

KIRKLEES COLLEGE

**Report and Financial Statements
for the year ended 31 July 2017**

Key Management Personnel, Board of Governors and Professional advisers

Key Management Personnel

Key management personnel are defined as members of the College Senior Management Team and were represented by the following in 2016/17:

Mrs Marie Gilluley	Principal and Chief Executive, Accounting Officer
Mrs June Durrant	Deputy Principal, Curriculum, Performance and Innovation
Ms Melanie Brooke	Vice-Principal, Corporate Services
Mrs Sandra Burnhill	Assistant Principal, Study Programmes, Adults and Apprenticeships
Mr Adrian Hutchinson	Assistant Principal, Study Programmes, Adults and Apprenticeships
Mr Steven Downham-Clarke	Assistant Principal, STEM and Employer Engagement
Mr Craig Tupling	Assistant Principal, Quality, Student Experience and HE
Mr Alan Riley	Director of MIS, IT and Risk Management
Mr Ian Webster	Director of Estates
Mrs Jane Simpson	Director of HR and Organisational Development
Ms Jane Roper	Director of Marketing, Communications and External Relations
Mrs Helen Rose	Director of Business Development
Mrs Rebecca Meara	Director of Finance

Board of Governors

A full list of Governors is given on page 16 of these financial statements. Mr D Winward acted as Clerk to the Corporation throughout the period.

Registered Office

Kirklees College
Waterfront Quarter
Manchester Road
Huddersfield
HD1 3LD

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

Professional advisers (*continued*)

Bankers:

Lloyds Bank plc
1 Westgate
Huddersfield
HD1 2DN

Kirklees Council
Civic Centre
Huddersfield
HD1 1WG

Solicitors:

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Eaton Smith LLP
14 High Street
Huddersfield
HD1 2HA

Report and Financial Statements

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Members' Report

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2017.

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 following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on 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:

Members' Report *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 numbers of young people not in education or training (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 Leeds City Region Local Enterprise Partnership (LEP).

Further detail on the College's delivery of public benefit is covered throughout the Members' Report.

Implementation of strategic plan

On 8 July 2016, the Corporation formally approved the College's strategic plan for the period 2016/17 and strategic roadmap 2016 to 2020. These documents outlined the College's strategic priorities and the values that the College aims to operate within to create a 'culture' that underpins professional standards and behaviours.

The 2020 Vision was agreed as:

- First choice in Kirklees for Apprenticeships and skills training
- Aspirational in our expectations of each other and our students
- A beacon to the sector for employability, enterprise, partnership, Apprenticeships and technology in learning
- Regional centre with specialisms in manufacturing, engineering and creative industries
- Good financial health
- A pro-active, innovative and trusted regional partner
- High quality estate and resources for students, employers and staff

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.

Members' Report *Continued*

The College strategic priorities were agreed as:

- 1 To deliver enterprising, responsive and efficient education and training.
- 2 To provide an inclusive student-centred learning environment focussed on development, success and progression.
- 3 To provide modern, safe estate and resources.
- 4 To promote effective communications and customer services.
- 5 To attract, nurture and develop a highly skilled, efficient and professional workforce.
- 6 To ensure the solvency of the College and generate resources to continuously invest in learning and staff.
- 7 To deliver creative and effective decision making, learning and risk management.

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, and key progress includes:

1 *To deliver enterprising, responsive and efficient education and training*

- 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 continues to offer basic skills, ESOL, foundation learning and IT provision from over 40 community based locations in response to community demand, and is committed to offering a curriculum offer strong in depth and breadth.
- STEM has been 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.
- The continued 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 significant development has been possible through effective partnerships between the college, local authority, employers and the LEP, and has been enhanced by the establishment of a business development team in 2017.
- 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.
- The positive work through employer engagement and curriculum development is evidenced by high levels of employer satisfaction as evidenced in the national employer survey, where the score has risen to 92% in 2017 and places the college in the upper quartile nationally for this measure.
- Students are empowered to have their say through Student Voice and Union activity supporting the continuous improvement of the student experience. FE Choices student satisfaction survey reports a significant increase from 78.7% to 87.2% of student satisfaction.
- Study programmes for our students have been enhanced through enterprise and employability weeks, and we have invested in team of employer engagement specialists to ensure all study programme students have access to purposeful external work experience.

Members' Report *Continued*

2 *To provide an inclusive student-centred learning environment focussed on development, success and progression*

- Equality, Diversity & Inclusion are central to the college and its culture. There were no significant differences between the performance of different groups during 2016/17 and those that are identified are monitored and swiftly addressed.
- Students report that they feel safe in the college, and there is zero tolerance to bullying or harassment.
- A team of progress coaches support students and there are effective processes to identify learners who are at risk and support interventions are put in place rapidly.
- Blended learning continues to be delivered as part of a wider Digital Skills strategy ensuring students develop independent learning skills which focus on technology in learning.
- Overall achievement for 2016/17 was 84%, an increase of 6% from the previous year, and an increase of 9% from 2014/15. Achievement is above the national rate of 81.5%.
- Overall apprenticeship achievement is 77%, 8% above the national rate and timely apprenticeship achievement is 74%, having increased by 4% since 2015/16. The gap between overall and timely has reduced to just 3%.
- The vast majority of lessons provided the opportunity for students to develop both English and/or maths skills, which has resulted in significantly increased achievement rates for maths and English courses. 4-9 grades in GCSE English for younger students doubled to 21% in 2016/17.
- There is effective use of additional learning support, particularly for those with high needs, disabilities or special educational requirements leading to improving outcomes for students, with supported students performing 2.88% better than their peers.
- Students develop high levels of confidence and good skills for employment through well planned work related activities including volunteering, live briefs, internal work placements preparing them well for future employment. As a result, 95% of full time students have gained a positive destination.

3 *To provide modern, safe estate and resources*

- Following on from the success of the Engineering Centre the College secured LEP funding to allow the construction of a purpose build specialist centre for Process Manufacturing, which was delivered within budget and was operational from August 2016.
- Working in close partnership with Kirklees Council the college has successfully secured LEP funding for two new centres in Dewsbury. The first of these is for the construction of a new Sixth Form centre and the second is for the refurbishment of a listed building, Pioneer House, to create a new adult and apprenticeship centre. The first will be completed to allow operational use by September 2018 and the second at a later date. These new works will allow the rationalisation of the existing Dewsbury estate including the disposal of the Halifax Road and the Batley School of Art campuses.
- Over summer 2017 the College has successfully relocated performing arts and music to the Huddersfield Centre. This relocation will allow further rationalisation of the college's estate allowing disposal of the College's Highfields centre.
- The College disposed of its former primary Huddersfield campus, New North Road in April 2017.

Members' Report *Continued*

4 *To promote effective communications and customer services*

- The customer services and examinations team have maintained the Customer Service Excellence (CSE) Accreditation for a further year, with 100% compliance against 57 elements and an additional *8 compliance plus* (*acknowledgment of exceeding excellence*), which is an improvement on the previous year. The CSE assessments demonstrate a customer focussed innovative and passionate team with the desire and skill to serve all customers to the highest standards.
- The relentless strategy for consultation with customer groups has led to the identification of new innovative methodologies for measuring customer satisfaction
- The college has successfully re-achieved the Quality in Careers Standard, and the Matrix standard for advice and guidance. Both standards awarding bodies have requested to use the college as example of good practice.
- The college has appointed a head of business development who is to become responsible for the college's sales team and for introducing customer service standards to ensure that the college has a consistent approach to its relationships with employers.
- The college has continued to enhance its relationships with local employers, and is receiving consistently high levels of employer feedback. The college continues to maximise the opportunities resulting from the partnership with Huddersfield Town Football Club and the impact of their promotion to the Premier League. The college sponsorship of the Huddersfield Town Enterprise Academy (the club's business network), leads to numerous direct opportunities for our students, and new successful business relationships.

5 *To attract, nurture and develop a highly skilled, efficient and professional workforce*

- Kirklees College held its first collaborative learning event with Greenhead and Huddersfield New Colleges, hosted by Huddersfield University, entitled: **"Strategies for Excellence in Assessment: Collaborative Learning Exchange Event"**.
- The sixth Teaching, Learning & Assessment Conference was held in October 2016. The conference provided an opportunity to showcase good practice within the college and to bring colleagues in a like-minded forum to discuss teaching, learning and assessment. The College sees this as an essential opportunity for staff Continuous Professional Development.
- The fourth cohort of the Aspiring Managers programme commenced in January 2017 with a renewed offer.
- New opportunities for the recruitment of apprentices across college were identified across a broad range of roles.
- The internal college leadership and management programme was combined with aspects of our award winning Aspiring Manager programme, and the expertise of the business curriculum to create an exciting development opportunity for support staff to achieve a management qualification (ILM or CMI) within an apprenticeship standard using the college levy fund.
- New statutory obligations in relation to IR35 have been met by the implementation of new processes.
- A new recruitment and selection system (Networx) has been implemented resulting in improved recruitment processes and access to a wider talent pool.

Members' Report *Continued*

6 *To ensure the solvency of the College and generate resources to continuously invest in learning and staff*

- The College has achieved a financial outturn that exceeded revised budget target in 2016/17. This together with very tight cash flow management enabled a significant amount of debt to be repaid in the year.
- Financial performance management within curriculum departments has been enhanced by the development of more visual financial reporting, which has enabled contribution reporting on a monthly rather than termly basis.
- Regular and open dialogue with bankers has ensured that the College has operated within bank facility limits during the year. The delay in the sale of New North Road caused a banking covenant to be breached during the year, but by the end of the year the covenant conditions were met.
- All statutory returns have been made within prescribed timescales.
- Although the College operating performance was strong in 2016/17, the level of debt that the College holds means that financial health for 2016/17 is 'Inadequate'. This combined with lower than planned recruitment in year has had a significant impact on the college financial position going into 2017/18 and is described in the Going Concern section of this report.

7 *To deliver creative and effective decision making, learning and risk management*

- During 2016/17 the curriculum support team has led new approaches to Additional Learner Support, timetable and register systems, distance learning systems and parent evenings, which in 2016/17 were coordinated centrally using an electronic booking system. The percentage of parents attending the college was the highest ever recorded.
- The curriculum support team also played a key role in the successful delivery of the college's first 'Super Saturday', and have enhanced recording systems for the College 'Miss it, Miss out' attendance process.
- The Funding and Management Information team has facilitated two audits from the SFA ESF Audit teams in the year, both with very positive outcomes. The college continues to be used as an ESF Match provider. All external returns were submitted to funding agencies on time.
- The Funding and Management Information team have also played a key role in implementation of apprenticeship reform in 2016/17.
- The IT team has ensured 99.99% availability of IT resources during 2016/17, with very little core systems, network or internet downtime. Also all non-essential maintenance was undertaken with minimal impact on service delivery.
- The provision of blended learning advice, guidance and resources continued to be a focus for the IT team during 2016/17 and this helped in ensuring blended learning materials were embedded in the curriculum.
- The team has also deployed new software across all college devices to improve safeguarding for staff and students, together with the implementation of a Student Dashboard to give snapshot information to both individual students and staff.
- The IT team implemented 'power saving' on student machines reducing energy consumption.

Members' Report *Continued*

Financial objectives

The following three headline financial objectives have been monitored and reported on during the year through the management accounts:

- Performance against the planned OSPR (Operating Surplus for Performance Ratio) of £1.75 million;
- The maintenance of cash balances in line with forecast;
- Overall College financial health as measured by the Skills Funding Agency maintained at least 'Satisfactory'.

These objectives were not met in 2016/17. The actual OSPR outturn was £1.4m, £0.35m lower than target but £0.4m better than the revised budget estimate. The College self-assessed as being in 'Inadequate' financial health in July 2017 as a result of the size of its debt combined with reducing income from lower than forecast 16-18 recruitment in 2016/17 together with estimates of the impact on the College of the apprenticeship reforms.

Reserves

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date, the Income and Expenditure account reserve stands at £5.2 million (2016: £4.5million). It remains the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

Performance indicators

The College is committed to observing the importance of sector measures and indicators and use the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The College is assessed by the ESFA as having 'Inadequate' financial health as a result of the historic level of borrowings entered into to improve inadequate estate and student facilities. Despite this, financial operating performance for 2016/17 continues to be at the level of 'Outstanding', outturning at 8.1%.

College performance in 2016/17 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:

- Overall achievement for qualifications that count towards the QAR (Qualification Achievement Rates) for 2016/17 was 84%, an increase of 6% from the previous year and an increase of 9% from 2014/15. Achievement is now above the national rate of 81.5%. Overall apprenticeship achievement is 77%, 8% above the national rate, and timely apprenticeship achievement is 74%, having increased by 4% since 2015/16. The gap between overall and timely achievement has reduced to just 3%.
- The 2016/17 financial operating performance ratio is strong at 8.1% (2015/16 10.53%), and £7.9m in cash has been generated from operations to reduce debt and invest in new estate.
- The College did not achieve the 16-18 learner numbers and cash allocations within its EFA contract for the 2016/17 funding year, having continued to be impacted by the requirement to meet English and maths 'Conditions of Funding'. The Adult Education Budget was also not achieved. However, the ESFA original contract was significantly exceeded for apprenticeships, resulting in increases to contract allocations in year.

FINANCIAL POSITION

Financial results

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 FRS102 operating credits/charges. In 2016/17, the College outturned an OSPR of £1,391,000 against a target of £1,750,000 (2015/16 £2,939,000 against a target of £2,100,000).

The Statement of Comprehensive Income shows a surplus of £708,000, (2015/16 – deficit of £15,073,000. This is stated after an exceptional asset impairment of £11,242,000 in anticipation of capital investment in new land and buildings, a favourable £11,213,000 exceptional movement in the actuarial valuation of the Local Government Pension Scheme, and a profit on the disposal of land and buildings of £750,000. The underlying trading position is therefore a deficit of £721,000 (2015/16 £460,000).

The College's accounts show accumulated reserves of £22,283,000 prior to the pension deficit reserve of £17,101,000, i.e. a net general reserve position of £5,182,000 compared to the net general reserve of £4,472,000 in 2015/16. The Statement of Changes in Reserves on page 30 summarises the movements in more detail.

Tangible fixed asset additions during the year amounted to £6,226,000. Additions were split between land and buildings acquired of £5,119,000 and equipment additions of £1,107,000, of which £597,000 was donated. In the main, additions related to the construction of the College new centres in Dewsbury to be ready for occupation from August 2018. The total project budget is £18.47 million of which £11.12 million is being funded by the Leeds City Region Local Enterprise partnership (LEP), and £4.85 million is funded by Kirklees Council.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2016/17 the FE funding bodies provided 78% of the College's total income.

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 facility of £6m is in place to bridge the gap between project expenditure on the construction of the new facilities in Dewsbury and grant receipts from the LEP. At the 31 July 2017 year end, the sum drawn against this facility was nil.

The College also has financing facilities with Lloyds Bank, a £1.5m five year fixed rate loan drawn in October 2014 and a £2.5m revolving credit facility. At the 31 July 2017 year end, the outstanding balance on the fixed rate loan was £0.75m. Nothing was drawn against the revolving credit facility.

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.

Members' Report *Continued*

Cash flows and liquidity

There was a net cash inflow from operating activities of £7,896,000 in 2016/17 compared to £6,532,000 in 2015/16. The Statement of Cash Flows analyses the movements in cash flows in more detail. This healthy level of cash flows from operations has enabled the College to repay £2.75m of long term and short term debt during the year.

Despite healthy positive cash flows, the College year end current ratio remains depressed by short term borrowing and capital grants due within one year. However, the size of the College's total borrowing and its approach to interest rates and budget setting has been established to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was comfortably exceeded.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2016/17 the College has reported activity that has produced £28,546,000 in SFA and EFA funding (2015/16, £29,592,000). The College had approximately 13,000 funded learners from these allocations.

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 high level. The college has focused on a continued drive for improvements in teaching, learning and assessment, investing in staff that 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 2016/17 employers survey the College was rated very positively at 9.2, against a national average of 8.0 for employer satisfaction. The College continually strives to build on its reputation and the ability to meet the needs of the community it serves.

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 progression, in 2016/17 95% of all full time learners progressed onto higher and further education, training or employment.

Members' Report *Continued*

Curriculum developments

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.

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. In addition, we are reviewing our curriculum offer in Dewsbury to be able to offer new and exciting curriculum in our new facilities.

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. All recent new buildings meet the Building Research Establishment Environmental Assessment Model (BREEAM) level of 'Excellent' rating.

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 2017, the College paid 93.44% of its invoiced values within 30 days (93.13% 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 Process Manufacturing Centre in August 2016, the College's 10 year estate transformation is approaching a conclusion with the development of new estate in Dewsbury. During 2016/17 the College made significant progress in the construction of a new 16-18 centre, the 'Springfield' Centre located in the centre of Dewsbury. This centre is due to open in September 2018 and will be followed in 2020 by the 'Pioneer' centre for adult, HE and apprenticeship provision. These new centres will enable savings through teaching space being smaller and more energy efficient.

These projects are being delivered in partnership with Kirklees Local Authority and Leeds City Region LEP and will provide the Dewsbury community and employers an exciting 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.

Members' Report *Continued*

Going concern

The financial health of the College has been a challenge for a number of years due to the level of historical debt from investment in the College's estate in 2010. The College has returned healthy cash based operating performance over the last 3 years in spite of the underlying debt position, but years of responding to continued funding cuts have had an adverse impact on the College's financial resilience.

Following a review of the impact of low levels of 16-18 recruitment in 2016/17 and the impact of the apprenticeship reforms on the 2017/18 forecast, the College self-assessed its financial health as 'Inadequate'. College Governors and the Senior Leadership team have been working with the ESFA and the FE Commissioner to address these financial issues and develop a longer-term financial strategy to support the College's on-going financial sustainability.

Whilst this work has been on going, the College has received Exceptional Financial Support (EFS) from the ESFA of £2.8m in January 2018 to support cash flow, and further EFS funding of £750k is expected to be required in July 2018. This brings the total EFS funding to below the £6.0m EFS limit that was originally agreed with the ESFA.

As part of the financial recovery strategy, the College is currently negotiating a one-year payment holiday in the 2018/19 financial year of interest and capital repayments that were due on the long-term loan with Kirklees Council. The College currently has access to an overdraft facility of £2.5m with Lloyds Bank. This facility expires at the end of June 2018 and discussions have started regarding renewal of the overdraft facility.

The College has recently reviewed its financial forecast in the light of actions undertaken to improve its financial position, including a significant restructure of staff. These actions, together with the impact of the expected loan payment holiday from Kirklees Council and the delays to the Pioneer capital project, mean that the College now forecasts to have sufficient cash reserves throughout 2018/19 without a requirement to call on overdraft facilities. The forecast includes the following uncertainties:

- Receipt of the EFS funding of £750k in July 2018 and future agreement on the nature of any EFS repayment;
- Formal agreement of the interest and capital payment holiday on the long-term loan with Kirklees Council; and
- Forecast savings in staff costs being realised through the ongoing staff restructure.

The Governors have acknowledged that the combination of these circumstances represent a material uncertainty that casts significant doubt upon the College's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the ordinary course of business. However, after making further appropriate enquiries, including sourcing external advice, and questioning ESFA staff directly at a special meeting of the Corporation in February 2018, and after considering the risks of the uncertainties described above materialising, the Governors have concluded that there is a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in the preparation of these financial statements.

In spite of its position, the College has remained focussed on the importance of continuing to deliver and improve the quality of teaching and learning and has not allowed the financial situation to adversely impact on the quality of education and the learner experience.

Members' Report *Continued*

RESOURCES

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

Tangible resources as at 31st July 2017 include the main College sites in Huddersfield and Dewsbury and seven other specialist sites situated in the Kirklees area.

Financial

The College has net assets of £5,229,000 as at 31st July 2017 (£4,521,000 at 31 July 2016), including a pension liability of £17,101,000 (£26,838,000 at 31 July 2016).

People

The College employed an average of 733 full time equivalent staff in the year to 31st July 2017 (744 in 2015/16) of whom 318 (341 in 2015/16) are teaching or staff directly engaged in the delivery of the curriculum.

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 are fully embedded into College operations. All risks are linked to strategic objectives and are 'owned' by the strategic objective 'owner'. The Senior Leadership Team review the Risk Register on a termly basis and a full suite of reports are 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.

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 building projects. 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. In addition to the risks identified within the 'Going Concern' paragraph on page 11, other factors besides those listed may also adversely affect the College.

Members' Report *Continued*

- Changes in government funding and policy adversely affect the curriculum plan, student experience with a resultant impact on college finances;
- The College fails to operate within its agreed revenue budget;
- The new capital developments in Dewsbury are not delivered on time or to budget;
- The College fails to manage its operations within available cash facilities;
- The College fails to diversify income streams and maximise new income opportunities;
- The curriculum plan is not driven by a sound customer needs analysis;
- The College fails to respond to the new challenges 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;
- The local community;
- Staff;
- Education sector funding bodies;
- Bankers;
- Kirklees Council;
- The Leeds City Region Local Enterprise Partnership (LEP);
- West Yorkshire Combined Authority;
- 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 Website and by meetings.

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.

Members' Report *Continued*

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 2016/17 there were no material differences in retention or achievement 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.

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.

Members' Report *Continued*

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 16 March 2018 and signed on its behalf by:

Signed

.....
Mr G Hetherington, Chair

Geordie Hetherington

Date

..... 16 March 2018

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2016 to 31st July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. In full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code")

The Governors have undertaken a robust self-assessment against the Code and believe that it has complied with all mandatory elements of the Code. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 1st August 2015.

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 G T Alvy (Chair)	01.08.08.	31.07.17	31.07.17	Independent	Search, EEC, Finance	6/6
Mr P Berthault	08.12.17	31.07.18		Student		N/A
Mrs J Bracewell	14.07.11	31.07.19	02.11.17	Independent	QPS, EEC, Audit, Search	6/6
Mrs L Carruthers	14.07.11	31.07.19	17.08.17	Independent	Audit	2/6
Mrs J Durrant	01.09.16	29.01.17	29.01.17	Acting Principal	Finance, QPS, Search	3/3
Ms J Gedman	09.12.11	31.07.17	06.12.16	Independent		1/1
Ms M Gilluley	30.01.17			Principal	Finance, QPS, Search	3/3
Ms C George	23.05.14	31.3.21		Independent	Finance, QPS, Search, EEC	5/6

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
Mr A Hawley	23.5.14	31.3.21	27.11.17	Independent	Audit, EEC	3/6
Mr G Hetherington	15.05.15	31.03.18		Independent	QPS	4/6
Mrs L Holdsworth	30.01.15	31.12.17		Staff (Business Support)	QPS	3/6
Mr D Keeton	24.03.17	31.03.21		Independent		3/3
Prof. C Jarvis	22.03.13	31.03.19	31.1.18	Independent	QPS	6/6
Ms I Khalid	09.12.16	31.07.17		Student		2/5
Mr N McCann	09.12.16	31.07.17		Student		3/5
Mr P McCann	23.5.11		31.08.16	Principal	Finance, QPS, Search	0/0
Ms H Michkova	29.01.16	01.12.16	01.12.16	Student	QPS	1/1
Mrs J Nowacki	08.07.16	31.03.20		Independent	QPS	2/6
Mr Z Pervaiz	15.05.15	31.03.18	07.02.18	Independent		2/6
Ms C Pinder	08.12.17	31.03.21		Independent	Audit	N/A
Mr G Pitchforth	07.10.16	31.07.20	16.06.17	Staff member (Curriculum)	Audit, QPS	3/5
Ms L Precious	26.1.18	25.1.22		Staff (Business Support)	Audit	N/A
Mr J M Royle	17.05.06.	31.05.18		Independent	Finance, QPS	6/6
Prof. J Thompson	22.03.13	31.03.19		Independent	Finance	3/6
Ms S Weston	19.05.17	31.03.21		Independent		2/2
Dr A Williams	08.07.16	31.03.20		Independent	Audit, QPS	3/6
Mr J Williams	12.7.12	31.3.18		Independent	Finance, EEC, Search	6/6

Mr D Winward acts as the Clerk to the Corporation.

Statement of Corporate Governance and Internal Control *Continued*

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

Members' name	Date of Appointment	Term of Office Expires	Date of Resignation	Status of Appointment	Total Service to 31.7.17
Ms G Ellis	11.10.13	31.07.17	31.12.16	QPS Committee	3 years
Mrs C Hardern	09.12.11	31.07.17	19.12.16	Finance Committee	5 years
Mr M Pearmain	15.05.15	31.07.17		Audit Committee	2 years

Expenses claimed from 1 August 2016 to 31 July 2017 by three members of the Corporation totalled £2,114 (£1,342 in 2015/16 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 Accounting Officer are separate.

Statement of Corporate Governance and Internal Control *Continued*

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 will be appointed for a term of office of up to 4 years to expire on 31 March of the fourth year. On the expiry of their term of office, independent members will be eligible for re-appointment. On completion of their term of office, members wishing to be considered for re-appointment will be subject to a rigorous review of their performance. A member will normally be eligible for consideration for re-appointment for a maximum of two terms of office (or 8 years) in line with the English College's Code of Good Governance. Extension beyond 2 terms (or 8 years) will only be made in truly exceptional circumstances.

Corporation performance

Each year the Board carries out a self-assessment of its performance in addition to annual reviews conducted by each Committee and individual Governor Personal Review and Assessments. This is supported by a programme of Governor development sessions and a senior manager pairing scheme.

The Board is of the opinion that these processes have been effective during the 2016/17 year, that they fully understand the strategic and key operational position of the College and they have a key role in the establishment and monitoring of actions targeted at improving financial health.

Executive Employment Committee

During the year ending 31 July 2017, the College's Executive Employment Committee comprised:-

Mr G T Alvy, Mrs J Bracewell, Mrs C George, Mr A Hawley, 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 2017 are set out in note 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.

Statement of Corporate Governance and Internal Control *Continued*

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 once in the first term and twice in the second and third terms and at other times if required.

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 meet 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 her in the Financial Memorandum between the College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

Statement of Corporate Governance and Internal Control *Continued*

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at Kirklees College for the year-ended 31 July 2017 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 on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The Risk and Control Framework

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

- Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the governing body;
- Regular reviews by the 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 ESFA's Post 16 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 2017, 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.

Statement of Corporate Governance and Internal Control *Continued*

Review of Effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is 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 in their management letters and other reports

The Accounting Officer has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor and other sources of assurance, 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.

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. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its 5th March 2018 meeting, the Audit Committee considered its annual report for the year ended 31 July 2017.

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 outlined on page 11, and after making appropriate enquiries, the Corporation considers that the College has adequate access to 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. Further information behind this judgement can be found in the members' report and accounting policies disclosures.

Approved by order of the Members of the Corporation on 16 March 2018 and signed on its behalf by:

Signed

.....
Mr G Hetherington, Chair

Signed

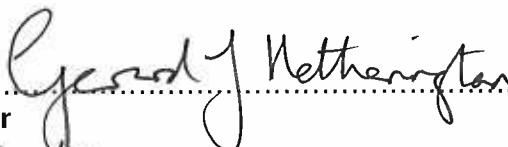
.....
Mrs M Gilluley, Accounting Officer

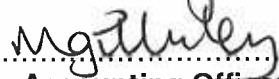
Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the financial memorandum. 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 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 ESFA.

Signed 
Mr G Hetherington, Chair

Signed 
Mrs M Gilluley, Accounting Officer

Dated 16 March 2018

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 Education and Skills Funding Agency (ESFA) and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the Accounts Direction for 2016 to 2017 issued by the ESFA, 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 a Members' Report 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 ESFA are used only in accordance with the Financial Memorandum with the ESFA 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 ESFA and Kirklees Council are not put at risk.

Approved by order of the Members of the Corporation on 16 March 2018 and signed on its behalf by:

Signed

.....
Mr G Hetherington, Chair

Date

.....
16 March 2018

Independent auditor's report to the Corporation of Kirklees College

Opinion

We have audited the financial statements of Kirklees College for the year ended 31 July 2017, which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 and of the College's deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

Basis for opinion

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

Who are we reporting to

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

Material uncertainty related to going concern

We draw attention to the Going Concern section of the Statement of accounting policies on page 33, which indicates that there are circumstances present that constitute a material uncertainty that may affect the usage of the going concern basis in preparing the financial statements. These circumstances comprise the receipt of additional Exceptional Financial Support from the ESFA, agreement of a capital and interest holiday on the long-term loan from Kirklees Council and achieving the cost savings forecast from the staff restructure. As stated on page 33, these events or conditions, along with the other matters as set forth on page 33, indicate that a material uncertainty exists that may cast significant doubt on the College's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Corporation is responsible for the other information. The other information comprises the information included in the Members' Report and the Statement of Corporate Governance and Internal Control, set out on pages 1 to 22 other than the financial statements and our auditor's report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially

misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 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; or
- the annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on page 25, the College's Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Leeds

22 March 2018

Reporting accountant's assurance report on regularity

To the corporation of Kirklees College and Secretary of State for Education acting through the Department for Education ('the Department')

In accordance with the terms of our engagement letter dated 29 August 2017 and further to the requirements of the financial memorandum with Skills 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 2016 to 31 July 2017 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 Post-16 Audit Code of Practice ('the Code') issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department has other assurance arrangements in place.

This report is made solely to the corporation of Kirklees College, as a body, and the Department, 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 Department 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 Department, 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 our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. 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 2016 to 31 July 2017 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 Code issued by the Department. 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:

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on 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 2016 to 31 July 2017 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

Grant Thornton UK LLP
Chartered Accountants
Leeds
22 March 2018

Statement of Comprehensive Income

	Note	2017 £'000	2016 £'000
INCOME			
Funding body grants	2	32,268	32,194
Tuition fees and education contracts	3	5,658	5,472
Other grants and contracts	4	35	171
Other income	5	2,488	2,282
Investment income	6	8	7
Donations	7	597	364
Total income		41,054	40,490
EXPENDITURE			
Staff costs	8	25,616	24,686
Other operating expenses	9	10,184	9,581
Depreciation	12	4,235	4,965
Asset Impairment	12	12,342	4,995
Reversal of prior year impairment charge	12	(1,100)	-
Interest and other finance costs	10	1,740	1,718
Total expenditure		53,017	45,945
Deficit before other gains and losses and tax		(11,963)	(5,455)
Gain on disposal of asset		750	-
Deficit before taxation		(11,213)	(5,455)
Taxation		-	-
Deficit for the year		(11,213)	(5,455)
Actuarial gain/(loss) in respect of pension schemes	25	11,921	(9,618)
Total Comprehensive Income for the year		708	(15,073)
Represented by:			
Restricted comprehensive income		(2)	2
Unrestricted comprehensive income		710	(15,075)
		708	(15,073)

All activities are continuing activities.

The accompanying notes and accounting policies on pages 33 to 54 form an integral part of these financial statements.

Statement of Changes in Reserves

	Income and Expenditure account	Restricted reserve	Pension reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1st August 2015	35,439	49	(15,894)	19,594
Deficit from the income and expenditure account	(4,063)	-	(1,392)	(5,455)
Other comprehensive income	(66)		(9,552)	(9,618)
Balance at 31st July 2016	<u>31,310</u>	<u>49</u>	<u>(26,838)</u>	<u>4,521</u>
Deficit from the income and expenditure account	(9,777)	(2)	(2,150)	(11,929)
Other comprehensive income	750	-	11,887	12,637
Total comprehensive income for the year ending July 2017	<u>(9,027)</u>	<u>(2)</u>	<u>9,737</u>	<u>708</u>
Balance at 31st July 2017	<u>22,283</u>	<u>47</u>	<u>(17,101)</u>	<u>5,229</u>

The accompanying notes and accounting policies on pages 33 to 54 form an integral part of these financial statements.

Balance Sheets as at 31 July

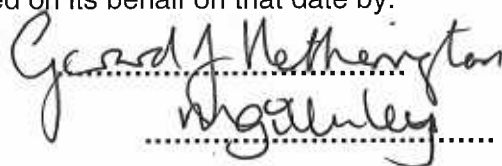
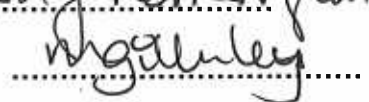
	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible fixed assets	12	96,441	108,602
Investments	13	34	36
		<u>96,475</u>	<u>108,638</u>
Current assets			
Stocks		81	56
Asset held for resale		2,910	1,250
Trade and other receivables	14	1,451	1,648
Cash and cash equivalents	19	953	537
		<u>5,395</u>	<u>3,491</u>
Less: Creditors – amounts falling due within one year	15	(8,927)	(8,672)
Net current liabilities		<u>(3,532)</u>	<u>(5,181)</u>
Total assets less current liabilities		92,943	103,457
Less: Creditors – amounts falling due after more than one year	16	(68,634)	(69,978)
Provisions			
Defined benefit obligations	18	(17,101)	(26,838)
Other provisions	18	(1,979)	(2,120)
Total net assets		<u>5,229</u>	<u>4,521</u>
Unrestricted reserves			
Income and expenditure account excluding pension reserve		22,283	31,310
Pension reserve	25	(17,101)	(26,838)
Total unrestricted reserves		<u>5,182</u>	<u>4,472</u>
Restricted reserve		47	49
Total reserves		<u>5,229</u>	<u>4,521</u>

The accompanying notes and accounting policies on pages 33 to 54 form an integral part of these financial statements.

The financial statements on pages 29 to 54 were approved and authorised for issue by the Corporation on 16 March 2018 and were signed on its behalf on that date by:

Mr. G Hetherington, Chair

Mrs. M Gilluley, Accounting Officer


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Statement of Cash Flows

	Note	2017 £'000	2016 £'000
Cash inflow from operating activities			
Deficit for the year		(11,213)	(5,455)
Adjustment for non-cash items			
Depreciation	12	4,235	4,965
Asset Impairment	12	12,342	4,995
Reversal of prior year impairment	12	(1,100)	-
Donations to income	7	(597)	(364)
Increase in stocks		(25)	(18)
Decrease in debtors		197	1,244
Increase/(decrease) in creditors due within one year		1,572	(1,353)
Increase in creditors due after one year		87	121
Decrease in provisions		(107)	(113)
Pension costs less contributions payable	25	2,150	1,392
Unrealised asset impairment		-	(50)
Unrealised investment loss/(gain)		2	(3)
Adjustment for investing or financing activities			
Investment income		(8)	(7)
Interest payable		1,111	1,166
(Gain)/loss on sale of fixed assets		(750)	12
Net cash flow from operating activities		7,896	6,532
Cash flows from investing activities			
Proceeds from sale of fixed assets		2,000	250
Investment income		8	7
Payments to acquire investments		-	(25)
Payments to acquire fixed assets		(5,629)	(3,411)
		(3,621)	(3,179)
Cash flows from financing activities			
Interest paid	10	(1,111)	(1,166)
New unsecured loans		12,900	12,900
Repayments of amounts borrowed		(15,648)	(16,116)
		(3,859)	(4,382)
Increase/(decrease) in cash and cash equivalents in the year		416	(1,029)
Cash and cash equivalents at the beginning of the year	19	537	1,566
Cash and cash equivalents at the end of the year	19	953	537

The accompanying notes and accounting policies on pages 33 to 54 form an integral part of these financial statements.

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 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2016 to 2017* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out on page 9 of the Members' Report. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £20.2m 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 which was undrawn at the year end. In addition the college had a £2.5m secured facility available for unconditional drawdown with Lloyds Bank until 31st December 2017. At this date the facility was converted to overdraft at the same level which expires on 30th June 2018.

The College was placed under FE Commissioner Intervention in September 2017 and since then has been developing and implementing a financial recovery plan. Whilst this work has been on going, the College has received Exceptional Financial Support (EFS) of £2.8m and is forecasting to draw an additional £750k before the end of the 2018 financial year. These drawdowns are within the provisional envelope of funding approved by the ESFA.

As part of the financial recovery strategy, the College is currently negotiating a one-year payment holiday in the 2018/19 financial year of interest and capital repayments that were due on the long-term loan with Kirklees Council. The College currently has access to an overdraft facility of £2.5m with Lloyds Bank. This facility expires at the end of June 2018 and discussions have started regarding renewal of the overdraft facility.

Notes (continued)

1 Statement of accounting policies (continued)

The College has recently reviewed its financial forecast in the light of actions undertaken to improve its financial position, including a significant restructure of staff. These actions, together with the impact of the expected loan payment holiday from Kirklees Council and the delays to the Pioneer capital project, mean that the College now forecasts to have sufficient cash reserves throughout 2018/19 without a requirement to call on overdraft facilities. The forecast includes the following uncertainties:

- Receipt of the EFS funding of £750k in July 2018 and future agreement on the nature of any EFS repayment;
- Formal agreement of the interest and capital payment holiday on the long-term loan with Kirklees Council; and
- Forecast savings in staff costs being realised through the ongoing staff restructure.

The Governors have acknowledged that the combination of these circumstances represent a material uncertainty that casts significant doubt upon the College's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the ordinary course of business. However, after making further appropriate enquiries, including sourcing external advice, and questioning ESFA staff directly at a special meeting of the Corporation in February 2018, and after considering the risks of the uncertainties described above materialising, the Governors have concluded that there is a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in the preparation of these financial statements.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accruals method as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

Capital grant funding

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

Notes (continued)

1 Statement of accounting policies (continued)

Fee Income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Donated equipment

Income from equipment donations is recognised as follows:

- New equipment is recognised at the new retail price (net) or the value of the supply.
- Used equipment is recognised at the book value on transfer.
- Where equipment has been provided at a material discount as part of a contribution to a project, the amount of discount received (net) is treated as a donation.

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

Post retirement benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

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

West Yorkshire Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Notes (continued)

1 Statement of accounting policies (continued)

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced Pensions

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

Non-current assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- New and acquired buildings 50 years
- Refurbishments 10 years

Where part of a fixed asset has different useful lives, they are accounted for as separate items of fixed assets.

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

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.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 2013 as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Notes (continued)

1 Statement of accounting policies (continued)

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 Statement of Comprehensive Income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £1,000 per individual item (excluding IT equipment purchased in bulk) is written off to the Statement of Comprehensive Income 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 Statement of Comprehensive Income over the expected useful economic life of the related equipment.

Borrowing costs

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

FINANCIAL INSTRUMENTS

Investments

Listed investments held as non-current assets and current asset investments, are stated at fair value, with movements recognised in Comprehensive Income.

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.

Cash and cash equivalents

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

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

Notes (continued)

1 Statement of accounting policies (continued)

Financial liabilities and equity

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

All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

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 recognised as expenditure 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 sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 2% of the VAT charged on its 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.

Provisions and contingent liabilities

Provisions are recognised when

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

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

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 of the College where the College is exposed to minimal economic benefit related to the transaction.

Income and expenditure related to subcontracted activity is reflected gross in the accounts on the basis that it controls this activity and bears a significant element of the related risk.

Restricted reserves

The College administers a number of small trust funds that have been established for the benefit of the students of the College. The assets of the funds are held in cash and investments on the College balance sheet with the corresponding liability being held in restricted reserves.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the college's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The 2016/17 accounts reflect an impairment to open market value of the College's Dewsbury and Highfields centres, and a partial reversal of a prior year impairment on the Wheelwright Centre reflecting open market value. These assets have been impaired reflecting the College intention to dispose of these sites. The open market values adopted were obtained from professional property valuation experts.
- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes (continued)

2 Funding council grants

	2017 £'000	2016 £'000
Skills Funding Agency	12,722	11,805
Education Funding Agency	16,441	17,787
Higher Education Funding Council	412	378
Releases of government capital grants	2,693	2,224
Total	32,268	32,194

3 Tuition Fees and Education Contracts

	2017 £'000	2016 £'000
Adult education fees	1,215	1,521
Apprenticeship fees and contracts	128	133
Fees for FE loan supported courses	803	787
Fees for HE loan supported courses	1,776	1,817
Total tuition fees	3,922	4,258
Education contracts	1,736	1,214
Total	5,658	5,472

4 Other grants and contracts

	2017 £'000	2016 £'000
Other grants and contracts	35	171
Total	35	171

5 Other income

	2017 £'000	2016 £'000
Catering and residences	886	868
Non-government capital grants	983	734
Miscellaneous income	619	680
	2,488	2,282

Notes (continued)

6 Investment income

	2017 £'000	2016 £'000
Other interest receivable	8	7
Total Investment Income	8	7

7 Donations

	2017 £'000	2016 £'000
Unrestricted donations	597	364
Total Donations	597	364

Donations relate to donations of equipment from local employers to the College's new Process Manufacturing Centre.

8 Staff costs

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

	2017 No.	2016 No.
Teaching staff	318	341
Non-teaching staff	415	403
	733	744

Staff costs for the above persons

	2017 £'000	2016 £'000
Wages and salaries	19,704	19,655
Social security costs	1,673	1,407
Other pension costs	4,117	3,310
Subtotal staff costs	25,494	24,372
Contractual restructuring costs	122	314
Total staff costs	25,616	24,686

Notes (continued)

8 Staff costs (continued)

Key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Management Team which comprises the Principal, Deputy Principal, Vice Principal, Assistant Principals and Directors.

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

	2017 No.	2016 No.
The number of key management personnel including the Accounting officer was:	14	11

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

	Key management personnel	
	2017 No.	2016 No.
£0 to £10,000	1	-
£10,001 to £20,000	2	-
£40,001 to £50,000	1	-
£50,001 to £60,000	-	1
£60,001 to £70,000	7	7
£70,001 to £80,000	1	-
£90,001 to £100,000	1	2
£100,001 to £110,000	1	-
£140,001 to £150,000	-	1
	14	11

No other staff received emoluments excluding pension contributions but including benefits in kind in excess of £60,000 during the year. Numbers of personnel have increased in the year as a result of more than one person holding three key management personnel posts

Key management personnel emoluments are made up as follows:

	2017 £'000	2016 £'000
Salaries gross of salary sacrifice	799	839
Employers National Insurance	98	94
Benefits in kind	1	1
	898	934
Pension contributions	119	121
Total key management personnel compensation	1,017	1,055

Notes (continued)

8 Staff costs (continued)

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

	2017 £'000	2016 £'000
Salaries	132	141
Employers National Insurance	17	18
Benefits in kind	1	1
	<u>150</u>	<u>160</u>
Pension contributions	22	23
	<u>172</u>	<u>183</u>
Total emoluments	<u>172</u>	<u>183</u>

The members of the Corporation staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

9 Other operating expenses

	2017 £'000	2016 £'000
Teaching costs	3,787	2,950
Non-teaching costs	3,518	3,513
Premises costs	<u>2,879</u>	<u>3,118</u>
Total	<u>10,184</u>	<u>9,581</u>

Other operating expenses include:

Auditors' remuneration:		
Financial statements audit	25	28
Internal audit	6	16
Other services provided by the financial statements auditors	3	3
Losses on disposal of tangible fixed assets (where not material)	-	12
Hire of land and buildings under operating leases	<u>11</u>	<u>11</u>

The 'other' services provided by the financial statements auditors relates to an audit undertaken on subcontracted provision as required by the Education and Skills Funding Agency.

Notes (continued)

10 Interest payable

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:	1,111	1,166
	<u>1,111</u>	<u>1,166</u>
Pension finance costs (note 25)	629	552
	<u>629</u>	<u>552</u>
Total	<u>1,740</u>	<u>1,718</u>

11 Taxation

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

Notes (continued)

12 Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold	Under Construction		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	113,724	4,278	15,701	133,703
Additions	374	4,745	1,107	6,226
Transfers from under construction	3,925	(3,925)	-	-
Transfer to current assets	(16,435)	-	-	(16,435)
Disposals	-	-	(2,604)	(2,604)
At 31 July 2017	101,588	5,098	14,204	120,890
Depreciation				
At 1 August 2016	13,990	-	11,111	25,101
Charge for the year	3,038	-	1,197	4,235
Impairment charge	12,342	-	-	12,342
Reversal of prior year impairment charge	(1,100)			(1,100)
Eliminated in respect of transfer to current assets	(13,525)	-	-	(13,525)
Eliminated in respect of disposals	-	-	(2,604)	(2,604)
At 31 July 2017	14,745	-	9,704	24,449
Net book value at 31 July 2017	86,843	5,098	4,500	96,441
Net book value at 31 July 2016	99,734	4,278	4,590	108,602

In recognition of the College's intent to dispose of its Highfields centre and Halifax Road centres in Dewsbury as part of the College estate transformation project, an impairment on these assets down to residual market value has been made in these accounts. The Wheelwright Centre which was impaired to a nil value in the July 2016 accounts and is also intended for disposal has been valued at £1.1m market value. The residual values of these assets are shown on the Balance Sheet in assets held for resale.

Notes (continued)

13 Investments

	2017 £'000	2016 £'000
Listed Investments	34	36
	<u>34</u>	<u>36</u>

14 Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year		
Trade receivables	481	460
Prepayments and accrued income	380	694
Amounts owed by the Education and Skills Funding Agency	523	307
Other debtors	67	187
Total	<u>1,451</u>	<u>1,648</u>

15 Creditors: Amounts falling due within one year

	2017 £'000	2016 £'000
Local authority loans	681	2,448
Bank loans	750	300
Trade payables	717	469
Other taxation and social security	766	744
Accruals and deferred income	2,853	1,965
Deferred income – government capital grants	1,986	1,948
Deferred income – government revenue grants	199	231
Other creditors	195	520
Amounts owed to the Education and Skills Funding Agency	780	47
Total	<u>8,927</u>	<u>8,672</u>

16 Creditors: Amounts falling after one year

	2017 £'000	2016 £'000
Local authority loans	18,746	19,427
Bank loans	-	750
Deferred income - government capital grants	49,870	49,743
Other creditors	18	58
Total	<u>68,634</u>	<u>69,978</u>

Notes (continued)

17 Maturity of debt

Local Authority and bank loans

Bank loans and overdrafts are repayable as follows:

	2017 £'000	2016 £'000
In one year or less	1,431	2,748
Between one and two years	716	981
Between two and five years	2,378	2,712
In five years or more	15,652	16,484
Total	20,177	22,925

During the financial year the College breached a cashflow loan covenant with Lloyds Bank as a result of delays to the sale of an asset held for resale. The bank has not issued a waiver in respect of this breach, and as a result the College is required to disclose the outstanding loan as due within one year. The bank have issued a reservation of rights outlining that at the balance sheet date it was not their intention to require repayment of the loan. Therefore, the remaining outstanding Lloyds Loan of £750,000 has been classified as due within one year.

The Local Authority loan is a fixed rate 25 year term loan of £19,427,268 at 5.08%. The bank loan is a 5 year term loan with Lloyds Bank payable at 4.56%. Both loans are secured on freehold land and buildings of the College.

18 Provisions for liabilities and charges

	Defined benefit Obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2016	26,838	2,120	28,958
Expenditure in the period	(1,275)	(156)	(1,431)
Transferred from statement of comprehensive income	(8,462)	15	(8,447)
At 31 July 2017	17,101	1,979	19,080

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 25.

The enhanced pension provision related to the cost of staff that have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

Notes (continued)

18 Provisions for liabilities and charges (continued)

The principal assumptions for this calculation are:

	2017	2016
Price Inflation	2.30%	2.30%
Discount Rate	1.30%	1.30%

19 Cash and cash equivalents

	At 1 August 2016 £'000	Cash Flows £'000	Other changes £'000	At 31 July 2017 £'000
Cash and cash equivalents	537	416	-	953
Total	537	416	-	953

20 Capital commitments

	2017 £'000	2016 £'000
Commitments contracted for at 31 July	4,728	441

21 Lease Obligations

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

	2017 £'000	2016 £'000
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	11	54
Later than five years	-	-
	<u>11</u>	<u>54</u>

22 Financial assets and liabilities

	2017 £'000	2016 £'000
Financial assets measured at amortised cost	1,231	1,157
Financial liabilities measured at amortised cost	23,503	25,431

The disclosure above reflects the sum of balance sheet assets and liabilities at July year ends that are due to be settled in cash after year end.

Notes (continued)

23 Contingent liabilities

There are no contingent liabilities known to the College.

24 Events after the reporting period

Since the end of the reporting period, the College has been placed under FE Commissioner Intervention as a result of its financial forecast indicating 'Inadequate' financial health. The Commissioner is expected to publish his recommendations before the end of July 2018, however the impact of College financial health on its ability to prepare accounts on a going concern basis have been described on page 11.

25 Defined benefit obligations

The College's employees belong to two principal post employment benefit plans, 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 multi-employer defined-benefit plans.

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 2016.

Total pension cost for the year	2017 £'000	2016 £'000
Teachers' Pension Scheme: contributions paid	1,309	1,369
Local Government Pension Scheme:		
Contributions paid	1,284	1,101
FRS 102 (28) charge	1,521	840
	2,805	1,941
Charge to the Statement of Comprehensive Income	4,114	3,310
Enhanced pension charge to Statement of Comprehensive Income	49	50
Total Pension Cost for Year	4,163	3,360

Contributions amounting to £337,340 (2016 £317,970) were payable to the schemes at 31 July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' 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.

Notes *(continued)*

25 Pensions and similar obligations *(continued)*

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. Retirement and other pension benefits are paid by public funds provided by Parliament.

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;
- 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
- the assumed real rate of return is 3% in excess of process and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation is currently underway based on April 2016 data, whereupon the employer contribution rate will be reassessed and will be payable from 1st April 2019.

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>.

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.

Notes (continued)

25 Pensions and similar obligations (continued)

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 £1,331,314 (2016: £1,401,742).

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), 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.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the West Yorkshire Pension Fund. The total contribution made for the year ended 31 July 2017 was £1,856,101 of which employer's contributions totaled £1,278,025 and employee's contributions totaled £578,076. The agreed contribution rate increased from 12.9% to 15.8% from 1st April 2017 for the employer and range from 5.5% to 12.5% for employees depending on salary.

Principal Actuarial Assumptions

The following information is based on a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified actuary.

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries	3.25%	3.30%
Future pensions increases	2.00%	1.80%
Discount rate for scheme liabilities	2.60%	2.40%
Inflation assumption (CPI)	2.00%	1.80%
Commutation of pensions to lump sums	75%	75%

Notes (continued)

25 Pensions and similar obligations (continued)

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

	At 31 July 2017 Years	At 31 July 2016 Years
<i>Retiring today</i>		
Males	22.1	22.7
Females	25.2	25.6
<i>Retiring in 20 years</i>		
Males	23.0	24.9
Females	27.0	28.0

Asset Allocation:	At 31 July 2017	At 31 July 2016
Equities	76.9%	75.1%
Property	4.4%	4.8%
Government Bonds	9.7%	11.2%
Corporate Bonds	3.9%	4.2%
Cash	1.7%	1.4%
Other	3.4%	3.3%
Total	100%	100%

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

	2017 £'000	2016 £'000
Fair value of plan assets	64,124	57,524
Present value of plan liabilities	(81,225)	(84,362)
Net pensions liability (Note 18)	(17,101)	(26,838)

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	1,501	840
Past service cost	20	-
Total	1,521	840

Notes (continued)

25 Pensions and similar obligations (continued)

Local Government Pension Scheme (continued)

	2017 £'000	2016 £'000
Amounts included in interest and finance costs		
Net interest charge	629	552

	2017 £'000	2016 £'000
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	4,889	4,013
Experience gains/(losses) arising on defined benefit obligations	6,998	(13,565)
Amount recognised in Other Comprehensive Income	11,887	(9,552)

Movement in net defined benefit liability during the year

	2017 £'000	2016 £'000
Deficit in scheme at 1 August	(26,838)	(15,894)
Movement in year:		
Current service cost	(2,776)	(1,978)
Past service cost	(20)	-
Employer contributions	1,275	1,138
Net interest on the defined (liability)/asset	(629)	(552)
Actuarial gain/(loss)	11,887	(9,552)
Net defined benefit liability at 31 July	(17,101)	(26,838)

Asset and Liability Reconciliation

	2017 £'000	2016 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	84,362	67,485
Current service cost	2,776	1,978
Past service cost	20	-
Interest cost	2,014	2,411
Contributions by Scheme participants	575	549
Actuarial (gain)/loss	(6,998)	13,565
Estimated benefits paid	(1,524)	(1,626)
Defined benefit obligations at end of period	81,225	84,362

Notes (continued)

25 Pensions and similar obligations (continued)

Local Government Pension Scheme (continued)

Reconciliation of Assets

	2017 £'000	2016 £'000
Fair value of plan assets at start of period	57,524	51,591
Interest on plan assets	1,385	1,859
Actuarial gain	4,889	4,013
Employer contributions	1,275	1,138
Contributions by Scheme participants	575	549
Estimated benefits paid	(1,524)	(1,626)
Assets at end of period	64,124	57,524

26 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 £2,114, 3 governors (2015/16 £1,342, 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 Governor has received any remuneration or waived payments from the College during the year.

27 Amounts disbursed as agent

	2017 £'000	2016 £'000
Learner support funds		
Funding body grants – bursary support	91	117
Funding body grants – discretionary learner support	1,019	1,599
Interest earned	1,110	1,716
Disbursed to students	(980)	(1,607)
Administration costs	(44)	(80)
Balance unspent as at 31 July, included in creditors	86	29

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 Statement of Comprehensive Income.