| New loans repayable by 2035 | (13,300) | (13,050) |
| Repayment of amounts borrowed | 12,487 | 19,057 |
| Capital element of finance lease rental payments | - | - |
| | <hr/> | <hr/> |
| Net cash (inflow)/outflow from financing | (813) | 6,007 |
| | <hr/> | <hr/> |

27 Post balance sheet events

There have been no post balance sheet events.

28 Capital commitments

| | 2015 | | 2014 | |
|---------------------------------------|----------------|------------------|----------------|------------------|
| | Group £'000 | College £'000 | Group £'000 | College £'000 |
| Commitments contracted for at 31 July | 2,003 | 2,003 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 2,003 | 2,003 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Notes (continued)

29 Financial commitments

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

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Land and buildings | | |
| Expiring within one year | - | 17 |
| Expiring within two and five years inclusive | - | - |
| Expiring in over five years | - | 72 |
| | <hr/> | <hr/> |
| | - | 89 |
| | <hr/> | <hr/> |

30 Related Party Transactions

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

The total expenses paid to or on behalf of the Governors during the year was £1,634, 5 governors (2013/14 £1,029, 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No transactions were identified which should be disclosed under Financial Reporting Standard 8 'Related Party Disclosures'.

83% of College income has been received from the SFA/EFA (85% 2013/14) as documented in Note 2 to the accounts.

31 Learner support funds

| | 2015 £'000 | 2014 £'000 |
|----------------------------|---------------|---------------|
| SFA/EFA grants | 1,879 | 1,924 |
| HEFCE grants | - | 16 |
| Disbursed to students | 1,765 | 1,704 |
| Administrative costs | 85 | 93 |
| | <hr/> | <hr/> |
| Balance unspent at 31 July | 29 | 143 |
| | <hr/> | <hr/> |

Funding council grants are available solely for students. In the majority of cases, the College only acts as paying agent. In these circumstances, the grants and related disbursements have therefore been excluded from the income and expenditure account.

