

KIRKLEES COLLEGE

**Report and Financial Statements
for the year ended 31 July 2018**

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 2017/18:

Mrs Marie Gilluley	Principal and Chief Executive, Accounting Officer
Mrs June Durrant	Deputy Principal, Curriculum, Performance and Innovation (left August 2017)
Mrs Carmen Gonzalez-Eslava	Vice Principal, Curriculum, Performance and Innovation
Ms Melanie Brooke	Deputy Principal, Corporate Services
Mr Adrian Hutchinson	Assistant Principal, Study Programmes, Adults and Apprenticeships
Mr Steven Downham-Clarke	Assistant Principal, STEM and Employer Engagement (to April 2018)
Mrs Pauline Hughes	Assistant Principal, STEM and Employer Engagement (from April 2018)
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 (to May 2018)
Mrs Helen Rose	Director of Business Development
Mrs Rebecca Meara	Executive 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
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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

Shoosmiths LLP
The XYZ Building
2 Hardman Boulevard
Spinningfields
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Report and Financial Statements

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Strategic Report

NATURE, OBJECTIVES AND STRATEGIES

The Governing Body present their report and the audited financial statements for the year ended 31 July 2018.

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 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 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 to 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.

Strategic Report *Continued*

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

- 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 widens inclusion in our community and reduces 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 Strategic Report.

Implementation of strategic plan

On 7th October 2017 the Corporation formally approved amendments to the College's Vision for 2020. The review outlined the College's strategic priorities and the values that the College aimed to operate within to create a 'culture' that underpinned professional standards and behaviours.

The 2020 Vision was agreed as:

- First choice in Kirklees for Technical and Professional careers
- Providing the best routes to apprenticeships and employment
- Specialist centres providing for local, regional and national needs
- Aspirational and inclusive in our expectations of our students and each other
- A pro-active, innovative and trusted local and regional partner
- Good financial health
- The best place to work and study

The College values were retained 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.

Strategic Report *Continued*

The College strategic priorities monitored throughout 2017/18 have been:

- 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 was inspected by both Ofsted and the Higher Education Quality Assurance Agency (QAA) during 2017/18. Ofsted judged that the College remained a good provider and the QAA found the higher education courses and student experience both met the standards outlined in the quality code.
- The College continues to positively engage with all major stakeholders to ensure that provision is responsive to the needs of our community. The College continues to offer English and maths, ESOL, foundation learning and IT provision from a range of community based locations in response to community demand and is committed to offering a curriculum that also develops the employability skills of these students.
- Performance by 16-18 study programme students is good with most students making at least expected progress and often better than expected progress in their vocational subjects. On English and maths programmes students make above average progress from their starting points, and show a positive value added score.
- The creation of the Industry Placement Team has further enhanced College employer engagement activity and led to 83% of Study Programme learners participating in work placement activity in 2017/18.
- Overall positive destinations are excellent: 93% of full-time students who completed their study programme progressed to further study, an apprenticeship or employment.
- Adult provision offers good opportunities for students to gain the skills they need for employment and to make positive contributions to their families and wider community.
- 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 College strategic partnership with West Yorkshire Colleges Consortium has allowed the College to tender for ESIF funds to support our work with employers and offer more responsive and bespoke provision. In addition to this the College has been successful in a number of public sector competitive tenders for Apprenticeship delivery.
- In addition to the process manufacturing and science focus, strong relationships with industry and employers have been established in the contexts of Construction, Creative Industries and Land Based, where new standards are being introduced as they are developed. This has facilitated new contracts with major national companies such as Nestle, Coca Cola, BASF and Syngenta.
- Students are empowered to have their say through Student Voice and Union activity, supporting the continuous improvement of the student experience. The FE Choices student satisfaction survey reports 85.6% student satisfaction, which is line with the previous year and significantly above the national average of 78%.

Strategic Report *Continued*

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

- The College was delighted to receive the 2018 TES FE award for Support for Learners. This award reflected the hard work of the team in supporting students most at risk of missing out on opportunities provided by the College.
- Students report that they feel safe in College, and there is zero tolerance to bullying or harassment.
- Progress coaches support students effectively during pastoral sessions to evaluate and record work-related skills that students have gained and need to plan their next steps. 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.
- Equality, Diversity & Inclusion have remained central to the College and its culture. Any significant differences between the performance of different groups are monitored and swiftly addressed.
- The vast majority of lessons provided the opportunity for students to develop both English and/or maths skills, which has resulted positive performance against the DfE progress measures. Maths and English were positive 0.03 and positive 0.9 respectively against a national average of negative 0.21.
- 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 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, and internal work placements preparing them well for future employment. As a result, 93% of full time students have gained a positive destination.

3. *To provide modern, safe estate and resources*

- Working in close partnership with Kirklees Council and West Yorkshire Combined Authority, the College made significant progress with its estate transformation programme in Dewsbury in 2017/18. The first of the projects was the construction of Springfield Sixth Form centre, which was brought into operational use in September 2018.
- The second of the Dewsbury projects is the refurbishment of Pioneer House, a listed building in Dewsbury town centre, which will provide excellent facilities for adults and apprenticeships. During 2017/18 Kirklees Council has been undertaking its works to the building, and is expected to handover the building to the College in early 2019. This facility will be open from September 2020, until then the College continues to use part of the existing Halifax Road campus.
- The Wheelwright Centre has been vacated and marketed for sale. The Halifax Road campus has been partially vacated and will be put on the market in 2020.
- Over the summer of 2017 the College successfully relocated performing arts and music from the Highfields Centre to the Huddersfield Centre, and the Highfields Centre was sold in early 2018.
- The College is currently negotiating the sale of the Holmfirth Centre and it is anticipated the sale will be completed by mid-2019.
- On completion of the final Pioneer House project in 2020 and the sale of surplus estate, the College will achieve 100% of the estate in 'as new' or 'sound' condition (as classified by the ESFA) compared to less than 20% in 2010.

Strategic Report *Continued*

4. *To promote effective communications and customer services*

- The Exams team was shortlisted for the 2018 TES FE Awards for Professional services team of the year.
- The College successfully re-achieved the Quality in Careers Standard and the Matrix Standard for advice and guidance. The College was also selected to be one of the few FE Colleges involved in the new Government Initiative for 'Careers Hubs' to further improve careers education on a regional basis.
- Through the appointment of a Head of Sales and Marketing the College has maintained and improved our communication with employers with improved marketing collateral and a clear communication strategy. The College continued to maximise its partnership with Huddersfield Town Football Club and the many networks and opportunities with employers that this provides.
- Over 500 local people attended the College Springfield Spectacular event in June 2018. The event was a huge success and raised awareness of the opening of the new college centre in Dewsbury and the range of provision available.
- The customer services and examinations team maintained the Customer Service Excellence (CSE) Accreditation for their third year, with 100% compliance against 57 elements; 14 of these elements were acknowledged as 'exceeding excellence'.
- The customer service and examinations team worked closely with the University of Huddersfield and Kirklees Public Libraries as a collaborative group working on improving services and investigating the benefits of joint working arrangements.
- The Exams team successfully administered the large scale GCSE English & Maths examinations seating 7,670 students and 2,570 students with special requirements over five GCSE sessions in which 1,000 highly trained internal staff invigilators demonstrated excellent collaborative work across college.
- The Exams team established a special partnership with the SEN Assessment & Commissioning Team of Kirklees Council to host GCSE examinations for the young people they support with severe physical and mental health issues. This resulted in Kirklees College hosting exams at home providing these young people with the opportunity to continue their education, gain qualifications and help to improve their quality of life.

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

- A new internal agency staff procurement process for managers was introduced to enable better monitoring of recruitment and associated costs.
- A STEM recruitment fair was run, resulting in successful appointments to hard to recruit Engineering and Science areas.
- The 7th Teaching, Learning and Assessment conference took place in November 2017. This provided an opportunity to showcase good practice and bring colleagues together. The College sees this as an essential opportunity for CPD.
- A number of recruitment campaigns were managed for senior leadership roles.
- The College provided comprehensive outplacement support sessions to staff identified as at risk of redundancy.
- Several new equality and diversity initiatives have been put in place including achieving the status of Disability Confident Employer.
- A range of Health and Wellbeing initiatives have been introduced for staff to improve mental health and wellbeing, including Yoga and relaxation techniques.
- As part of the restructure required for the delivery of the recovery plan, a full review of remission was conducted to ensure that roles in the new curriculum structure were effectively resourced.

Strategic Report *Continued*

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

- The College successfully applied to the ESFA Restructuring Fund to secure funding for the implementation of a range of actions aimed at securing the Colleges' financial sustainability for the future.
- A financial recovery plan was prepared and substantially implemented, which will result in significant efficiency savings for the 2018/19 financial year.
- The efficiency savings identified will bring the College back within the recognised benchmarks for the staff to income ratio during 2018/19.
- A payment holiday was negotiated with the Local Authority for the 2019/20 financial year to support cashflow during the final phase of the capital developments in Dewsbury.
- Despite significant costs of restructuring in excess of original budget, the target cash based operating performance was close to being achieved.
- Claiming of grant monies against the capital developments was highly effective, thereby minimising the impact of the projects on cashflow.

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

- The external view of the accuracy and completeness of College data remained very positive through the ongoing dialogue and audits with the ESFA ESF Audit team. All returns were submitted on time and without error.
- System changes required as a result of the apprenticeship reforms were effectively implemented.
- 99.99% system access to key IT systems was achieved whilst running a programme of hardware and software upgrades to desktop, networking and server infrastructure.
- The IT team seamlessly migrated services from Wheelwright Centre and parts of the Dewsbury Centre to the new Springfield Sixth Form Centre and the Oldroyd building, updating teaching and learning resources at the same time.
- Risk management processes were effectively used to manage both strategic risks and project risks.
- The Information Learning Technology team developed numerous interactive learning materials for students, whilst generating revenue for College through membership of a national consortium.
- Work commenced on the implementation of a dashboard for curriculum managers to enable closer monitoring of performance.
- A review of the College print and reprographics provision has resulted in savings of £50k per annum.

Strategic 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 negative £1.45 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'.

The first objective was not achieved, the actual outturn was negative £1.58m, however this included £0.8m of restructuring costs not in the original budget. The second objective was met, with cash balances exceeding forecast throughout most of the year. The third objective was also not met, with the College self-assessing as being in 'Inadequate' financial health early in the financial year. This was 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 the impact on the College of the apprenticeship reforms.

The College financial objectives have been revised as part of the 2018 Restructuring Fund application, and future reporting will be against these revised objectives. These are:

1. Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) at a minimum of 8% in each year of the forecast.
2. Overall 'Good' financial health by the end of 2021/22.
3. Cash balances at a minimum of 30 days with the exception of the traditional March pressure point.
4. Debt to income ratios not exceeding 40% by July 2023.
5. Staff to Income ratio no more than 65%.

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 £3.5 million (2017: £5.2 million). It remains the Corporation's intention to increase reserves by the generation of annual operating surpluses, although also recognises that this may not be achievable in the very short term due to the the impact of the recovery plan actions taking some time to achieve their full effect.

Strategic Report *Continued*

Performance indicators

College performance in 2017/18 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 2017/18 was 81%, a decrease of 3% from the previous year but still an increase of 6% from 2014/15. Although marginally below the national average, the College is confident that this decrease will be reversed in 2018/19 once the impact of the staffing restructure is not a factor. Overall apprenticeship achievement is strong at 76% and is 7% above the national average, and the gap between overall and timely achievement is low.
- The 2017/18 operating performance fell from a strong performance in 2016/17. This was in line with expectation. Despite this almost £4m in cash was generated to invest in a new and more efficient estate, and solvency was maintained.
- The College exceeded the 16-18 learner number and cash allocations within its EFA contract for the 2017/18 funding year, and the contract for 2018/19 has been increased as a result. The Adult Education Budget was also exceeded. Contract allocations for apprenticeships were increased in year following positive performance against this income stream.

FINANCIAL POSITION

Financial results

The College 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 defined benefit pension obligation operating credits/charges. In 2017/18, the College outturned an OSPR of (£1,583,000) against a target of (£1,455,000) (2016/17 £1,391,000 against a target of £1,750,000).

The Statement of Comprehensive Income shows a deficit of £1,746,000, (2016/17 – surplus of £708,000). This is stated after an asset impairment of £660,000 following a revision to market value of estate in Dewsbury held for resale, a favourable £4,165,000 exceptional movement in the actuarial valuation of the Local Government Pension Scheme, and a loss on the disposal of land and buildings of £123,000. The underlying trading position is therefore a deficit of £5,128,000 (2016/17 deficit £721,000). This deterioration was forecast and was the reason behind the preparation and implementation of the College recovery plan in the latter half of the year.

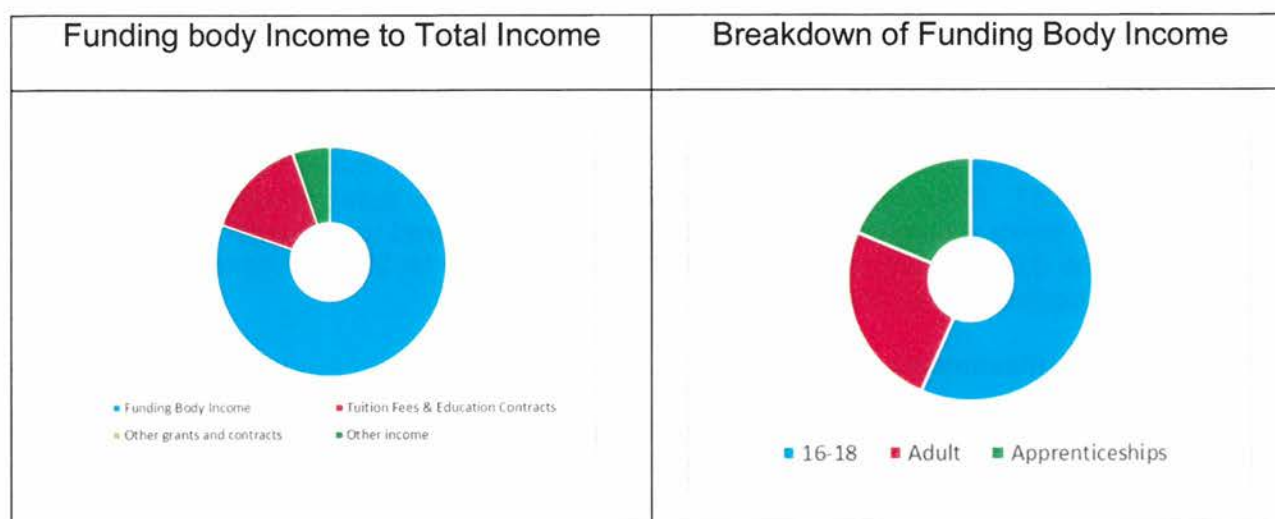
The College's accounts show accumulated reserves of £18,171,000 prior to the pension deficit reserve of £14,688,000, i.e. an unrestricted reserves position of £3,436,000 compared to the net unrestricted reserves of £5,182,000 in 2016/17. The Statement of Changes in Reserves on page 31 summarises the movements in more detail.

Tangible fixed asset additions during the year amounted to £6,202,000. Additions were split between land and buildings acquired of £5,520,000 and equipment additions of £682,000. In the main, additions related to the construction of the College new centres in Dewsbury, the Springfield centre being ready for occupation from August 2018. The total project budget is £18.47million of which £11.12million is being funded by the Leeds City Region Local Enterprise partnership (LEP), and £4.85million is funded by Kirklees Council. This total project budget covers both the Springfield Centre and Pioneer Centre.

Strategic Report *Continued*

Sources of income

The College places significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the FE funding bodies provided 80% of the College's total income. The largest proportion of funding comes from 16-18 Education and Training. The graphs below show these proportions.



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.

The College also has financing facilities with Lloyds Bank, a £1.5m five year fixed rate loan drawn in October 2014 and a £1.5m overdraft facility. At the 31 July 2018 year end, the outstanding balance on the fixed rate loan was £0.45m. The overdraft facility was not utilised.

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

Cash flows and liquidity

There was a net cash inflow from operating activities of £3,960,000 in 2017/18 compared to £7,896,000 in 2016/17. The Statement of Cash Flows analyses the movements in cash flows in more detail. Although this was a healthy level of cash flows from operations, a significant element was capital grant receipts deployed against the capital developments in Dewsbury. £2.8m in Exceptional Financial Support was applied for and received in January 2018. £0.98m of long term debt was repaid during the year.

Strategic Report *Continued*

The combination of a significant operating deficit combined with complex cashflow timings related to capital developments meant that as forecast, the cashflow covenant with Lloyds Bank was breached in 2017/18. Although the bank were not prepared to issue a waiver of this breach, a reservation of rights was supplied and access to ongoing overdraft facilities was continued. The Lloyds Bank breach caused a cross breach of the Local Authority loan, but a waiver of this breach was provided by the Local Authority.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2017/18 the College has delivered funded activity that has produced £27,880,000 in ESFA funding (2016/17, £29,163,000). The College delivered to approximately 13,000 funded learners from these allocations. In 2017/18 the College delivered to 3,249 16-18 year olds, 159 more than the 3,090 contracted for, meaning that allocations for 2018/19 have been increased through the lagged funding methodology.

Curriculum achievements

In March 2018 the College was reassessed by Ofsted as a 'Good' provider. The Ofsted team concluded that the quality of provision had been sustained since the November inspection, that self-assessment processes were accurate and that there was no complacency around areas for improvement. The Ofsted team also observed that although the College faced significant financial challenges, there was no visible impact on the learner experience.

Apprenticeship success rates remain significantly above the national average (7% overall and 10% for timely achievement) and this is significant given recent growth in the apprenticeship learner cohort. In the 2017/18 employers survey the College was above the national average 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 2017/18, 93% of all full time learners progressed onto higher and further education, training or employment.

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 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.

Strategic Report *Continued*

Environmental matters

The College continues to seek to minimise its impact on the environment and reduce its carbon footprint. The continued improvement of the college's building estate condition, following the completion of the recent new build projects, has seen a significant improvement in the level of environmental controls, which is delivering benefits to both students and staff. When the Pioneer Centre is completed in 2020, all of the college's estate will be in Building Condition bands A & B.

The College continues to maximise the opportunities offered through SALIX funding with a further series of initiatives being undertaken to reduce the college's energy bills and improve overall operating efficiency. The college will continue improvement in existing systems to further reduce the energy consumption by a further 30% by 2020, this will be mainly achieved through improving the Building Environmental Management Systems (BEMS) on our larger scale plant.

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 2018, the College paid 93.76% of its invoiced values within 30 days of receipt. 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 and the Springfield Centre in 2018, the College's 10 year estate transformation project will be concluded with the completion of the Pioneer Centre in 2020. These new centres will enable savings through teaching space being smaller, better utilised and more energy efficient.

The Dewsbury projects are being delivered in partnership with Kirklees Local Authority and West Yorkshire Combined Authority 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.

Going concern

The financial health of the College has been a challenge for a number of years due to the level of historic debt from investment in the College's estate in 2010. The College has returned healthy cash based operating performance over recent 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'. The ESFA concurred with this assessment and in October 2017 referred the College for FE Commissioner intervention.

Strategic Report *Continued*

In response to the FE Commissioner recommendations, during 2017/18 the College prepared a comprehensive financial recovery plan which outlined a range of actions that would be taken to address the deteriorating financial position.

The plan was well received by the FE Commissioner team, and, following a visit in March 2018, the College received confirmation of the 2015 Area Review panel decision that the College should continue to remain a standalone institution and the FE Commissioner team recommended that a 'Fresh Start' application to the Restructuring Fund should be made recognising the significant progress that had been made in addressing the concerns raised at their initial visit. This application has been made and approved, and this combined with agreed ongoing bank facilities provide the College with adequate facilities to support cashflow to December 2019 and beyond.

The Restructuring Fund package was formally agreed and the first transfer of funds completed in November 2018. Whilst uncertainties remain in respect of changing funding methodologies, the College believes that, on the basis of cash flow forecasts, it can manage these fluctuations, and therefore believes that presenting these financial statements on a going concern basis is appropriate.

RESOURCES

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

Tangible resources as at 31st July 2018 include the main College sites in Huddersfield and Dewsbury and four other specialist sites situated in the Kirklees area.

Financial

The College has net assets of £3,483,000 as at 31st July 2018 (£5,229,000 at 31 July 2017), including a pension liability of £14,688,000 (£17,101,000 at 31 July 2017).

People

The College employed an average of 695 full time equivalent staff in the year to 31st July 2018 (733 in 2016/17) of whom 284 (318 in 2016/17) 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 well developed strategies for managing risk and strives to embed risk management in all that it does. The Governing Body has overall responsibility for risk management and its approach to managing risks and the system of internal control is explained in the Statement on Corporate Governance.

All key 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 policies and procedures gives us and other stakeholders assurance with regard to reducing and mitigating the risks where appropriate.

Strategic Report *Continued*

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 below other factors besides those listed may also adversely affect the College.

- Changes in government funding and policy adversely affect the curriculum plan and student experience with a resultant impact on College finances;
- The College fails to operate within its agreed revenue budget;
- The Pioneer capital development in Dewsbury is 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 ongoing challenges of Special Educational Needs reforms;
- The recovery plan fails to deliver the planned improvements in the operating position;
- The College fails to dispose of its surplus estate within the timeframes assumed in the recovery plan;
- Changes to the level of employer pension contributions payable;
- 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

Strategic Report *Continued*

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

Single Equality, Diversity and Inclusiveness Strategy

The College strives to embed all aspects of Equality and Diversity in everything we do. We pride ourselves on being a welcoming and inclusive College with a real commitment to continually raising awareness of equality and diversity matters and minimising discrimination and prejudice.

The Single Equality Strategy (SES) brings together our commitments to equality, diversity and inclusiveness, and our equality ambitions and plans across the organisation. It embraces all members of our College community and its objectives demonstrate our wholehearted commitment to continued action in tackling inequality and promoting diversity and inclusiveness. We will continue with our efforts to break down barriers and challenge unfairness, and ensure opportunities and experiences provided by the College help people and communities reach their full potential.

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

The College publishes an annual Equality Report to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures.

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

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff.

Strategic Report *Continued*

Trade Union facility time

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

For the purpose of industrial relations, the College recognises UNISON and UCU working collectively together to resolve any employee related issues. Therefore, a number of the College's employees also carry out Union duties as part of their role; please see further information below regarding this:

UCU – 5 employees

UNISON – 6 employees

Of the above, all 11 of these employees have spent 1-50% of their working hours on facility time. This can vary on a month by month basis depending on casework and/or College plans during that time. However, these hours would not go above the 50% mark.

During an academic year, UCU reps are allocated 318 hours per individual (5 in total). Therefore, during this period UCU have spent 1,590 hours on facility time. These hours are used for anything Union related such as meetings, hearings, discussions etc. The hours set for remission are set at the beginning of the academic year and UCU ensure that they do not go beyond these hours.

Unison have spent 1,000 hours during this period. The hours used per month can vary throughout the year therefore; this may alter slightly as a year on year comparison. Again, these hours are used for anything Union related e.g. meetings, hearings or discussions.

The total percentage spent for paid trade union activities against the total pay bill amount equates to 0.248%.


The total percentage of total paid facility time hours spent on paid Union activities equates to 5.45%.

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 14 December 2018 and signed on its behalf by:

Signed


Mr G Hetherington, Chair

Date

14 December 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 2017 to 31st July 2018 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 P Berthault	08.12.17	31.07.18		Student	QPS	4/5
Ms J Bracewell	14.7.11	31.7.19	2.11.17	Independent	Audit, EEC, QPS, Search	1/1
Mrs L Carruthers	14.07.11	31.07.19	17.08.17	Independent	Audit	0/0
Mr A Conn	6.10.17	31.3.21		Independent		7/8
Prof. S Donnelly	18.5.18	31.3.22		Independent	QPS	1/1
Ms M Gilluley	30.01.17			Principal	Finance, QPS, Search, EEC	8/8
Ms C George	23.5.14	31.3.21		Independent	Finance, QPS, Search, EEC	7/8
Ms E Hainsworth	16.3.18	31.3.22		Independent	QPS	2/2

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	2/2
Mr G Hetherington	15.05.15	31.03.22		Independent	Audit, QPS, Finance, EEC	7/8
Mrs L Holdsworth	30.1.15	31.12.17		Staff (Business Support)	QPS	2/3
Mr D Keeton	24.03.17	31.03.21		Independent	Audit	6/8
Mr H Linn	16.03.18	31.03.22		Independent	Finance	2/2
Prof. C Jarvis	22.03.13	31.03.19	31.1.18	Independent	QPS	2/4
Mrs J Nowacki	08.07.16	31.03.20	04.07.18	Independent	QPS	2/7
Mr Z Pervaiz	15.05.15	31.03.18	07.02.18	Independent	Audit	1/4
Ms C Pinder	08.12.17	31.03.21	06.07.18	Independent	Audit	2/4
Ms L Precious	26.1.18	25.1.22		Staff (Business Support)	Audit	4/4
Mr J M Royle	17.05.06.	31.07.20		Independent	Finance, QPS	8/8
Ms I St Hilaire	09.12.16	31.07.17	17.09.18	Student		2/8
Mr N Taylor	06.10.17	31.07.21		Staff (Curriculum)	QPS	6/8
Prof. J Thompson	22.03.13	31.03.19		Independent	Finance	7/8
Ms S Weston	19.05.17	31.03.21		Independent	QPS	6/8
Mr M Varyani	16.03.18	31.03.18		Independent	Finance	2/2
Dr A Williams	08.07.16	31.03.20		Independent	Audit, QPS	7/8
Mr J Williams	12.7.12	31.07.20		Independent	Finance, EEC, Search	8/8

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 31.7.18
Mr M Pearmain	15.05.15	31.07.19		Audit Committee	3 years

Expenses claimed from 1 August 2017 to 31 July 2018 by three members of the Corporation totalled £3,659 (£2,114 in 2016/17 from three 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 the Principal, (ex officio), which is responsible for the selection and nomination of any new member, for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided, as required.

Independent members are appointed for a term of office of up to four 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 eight years) in line with the English College's Code of Good Governance. Extension beyond two terms (or eight 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 2017/18 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 2018, the College's Executive Employment Committee comprised:-

Mrs J Bracewell, Mrs C George, Mrs M Gilluley, Mr A Hawley, Mr G Hetherington 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 2018 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.

Statement of Corporate Governance and Internal Control *Continued*

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

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

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

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

Finance Committee

The Finance Committee comprises a minimum of five and a maximum of eight 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.

Throughout the 2017/18 year, the Finance Committee has been supported by a group of additional external co-optees with substantial specialist financial expertise. This group has met monthly to advise on and monitor progress with the Restructuring Fund application, and its effectiveness in this remit was recognised by the FE Commissioner.

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 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.

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.

Statement of Corporate Governance and Internal Control *Continued*

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 she 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.

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 2018 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 2018 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.

Statement of Corporate Governance and Internal Control *Continued*

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 2018, 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.

Review of Effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her 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 3rd December 2018 meeting, the Audit Committee considered its annual report for the year ended 31 July 2018.

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."*

Statement of Corporate Governance and Internal Control *Continued*

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 on page 11 of the strategic report and accounting policies disclosures on page 34.

Approved by order of the Members of the Corporation on 14 December 2018 and signed on its behalf by:

Signed 
Mr G Hetherington, Chair

Signed 
Mrs M Giffuley, 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 colleges's grant funding agreement and contracts with ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with ESFA.

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

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 14 December 2018

Statement of the Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the grant funding agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and its surplus/deficit of income over expenditure 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 which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

The 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.

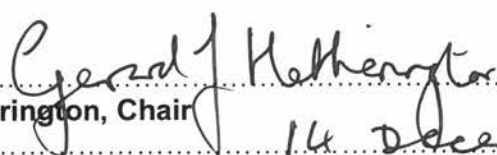
Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA are used only in accordance with ESFA's grant funding agreements and contracts 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 are not put at risk.

Approved by order of the Members of the Corporation on 14 December 2018 and signed on its behalf by:

Signed

Mr G Hetherington, Chair

Date


14 December 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 2018, which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balances 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 2018 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 College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Corporation is responsible for the other information. The other information comprises the information included in the Members' Report and Statement of Corporate Governance and Internal Control, set out on pages 1 to 23 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 Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the College; or
- the College 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 Responsibilities 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

18 December 2018

Reporting accountant's assurance report on regularity

To the Corporation of Kirklees College and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA')

In accordance with the terms of our engagement letter dated 20 November 2018 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts 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 2017 to 31 July 2018 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 ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which ESFA has other assurance arrangements in place.

This report is made solely to the Corporation of Kirklees College and ESFA 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 ESFA 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 ESFA, 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 2017 to 31 July 2018 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 ESFA. 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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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18 December 2018

Statement of Comprehensive Income

	Note	2018 £'000	2017 £'000
INCOME			
Funding body grants	2	29,917	32,268
Tuition fees and education contracts	3	5,410	5,658
Other grants and contracts	4	49	35
Other income	5	1,929	2,488
Investment income	6	-	8
Donations	7	-	597
Total income		37,305	41,054
EXPENDITURE			
Staff costs	8	26,452	25,616
Other operating expenses	9	10,763	10,184
Depreciation	12	3,789	4,235
Fixed Asset Impairment		-	12,342
Impairment of Asset held for resale		660	-
Reversal of prior year impairment charge		-	(1,100)
Interest and other finance costs	10	1,429	1,740
Total expenditure		43,093	53,017
Deficit before other gains and losses and tax		(5,788)	(11,963)
(Loss)/gain on disposal of asset		(123)	750
Deficit before taxation		(5,911)	(11,213)
Taxation		-	-
Deficit for the year		(5,911)	(11,213)
Actuarial gain in respect of pension schemes	25	4,165	11,921
Total Comprehensive Income for the year		(1,746)	708
Represented by:			
Restricted comprehensive income		-	(2)
Unrestricted comprehensive income		(1,746)	710
		(1,746)	708

All activities are continuing activities.

The accompanying notes and accounting policies on pages 34 to 55 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 2016				
	31,310	49	(26,838)	4,521
Deficit from the income and expenditure account	(9,061)	(2)	(2,150)	(11,213)
Other comprehensive income	34	-	11,887	11,921
Balance at 31st July 2017	<u>22,283</u>	<u>47</u>	<u>(17,101)</u>	<u>5,229</u>
Deficit from the income and expenditure account	(4,112)		(1,799)	(5,911)
Other comprehensive income	(47)	-	4,212	4,165
Balance at 31st July 2018	<u>18,124</u>	<u>47</u>	<u>(14,688)</u>	<u>3,483</u>

The accompanying notes and accounting policies on pages 34 to 55 form an integral part of these financial statements.

Balance Sheets as at 31 July

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible fixed assets	12	98,384	96,441
Investments	13	35	34
		<u>98,419</u>	<u>96,475</u>
Current assets			
Stocks		58	81
Assets held for resale		1,225	2,910
Trade and other receivables	14	1,390	1,451
Cash and cash equivalents	19	894	953
		<u>3,567</u>	<u>5,395</u>
Less: Creditors – amounts falling due within one year	15	(11,888)	(8,927)
Net current liabilities		<u>(8,321)</u>	<u>(3,532)</u>
Total assets less current liabilities		90,098	92,943
Less: Creditors – amounts falling due after more than one year	16	(70,009)	(68,634)
Provisions			
Defined benefit obligations	18	(14,688)	(17,101)
Other provisions	18	(1,918)	(1,979)
Total net assets		<u>3,483</u>	<u>5,229</u>
Unrestricted reserves			
Income and expenditure account excluding pension reserve		18,124	22,283
Pension reserve	25	(14,688)	(17,101)
Total unrestricted reserves		<u>3,436</u>	<u>5,182</u>
Restricted reserve		<u>47</u>	<u>47</u>
Total reserves		<u>3,483</u>	<u>5,229</u>

The accompanying notes and accounting policies on pages 34 to 55 form an integral part of these financial statements.

The financial statements on pages 30 to 55 were approved and authorised for issue by the Corporation on 14 December 2018 and were signed on its behalf on that date by:

Mr. G Hetherington, Chair

Mrs. M Gilluley, Accounting Officer

Gerald Hetherington
.....
M Gilluley
.....

Statement of Cash Flows

	Note	2018 £'000	2017 £'000
Cash inflow from operating activities			
Deficit for the year		(5,911)	(11,213)
Adjustment for non-cash items			
Depreciation	12	3,789	4,235
Fixed Asset Impairment	12	-	12,342
Reversal of prior year impairment	12	-	(1,100)
Impairment of Asset held for resale		660	-
Donations to income	7	-	(597)
Decrease/(Increase) in stocks		23	(25)
Decrease in debtors		61	197
Increase in creditors due within one year		426	1,572
Increase in creditors due after one year		2,090	87
Decrease in provisions		(107)	(107)
Pension costs less contributions payable	25	1,799	2,150
Unrealised investment loss/(gain)		(1)	2
Adjustment for investing or financing activities			
Investment income		-	(8)
Interest payable		1,008	1,111
Loss/(gain) on sale of fixed assets		123	(750)
Net cash flow from operating activities		3,960	7,896
Cash flows from investing activities			
Proceeds from sale of fixed assets		1,372	2,000
Investment income		-	8
Payments to acquire investments		-	-
Payments to acquire fixed assets		(6,202)	(5,629)
		(4,830)	(3,621)
Cash flows from financing activities			
Interest paid	10	(1,008)	(1,111)
New unsecured loans		4,300	12,900
Repayments of amounts borrowed		(2,481)	(15,648)
		811	(3,859)
(Decrease)/Increase in cash and cash equivalents in the year		(59)	416
Cash and cash equivalents at the beginning of the year	19	953	537
Cash and cash equivalents at the end of the year	19	894	953

The accompanying notes and accounting policies on pages 34 to 55 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 2017 to 2018* 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.

The accounts are presented in Sterling which is also the functional currency of the College.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out on page 11 of the Strategic 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 £22m of term loans outstanding with the local authority, bankers and the ESFA on terms negotiated in 2010, 2014 and 2018 respectively. In addition the College had a £1.5m unsecured overdraft facility available with Lloyds Bank until 31st March 2019. At the year end this facility was not utilised.

The College was placed under FE Commissioner Intervention in September 2017 and since then has developed and implemented a financial recovery plan. Whilst this work was ongoing, the College received Exceptional Financial Support (EFS) of £2.8m in January 2018 and this is included within the £22m described above.

As part of the financial recovery strategy, the College has been successful in its application to the Restructuring Fund, and this will provide a combination of grant and loan monies to the College to support the delivery of a package of measures outlined in the recovery plan aimed at the college achieving financial sustainability over the long term. The Restructuring Fund package was formally agreed and the first transfer of funds completed in November 2018.

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

Notes (continued)

1 Statement of accounting policies (continued)

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.

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.

Notes (continued)

1 Statement of accounting policies (continued)

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 and contracted out of the State Second Pension.

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.

Actuarial gains and losses are recognised immediately in Other Comprehensive Income.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. 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.

Notes (continued)

1 Statement of accounting policies (continued)

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. This includes mechanical and electrical equipment purchased as part of a new build programme. These assets are depreciated over 10 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the 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.

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.

Notes (continued)

1 Statement of accounting policies (continued)

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.

Inventories

Inventories 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.

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.

Notes (continued)

1 Statement of accounting policies (continued)

Foreign currency translation

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

Maintenance of premises

The cost of routine corrective maintenance is 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 1% 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.

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.

Notes (continued)

1 Statement of accounting policies (continued)

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. 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 2017/18 accounts reflect an impairment to open market value of the College's Dewsbury centres. 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 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 2018. 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

	2018 £'000	2017 £'000
Recurrent Grants		
Education and Skills Funding Agency 16-18 programme funding	14,446	15,601
Education and Skills Funding Agency 16-18 high needs	1,320	840
Education and Skills Funding Agency – Adults	6,884	6,886
Education and Skills Funding Agency – Apprenticeships	5,193	5,446
Education and Skills Funding Agency – Other	17	187
Higher Education Funding Council	314	412
Specific Grants		
Education and Skills Funding Agency – Other	20	203
Releases of government capital grants	1,723	2,693
Total	29,917	32,268

3 Tuition Fees and Education Contracts

	2018 £'000	2017 £'000
Adult education fees	1,179	1,215
Apprenticeship fees and contracts	77	128
Fees for FE loan supported courses	786	803
Fees for HE loan supported courses	1,403	1,776
Total tuition fees	3,445	3,922
Education contracts	1,965	1,736
Total	5,410	5,658

4 Other grants and contracts

	2018 £'000	2017 £'000
Other grants and contracts	49	35
Total	49	35

5 Other income

	2018 £'000	2017 £'000
Catering and residences	764	886
Non-government capital grants	320	983
Miscellaneous income	845	619
Total	1,929	2,488

Notes (continued)

6 Investment income

	2018 £'000	2017 £'000
Other interest receivable	-	8
Total Investment Income	-	8

7 Donations

	2018 £'000	2017 £'000
Unrestricted donations	-	597
Total Donations	-	597

Donations in the prior year relate to donations of equipment from local employers to the College's 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:

	2018 No.	2017 No.
Teaching staff	284	318
Non-teaching staff	411	415
	695	733

Staff costs for the above persons

	2018 £'000	2017 £'000
Wages and salaries	19,670	19,704
Social security costs	1,667	1,673
Other pension costs	4,223	4,117
Subtotal staff costs	25,560	25,494
Contractual restructuring costs	892	122
Total staff costs	26,452	25,616

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

	2018 No.	2017 No.
The number of key management personnel including the Accounting officer was:	14	14

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	
	2018 No.	2017 No.
£0 to £10,000	1	1
£10,001 to £20,000	-	2
£20,001 to £30,000	1	
£40,001 to £50,000	2	1
£60,001 to £70,000	7	7
£70,001 to £80,000	-	1
£80,001 to £90,000	1	-
£90,001 to £100,000	1	1
£100,001 to £110,000	-	1
£140,001 to £150,000	1	-
	<u>14</u>	<u>14</u>

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

Key management personnel emoluments are made up as follows:

	2018 £'000	2017 £'000
Salaries gross of salary sacrifice	889	799
Employers National Insurance	109	98
Benefits in kind	1	1
	<u>999</u>	<u>898</u>
Pension contributions	140	119
Total key management personnel compensation	<u>1,139</u>	<u>1,017</u>

Notes (continued)

8 Staff costs (continued)

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

	2018 £'000	2017 £'000
Salaries	141	132
Employers National Insurance	19	17
Benefits in kind	1	1
	<hr/> 161	<hr/> 150
Pension contributions	23	22
	<hr/> 184	<hr/> 172
Total emoluments		

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

	2018 £'000	2017 £'000
Teaching costs	4,398	3,787
Non-teaching costs	3,594	3,518
Premises costs	2,771	2,879
	<hr/> 10,763	<hr/> 10,184
Total		

Other operating expenses include:

Auditors' remuneration:

Financial statements audit	38	25
Other services provided by the financial statements auditors	-	3
Internal audit	19	6
Hire of land and buildings under operating leases	11	11

Notes (continued)

10 Interest payable

	2018 £'000	2017 £'000
On bank loans, overdrafts and other loans:	<u>1,009</u>	<u>1,111</u>
	1,009	1,111
Pension finance costs (note 25)	<u>421</u>	<u>629</u>
Total	<u>1,430</u>	<u>1,740</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 2017	101,588	5,098	14,204	120,890
Additions	61	5,459	682	6,202
Transfer to current assets	(275)	-	-	(275)
Disposals	(7,314)	(245)	(2,674)	(10,233)
At 31 July 2018	94,060	10,312	12,212	116,584
Depreciation				
At 1 August 2017	14,745	-	9,704	24,499
Charge for the year	2,530	-	1,259	3,789
Eliminated in respect of transfer to current assets	(50)	-	-	(50)
Eliminated in respect of disposals	(7,314)	-	(2,674)	(9,988)
At 31 July 2018	9,911	-	8,289	18,200
Net book value at 31 July 2018	84,149	10,312	3,923	98,384
Net book value at 31 July 2017	86,843	5,098	4,500	96,441

In recognition of the College's intent to dispose of its Holmfirth centre an impairment on this asset down to residual market value has been made in these accounts. The residual values of this asset is are shown on the Balance Sheet in assets held for resale.

Land and Buildings under construction are the College Springfield Centre and costs to date on the Pioneer Centre. As the Springfield Centre was not brought into use until September 2018, it has been disclosed as an asset under construction in the year to 31 July 2018.

Notes (continued)

13 Investments

	2018 £'000	2017 £'000
Listed Investments	35	34
	<u>35</u>	<u>34</u>

The investments are stated at market value as at 31st July.

14 Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year		
Trade receivables	306	481
Prepayments and accrued income	304	380
Amounts owed by the Education and Skills Funding Agency	357	523
Other debtors	423	67
Total	<u>1,390</u>	<u>1,451</u>

15 Creditors: Amounts falling due within one year

	2018 £'000	2017 £'000
Local authority loans	716	681
Bank loans	3,250	750
Trade payables	445	717
Other taxation and social security	792	766
Accruals and deferred income	3,856	2,853
Deferred income – government capital grants	2,253	1,986
Deferred income – government revenue grants	201	199
Other creditors	375	195
Amounts owed to the Education and Skills Funding Agency	-	780
Total	<u>11,888</u>	<u>8,927</u>

16 Creditors: Amounts falling after one year

	2018 £'000	2017 £'000
Local authority loans	18,030	18,746
Deferred income - government capital grants	51,873	49,870
Other creditors	106	18
Total	<u>70,009</u>	<u>68,634</u>

Notes (continued)

17 Maturity of debt

Local Authority and bank loans

Bank loans and overdrafts are repayable as follows:

	2018 £'000	2017 £'000
In one year or less	3,966	1,431
Between one and two years	753	716
Between two and five years	2,500	2,378
In five years or more	14,777	15,652
Total	21,996	20,177

During the financial year the College breached a cashflow loan covenant with Lloyds Bank. 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 £450,000 has been classified as due within one year. Debt due within one year also includes Exceptional Financial Support of £2.8m which will be repaid as part of the package of Restructuring Fund support agreed by the ESFA, completion on which has taken place in November 2018.

The Local Authority loan is a fixed rate 25 year term loan of £18,745,961 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. As part of the College's financial recovery strategy, the Local Authority have agreed to a one year capital and interest payment holiday in the 2019/20 financial year.

18 Provisions for liabilities and charges

	Defined benefit Obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2017	17,101	1,979	19,080
Expenditure in the period	(1,809)	(153)	(1,962)
Transferred from statement of comprehensive income	(604)	90	(514)
At 31 July 2018	14,688	1,916	16,604

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.

Notes (continued)

18 Provisions for liabilities and charges (continued)

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.

The principal assumptions for this calculation are:

	2018	2017
Price Inflation	2.30%	2.30%
Discount Rate	1.30%	1.30%

19 Cash and cash equivalents

	At 1 August 2017 £'000	Cash Flows £'000	Other changes £'000	At 31 July 2018 £'000
Cash and cash equivalents	953	(59)	-	894
Total	953	(59)	-	894

20 Capital commitments

	2018 £'000	2017 £'000
Commitments contracted for at 31 July	122	4,728

21 Lease Obligations

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

	2018 £'000	2017 £'000
Land and buildings		
Not later than one year	10	10
Later than one year and not later than five years	1	1
Later than five years	-	-
	11	11

Notes (continued)

22 Financial assets and liabilities

	2018 £'000	2017 £'000
Financial assets measured at amortised cost	1,092	1,231
Financial assets held at fair value	35	34
Financial liabilities measured at amortised cost	22,045	23,503

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. Financial assets measured at amortised cost includes trade and other receivables which will be settled in cash. Financial liabilities measured at amortised cost include trade creditors and other payables, including loans but excluding tax and pension liabilities which will be settled in cash.

23 Contingent liabilities

There are no contingent liabilities known to the College.

24 Events after the reporting period

There have been no events after the reporting period.

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	2018 £'000	2017 £'000
Teachers' Pension Scheme: contributions paid	1,288	1,309
Local Government Pension Scheme: Contributions paid (including enhancements on redundancy)	1,809	1,284
FRS 102 (28) charge	1,378	1,521
	3,187	2,805
Charge to the Statement of Comprehensive Income	4,475	4,114
Enhanced pension charge to Statement of Comprehensive Income	90	49
Total Pension Cost for Year	4,565	4,163

Contributions amounting to £354,906 (2017 £337,340) were payable to the schemes at 31 July and are included within creditors.

Notes (continued)

25 Pensions and similar obligations (continued)

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. Membership is automatic for full-time teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan. 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.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices 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 of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable at some point in 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1,288,049 (2017: £1,331,314)

Notes (continued)

25 Pensions and similar obligations (continued)

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 2018 was £2,190,802 of which employer's contributions deducted through payroll totaled £1,568,410 and employee's contributions totaled £622,392. The agreed contribution rate for future years are 15.8% 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 2018 by a qualified actuary.

	At 31 July 2018	At 31 July 2017
Rate of increase in salaries	3.35%	3.25%
Future pensions increases	2.10%	2.00%
Discount rate for scheme liabilities	2.80%	2.60%
Inflation assumption (CPI)	2.10%	2.00%
Commutation of pensions to lump sums	75%	75%

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 2018 Years	At 31 July 2017 Years
<i>Retiring today</i>		
Males	22.1	22.1
Females	25.3	25.2
<i>Retiring in 20 years</i>		
Males	23.1	23.0
Females	27.1	27.0

Asset Allocation:	At 31 July 2018	At 31 July 2017
Equities	74.6%	76.9%
Property	4.2%	4.4%
Government Bonds	10.8%	9.7%
Corporate Bonds	3.5%	3.9%
Cash	2.2%	1.7%
Other	4.7%	3.4%
Total	100%	100%

Notes (continued)

25 Pensions and similar obligations (continued)

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

	2018 £'000	2017 £'000
Fair value of plan assets	69,695	64,124
Present value of plan liabilities	(84,383)	(81,225)
Net pensions liability (Note 18)	(14,688)	(17,101)

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

	2018 £'000	2017 £'000
Amounts included in staff costs		
Current service cost net of employer contributions	1,161	1,501
Past service cost	217	20
Total	1,378	1,521

	2018 £'000	2017 £'000
Amounts included in interest and finance costs		
Net interest charge	421	629

	2018 £'000	2017 £'000
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	3,044	4,889
Experience gains arising on defined benefit obligations	1,168	6,998
Amount recognised in Other Comprehensive Income	4,212	11,887

Notes (continued)

25 Pensions and similar obligations (continued)

Movement in net defined benefit liability during the year

	2018 £'000	2017 £'000
Deficit in scheme at 1 August	(17,101)	(26,838)
Movement in year:		
Current service cost	(2,970)	(2,776)
Past service cost	(217)	(20)
Employer contributions	1,809	1,275
Net interest on the defined liability	(421)	(629)
Actuarial gain	4,212	11,887
Net defined benefit liability at 31 July	(14,688)	(17,101)

Asset and Liability Reconciliation

	2018 £'000	2017 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	81,225	84,362
Current service cost	2,970	2,776
Past service cost	217	20
Interest cost	2,100	2,014
Contributions by Scheme participants	623	575
Actuarial gain	(1,168)	(6,998)
Estimated benefits paid	(1,584)	(1,524)
Defined benefit obligations at end of period	84,383	81,225

Reconciliation of Assets

	2018 £'000	2017 £'000
Fair value of plan assets at start of period	64,124	57,524
Interest on plan assets	1,679	1,385
Actuarial gain	3,044	4,889
Employer contributions	1,809	1,275
Contributions by Scheme participants	623	575
Estimated benefits paid	(1,584)	(1,524)
Assets at end of period	69,695	64,124

Notes (continued)

25 Pensions and similar obligations (continued)

A recent High Court ruling found Guaranteed Minimum Pensions (GMPs) must be equalised between men and women, and that past underpayments must be corrected. Employers such as the College, with a defined benefit pension scheme and contracted out of the State Second Pension from 17 May 1990 to 5 April 1997 are covered by the ruling, and will be impacted by increased defined benefit pension obligations. It is not possible to quantify the impact of the equalisation payments required as the appropriate valuation model and methodology is yet to be established. As a result no provision has been made at 31 July 2018. Further clarification is expected during the next financial year.

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 £3,659, 3 governors (2016/17 £2,114, 3 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

	2018 £'000	2017 £'000
Learner support funds		
Funding body grants – bursary support	179	91
Funding body grants – learner support	854	1,019
	<hr/> 1,033	<hr/> 1,110
Disbursed to students	(986)	(980)
Administration costs	(47)	(44)
	<hr/> -	<hr/> 86
Balance unspent as at 31 July, included in creditors		

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.

