Kirklees College Report and Financial Statements

For the year ended 31 July 2019

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 2018/19:

Mrs Marie Gilluley	Principal and Chief Executive, Accounting Officer
Mrs Carmen Gonzalez-Eslava	Vice Principal, Curriculum, Performance and Innovation
Ms Melanie Brooke	Deputy Principal, Corporate Services
Mrs Pauline Hughes	Assistant Principal, Quality and Apprenticeships
Mrs Rebecca Meara	Executive Director of Finance
Mr Adrian Hutchinson	Assistant Principal, Study Programmes, Adults and Apprenticeships (Left 31st August 2018)
Mrs Philippa Firth	Assistant Principal, Adults and Higher Education (Start 17th September 2018)
Mrs Julia Arechiga	Assistant Principal, Study Programmes (Start 7th January 2019)
Mr Craig Tupling	Assistant Principal, Quality, Student Experience and HE (Left 28th October 2018)
Mrs Polly Harrow-Wright	Assistand Principal, Safeguarding and Inclusion (Start 6th May 2019)
Mr Alan Riley	Director of MIS, IT and Risk Management (Left 3rd May 2019)
Mr Ian Webster	Director of Estates
Mrs Jane Simpson	Director of HR and Organisational Development
Mrs Helen Rose	Director of Business Development

Board of Governors

A full list of Governors is given on page 13 of these financial statements. Mr D Winward acted as Clerk to the Corporation until 31st March 2019. Mrs Joanna Green was appointed to the role of Clerk to the Corporation from 3rd June 2019. In the intervening period an interim Clerk, Ms Maxine Bagshaw provided clerking services to the Corporation.

Registered Office

Kirklees College
Waterfront Quarter
Manchester Road
Huddersfield
HD1 3LD

Professional advisers (*continued*)

Financial statement and regularity auditors:

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

Internal auditors

Kirklees Council Internal Audit
Civic Centre 1
Huddersfield
HD1 2NF

Bankers:

Lloyds Bank plc
1 Westgate
Huddersfield
HD1 2DN

Kirklees Council
Civic Centre
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
Manchester
M3 3AZ

Report and Financial Statements

CONTENTS

Strategic Report

NATURE, OBJECTIVES AND STRATEGIES

The Governing Body present their report and the audited financial statements for the year ended 31 July 2019.

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.

The College's mission is:

'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 13.

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.

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 1st February 2019, the Corporation formally approved amendments to the College's Vision for 2022. 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 2022 Vision was agreed as:

1. First choice in Kirklees for technical and professional careers;
2. Providing the best routes to apprenticeships and employment;
3. Specialist centres providing for local, regional and national needs;
4. Aspirational and inclusive in our expectations of our students and each other;
5. A proactive, innovative and trusted local and regional partner;
6. Good financial health;
7. A great place to work and study.

The College values were refreshed as INSPIRE:

Inclusive – creating an environment where all individuals are treated equally and with respect
Nurturing our students and staff to get the best out of them and develop them continually
Supportive of our students and our staff, and creating an environment that demonstrates care
Pride for being part of the Kirklees College family
Integrity - transparency, fairness and honesty in our management and communications
Respect – respectful and supportive behaviour towards each other, our students and our community
Excellence – being the best that we can be

Strategic Report *Continued*

The College strategic objectives were updated to:

1 To ensure that all of our learners develop personally and progress successfully into further training, employment or Higher Education.
2 To provide high quality teaching, learning and assessment which is innovative, inclusive and inspirational.
3 To provide safe learning environments with industry standard resources in high quality, sustainable accommodation.
4 To develop a culture of inspirational and creative leadership throughout the organisation.
5 To recruit, motivate and develop a highly skilled, effective and professional workforce which is representative of the communities we serve.
6 To consistently achieve our business targets and maintain financial sustainability.

Key achievements against these objectives in 2018/19 include:

- The new Springfield Sixth Form Centre opened in September 2018, providing first class facilities for our students in the North of the Kirklees District.
- The College held an all staff conference event in March 2019, which provided all staff with the opportunity to engage with our new strategic plan and key college initiatives as well as the opportunity to participate in wellbeing activities.
- The College secured Restructuring Funds, which have been used to stabilise the financial position, contributing to a significant improvement in our financial health. College Financial Health is now no longer within the Education and Skills Funding Agency category of 'Inadequate'.
- An investment of £1.1m was made to improve the College IT infrastructure and curriculum resources.
- Feedback from employers was very positive and overall employer satisfaction rates improved by 5% in 2018-19 compared to the previous year (from 83% to 88%).
- We delivered a 4% improvement in achievement on vocational programmes for the 16-18 cohort.
- Students made very good progress in their English and maths qualifications with DfE progress measures increasing consistently over the last four years and remain above the national rate.
- Outcomes for students in receipt of high needs funding continues to be outstanding.
- There were no significant achievement gaps in achievement across any protected groups
- Our subcontracted provision reduced again in line with our strategy without impacting on the level of funding contracts, and was only £0.35m in 2018/19, a reduction of 71% over the last three years.
- For the second consecutive year, Leaders and Governors have created the business environment that has allowed growth in the number of 16-18-year olds and full cost activity, which has impacted positively on financial recovery.
- We enhanced Governor and Senior Leaders skills and recruited new Governors with improved skills & expertise, providing good oversight of the College recovery.

Financial objectives

The College financial objectives were revised as part of the 2018 Restructuring Fund application. The objectives and performance against them is as follows:

1. ***Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) at a minimum of 8%***

   2018/19 EBITDA performance was 7.88%. This measure excludes Restructuring Fund income. If the associated revenue costs attached to this funding are also excluded from the calculation, the target is achieved. This is considered a good outcome.

2. ***Overall 'Good' financial health by the end of 2021/22***

   The target for 2018/19 was to achieve 'requires improvement' status from 'inadequate' in 2017/18. This has been achieved.

3. ***Cash balances at a minimum of 30 days with the exception of the traditional March pressure point***

   This has been achieved since December 2018.

4. ***Debt to income ratios not exceeding 40% by July 2023***

   The debt to income ratio remains high at 61%, however the College remains on track to achieve this target by the target date

5. ***Staff to Income ratio no more than 65%***

   This target has been achieved

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 (excluding pension reserve) stands at £24.3million (2018: £17.7million). It remains the Corporation's intention to increase reserves by the generation of annual operating surpluses.

Performance indicators

College performance in 2018/19 against individual performance indicators has been outlined in the financial and strategic objectives section of this report; however performance against the key measures of success rates and financial and funding performance are:

- Vocational achievement has improved for learners on Study Programmes by 4% and for adults by 1%. Achievement of supported learners (9% of the overall student cohort) has improved by 3%. Apprenticeship achievement on frameworks is in line with national averages. Achievement on standards is below framework rates. National averages are not yet available for this funding type, however we believe the College performance will reflect the national picture.
- The 2018/19 operating performance improved significantly following actions taken in 2017/18 to address the cost base. £9m in cash was generated from operations and Restructuring Fund support to invest in a new and more efficient estate, and create a healthier liquidity position.
- The College exceeded the 16-18 learner number and cash allocations within its ESFA contract for the 2018/19 funding year, and the contract for 2019/20 has been increased as a result. The Adult Education Budget was delivered within the tolerance threshold. The College also delivered a small growth in Apprenticeship activity.

FINANCIAL POSITION

Financial results

The College has adopted the measure of Earnings before Interest, Taxation, Depreciation and Amotisation (EBITDA) 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 and interest payable. In 2018/19, the College outturned an EBITDA of £2.94m against an original budget of £3.05m (2017/18 negative £0.5m against an original budget of negative £0.3m).

The Statement of Comprehensive Income shows a deficit of £8.71m, (2017/18 – deficit of £1.84m). This is stated after an adverse £12.5m exceptional movement in the actuarial valuation of the Local Government Pension Scheme and a favourable £6.6m in Restructuring Fund grant. The underlying trading position is therefore a deficit of £2.78m (2017/18 deficit £5.89m). The exceptional charge relating to the pension scheme has been incurred due to a change in the measurement of pension liabilities in the light of recent case law. Further details can be found at note 23 to the accounts. The LGPS pension scheme has undergone a full actuarial valuation as at March 2019. Although there will be an increase in contributions payable by the College from April 2020, this increase is in line with the assumption in the long term financial forecast.

The College's accounts show accumulated reserves of £24.3m prior to the pension deficit reserve of £30m, i.e. a net unrestricted reserves position of negative £5.8m compared to the net unrestricted reserves of £3m in 2017/18. The Statement of Changes in Reserves on page 27 summarises the movements in more detail.

Tangible fixed asset additions during the year amounted to £1.75m. Additions were split between land and buildings acquired of £0.65m and equipment additions of £1.1m.

Land and Buildings additions included £0.24m of costs related to the construction of the new centres in Dewsbury. 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. The College took possession of Pioneer House from Kirklees Council in June 2019, and the refurbishment of this centre is progressing well. Other land and buildings additions relate to improvements to the Brunel Construction Centre. The £1.1m of equipment additions relates to a significant refresh of the College IT and network infrastructure estate, and updated curriculum resources.

Sources of income

The College places significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the FE funding bodies provided 86% of the College's total income. The largest proportion of funding comes from 16-18 Education and Training, which grew by £1.7m (11%) on the previous year .

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% to part finance the £85m major capital build projects in Huddersfield. As part of the College recovery plan supporting the Restructuring Fund application, the Local Authority agreed a one year payment holiday in 2019/20. The loan term has been extended by one year to March 2036.

In November 2018, the College agreed a £3.8m borrowing facility with the Department for Education through the Restructuring Fund. Interest is payable at 0.25% above the Public Works Loan Board (PWLB) standard rate. The loan is repayable by February 2022.

The balance on a £1.5m five year fixed rate loan with Lloyds Bank and £2.8m of Exceptional Financial Support was settled as part of the Restructuring Fund package agreed with the Department for Education in November 2018.

These financial statements include a change to the accounting treatment of an overage clause to the Process Manufacturing Centre grant agreement. This is payable to the LEP in February 2026, and professional advice is that this should be treated as a 'loan'. A prior year adjustment has been processed through the accounts to reflect the impact of this liability on the opening reserves position at 1st August 2017 and the 2017/18 operating position, and a summary of this can be found at note 26 to the accounts. The repayment amount in February 2026 is fixed at £1.42m. This sum has been discounted back to arrive at a value at drawdown reflective of the prevailing commercial rate of interest at the time, and the balance is being amortised annually until it reaches the repayment sum by the repayment date.

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 £9.16m in 2018/19 compared to £3.96m in 2017/18. The Statement of Cash Flows analyses the movements in cash flows in more detail. £1.17m of commercial debt was repaid during the year.

There were no financial performance covenants being measured during 2018/19.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2018/19 the College has delivered funded activity that has produced £29.86m in ESFA funding (2017/18, £27.88m). The College delivered to approximately 10,000 funded learners from these allocations. In 2018/19 the College delivered to 3,403 16-18 year olds, 132 more than the 3,271 contracted for, meaning that allocations for 2019/20 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.

Only 25% of our study programme learners come to the College with both English and Maths grade 4 or higher at school, and the requirement for them to continue their English and Maths studies does place additional pressure on their vocational achievement outcomes. Despite this, the vocational achievement of 16-18 study programme learners is now 82%, an improvement of 4% from 2017/18, and English and Maths progress measures are excellent having improved for the fourth consecutive year.

In the 2018/19 employers survey the College was above the national average for employer satisfaction, improving by 3% on the previous year. 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 2018/19, 90% 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.

A key focus for the future will be the preparation for T-Level delivery, which the College hopes to be able to offer from September 2022.

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 2019, the College paid 92.68% 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. With the exception of the 2017/18 financial year, 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 and the need to improve the estate had an adverse impact on the Colleges solvency position.

In 2017/18 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. 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.

The Restructuring Fund package of £3.8m loan and £6.6m grant was formally agreed and funds received by the end of March 2019. This package alongside actions taken by the College to improve its operating performance has placed the College on a much firmer financial footing. With the financial health indicators of performance and solvency now being largely addressed, the College will turn its recovery actions to debt repayment, and £2m in debt repayments will be made in 2019/20. The College currently expects to achieve 'Good' financial health by 2022/23.

Although the accounts show a net liability position of £5.66m. the balance sheet is being impacted by a significant negative pension reserve of £30m. This liability is a long term liability, the college is making contributions in line with the requirements of the pension scheme, and has adequate provision within its future financial plans to meet new obligations from April 2020. The net current asset position has improved significantly from prior year, and there is sufficient cash to support operations. The College's forecasts and financial projections indicate that it will be able to operate within available facilities and meet covenant requirements for the foreseeable future.

Whilst uncertainties remain in respect of funding, particularly the availability of adequate Apprenticeship funding, the College believes that there is an adequate level of flexibility within the staffing budget to be able to absorb short term fluctuations in funding such that the operating position and cash flow can be sustained, 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 2019 include the main College sites in Huddersfield and Dewsbury and four other specialist sites situated in the Kirklees area.

Financial

The College has net liabilities of £5.66m as at 31st July 2019 (net assets of £3.05m at 31 July 2018), including a pension liability of £30.0m (£14.69m at 31 July 2018). Reserves excluding pension reserves have improved significantly in 2018/19, to £24.3m from £17.7m 2017/18.

People

The College employed an average of 657 full time equivalent staff in the year to 31st July 2019 (695 in 2017/18) of whom 270 (284 in 2017/18) 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 reviews the Risk Register on a termly basis and a full suite of reports are presented to the Governing Body. Our robust policies and procedures provide assurance with regard to reducing and mitigating the risks where appropriate.

A "heat map" procedure is applied to assess levels of risk. The Risk Register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Using the heat map process, the risks are prioritised in a RAG (Red, Amber, Green) manner which gives the College 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 reporting. 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 Pioneer capital development in Dewsbury is not delivered on time or to budget;
- The College fails to effectively manage customer expectations with a resultant impact on reputation and income;
- The College fails to be able to recruit quality staff to teach in expanding areas where there are skills shortages;
- 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 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 key 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 and 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 and Schools;
- Trade Unions;
- Professional bodies

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

Strategic Report *Continued*

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 also 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.

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; the number of employees undertaking these roles are :

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 hours per individual. During this period UCU have spent 862 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.

Strategic Report *Continued*

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 0.2%. The total percentage of total paid facility time hours spent on paid Union activities equates to 5.36%.

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 13 December 2019 and signed on its behalf by:

Signed ......Gerald J Hetherington......

Mr G Hetherington, Chair

Date ......13 December 2019......

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 2018 to 31st July 2019 and up to the date of approval of the annual report and financial statements (the "Approval Date").

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") which it formally adopted on 1st August 2015.

Via its Search & Governance Committee and with the support of its independent Clerk, the Corporation has undertaken a robust self-assessment against the Code, concluding that it has fully complied with, and in some respects exceeded, all mandatory elements and has substantially complied with all recommended elements. The Corporation 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.

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 Approval Date were as listed below:

Member	Date of Appointment	Term of Office Expires	Date of Resignation	Status of Appointment	Committees Served	% Board meeting attendance	Overall attendance %
Mr J Adam	14.12.18	31.07.19	31.07.19	Student		80	80
Mr A Conn	6.10.17	31.03.21		Independent	Audit	100	80
Prof. S Donnelly	18.5.18	31.03.22		Independent	QPS	83	70
Ms C George	23.5.14	31.03.21		Independent	Finance, QPS, Search, EEC	100	95
Ms M Gilluley	30.01.17	N/A		Principal	Finance, QPS, Search	100	94
Ms E Hainsworth	16.3.18	31.03.22	29.03.19	Independent	QPS	33	17
Mr G Hetherington	15.05.15	31.03.22		Independent	QPS, Finance, EEC, Search	83	90

Statement of Corporate Governance and Internal Control *Continued*

Member	Date of Appointment	Term of Office Expires	Date of Resignation	Status of Appointment	Committees Served	% Board meeting attendance	Overall ttendance %
Mr D Keeton	24.03.17	31.03.21	01.11.19	Independent	Audit	50	50
Mr H Linn	16.03.18	31.03.22		Independent	Finance	83	92
Ms L Precious	26.1.18	25.01.22		Staff (Business Support)	QPS	50	50
Mr J M Royle	17.05.06.	31.07.20		Independent	Finance, QPS, Search	67	83
Mr N Taylor	06.10.17	31.07.21		Staff (Curriculum)	QPS	67	83
Prof. J Thompson	22.03.13	31.03.19	17.05.19	Independent	Finance	50	50
Ms R Thornton	14.12.18	31.07.19	31.07.19	Student		100	100
Ms S Weston	19.05.17	31.03.21		Independent	QPS	33	40
Mr M Varyani	16.03.18	31.03.22		Independent	Finance	33	58
Dr A Williams	08.07.16	31.03.20		Independent	Audit, EEC, QPS	83	94
Mr J Williams	12.7.12	31.07.20		Independent	Finance, EEC, Search	83	88

Mr D Winward acted as the Clerk to the Corporation until 31 March 2019
Ms M Bagshaw acted as the Clerk to the Corporation until 3 June 2019
Ms J Green acted as the Clerk to the Corporation from 3 June 2019 up until the Approval Date.

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

Members' name	Date of Appointment	Term of Office Expires	Date of Resignation	Status of Appointment	Attendance 2018/19	Total Service to 31.7.19
Mr M Pearmain	15.05.15	31.07.19		Audit Committee	100%	4 years

Expenses claimed from 1 August 2018 to 31 July 2019 by 2 members of the Corporation totalled £2,006 (£3,659 in 2017/18 from 3 members).

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

Statement of Corporate Governance and Internal Control *Continued*

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 at least 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 & Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at the College's registered address 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 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 Chair and Accounting Officer are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee, having a minimum of five and up to seven members. It is responsible for the selection and nomination of any new independent member for the Corporation's consideration, as well as for advising the Corporation on its governance arrangements. The Corporation is responsible for ensuring that appropriate training is provided for its members, 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 are eligible for re-appointment. On completion of their term of office, members wishing to be considered for re-appointment are subject to a 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 AoC Code of Good Governance for English Colleges. Extension beyond two terms (or eight years) will only be made in truly exceptional circumstances and will normally be for one year at a time, with annual reviews.

Corporation performance

Each year the Board carries out a self-assessment of its performance, drawing on annual reviews conducted by each Committee and individual Governor Personal Review and Assessments. It has graded itself as "Good" on the Ofsted scale.

Executive Employment Committee

During the year ending 31 July 2019, the College's Executive Employment Committee comprised Mrs C George, Mr G Hetherington, Mr A Williams and Mr J Williams.

The EEC's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Principal and other senior post holders, as well as the Clerk. The Corporation adopted the Association of Colleges Senior Post Holder Remuneration Code on 12 July 2019.

Details of remuneration for the year ended 31 July 2019 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises three Governors and one co-opted member. The Principal and the Chair of the Corporation are not eligible to be members. The Committee operates in accordance with written terms of reference approved by the Corporation.

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 seven members of whom one is the College Principal and one co-opted member with relevant experience.

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, in particular matters of budget monitoring and setting and recommendations for capital investment.

The Finance Committee meets at least once each term and as required.

Quality, Performance and Standards Committee

The Quality, Performance & Standards Committee comprises eight members of whom one is the College Principal.

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 Committee normally meets at least once a term and as required.

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 2019 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 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

Statement of Corporate Governance and Internal Control *Continued*

The Risk and Control Framework

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

- Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Corporation;
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines, where appropriate.

Kirklees College has an internal audit service which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. The internal audit service regularly provides the Audit Committee with progress reports on internal audit activity in the College. The reports include the internal audit service's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

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.

Statement of Corporate Governance and Internal Control *Continued*

At its December 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2019.

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

Going Concern

After considering the financial risks and uncertainties facing the College outlined on page 8, 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 it continues to adopt the going concern basis in preparing the financial statements. Further information behind this judgement can be found on page 8 of the strategic report and accounting policies disclosures on page 30.

Approved by order of the Members of the Corporation on 13 December 2019 and signed on its behalf by:

Signed ....
Mr G Hetherington, Chair

Signed ....
Mrs M Gilluley, Accounting Officer

Statement of Regularity, Propriety and Compliance

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

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

Signed ....

Mr G Hetherington, Chair

Signed ....

Mrs M Gilluley, Accounting Officer

Dated 13 December 2019

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 13 December 2019 and signed on its behalf by:

Signed ....Gerard J Hetherington........

Mr G Hetherington, Chair

Date ....13 December 2019........

Independent auditor's report to the Corporation of Kirklees College

Opinion

We have audited the financial statements of Kirklees College (the College) for the year ended 31 July 2019, which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and the 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 2019 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.

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 annual report, set out on pages 1 to 21 other than the financial statements and our auditor's report thereon. 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 21, 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.

Use of our report
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.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
18 December 2019

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 29th August 2019 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, 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 2018 to 31 July 2019 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.

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 are 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 2018 to 31 July 2019 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 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Use of our report

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.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
Leeds

18 December 2019

Statement of Comprehensive Income

	Note	2019 £'000	2018 As restated £'000
INCOME			
Funding body grants	2	38,463	29,917
Tuition fees and education contracts	3	4,557	5,410
Other grants and contracts	4	136	49
Other income	5	1,892	1,832
Total income		**45,048**	**37,208**
EXPENDITURE			
Staff costs	6	25,460	26,452
Other operating expenses	7	10,398	10,763
Depreciation	10	4,340	3,789
Impairment of Asset held for resale		-	660
Reversal of prior year impairment		(350)	-
Interest and other finance costs	8	1,375	1,429
Total expenditure		**41,223**	**43,093**
Surplus/(deficit) before other gains and losses and tax		**3,825**	**(5,885)**
Loss on disposal of asset		-	(123)
Surplus/(deficit) before taxation		**3,825**	**(6,008)**
Taxation		-	-
Surplus/(deficit) for the year		**3,825**	**(6,008)**
Unrealised gain on revaluation of investments		3	-
Actuarial (loss)/gain in respect of pension schemes	23	(12,533)	4,165
Total Comprehensive Income for the year		**(8,705)**	**(1,843)**
Represented by:			
Restricted comprehensive income		3	-
Unrestricted comprehensive income		(8,708)	(1,843)
		(8,705)	**(1,843)**

All activities are continuing activities.

The accompanying notes and accounting policies on pages 30 to 52 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 2017 as previously reported	22,283	47	(17,101)	5,229
Prior period adjustment to reflect overage agreement with the LEP	(340)	-	-	(340)
Balance at 1st August 2017 as restated	21,943	47	(17,101)	4,889
Deficit from the income and expenditure account	(4,112)		(1,799)	(5,911)
Prior period adjustment to reflect overage agreement with the LEP	(97)	-	-	(97)
Other comprehensive income	(47)	-	4,212	4,165
Balance at 31st July 2018 as restated	17,686	47	(14,688)	3,045
Surplus/(deficit) from the income and expenditure account	6,663	1	(2,839)	3,825
Other comprehensive income	(63)	3	(12,470)	(12,530)
Balance at 31st July 2019	24,286	51	(29,997)	(5,660)

The accompanying notes and accounting policies on pages 30 to 52 form an integral part of these financial statements.

Balance Sheets as at 31 July

	Note	2019	2018 As restated
		£'000	£'000
Fixed assets			
Tangible fixed assets	10	95,789	98,384
Investments	11	38	35
		95,827	**98,419**
Current assets			
Stocks		48	58
Assets held for resale		1,575	1,225
Trade and other receivables	12	1,563	1,390
Cash and cash equivalents	17	7,153	894
		10,339	**3,567**
Less: Creditors – amounts falling due within one year	13	(9,134)	(11,788)
Net current assets/(liabilities)		**1,205**	**(8,221)**
Total assets less current liabilities		**97,032**	**90,198**
Less: Creditors – amounts falling due after more than one year	14	(70,824)	(70,547)
Provisions			
Defined benefit obligations	16	(29,997)	(14,688)
Other provisions	16	(1,871)	(1,918)
Total net (liabilities)/assets		**(5,660)**	**3,045**
Unrestricted reserves			
Income and expenditure account excluding pension reserve		24,286	17,686
Pension reserve	23	(29,997)	(14,688)
Total unrestricted reserves		(5,711)	2,998
Restricted reserve		51	47
Total reserves		**(5,660)**	**3,045**

The accompanying notes and accounting policies on pages 30 to 52 form an integral part of these financial statements.

The financial statements on pages 26 to 52 were approved and authorised for issue by the Corporation on 13 December 2019 and were signed on its behalf on that date by:

Mr. G Hetherington, Chair Gerard J Hetherington

Mrs. M Gilluley, Accounting Officer M Gilluley

Statement of Cash Flows

	Note	2019	2018 As restated
		£'000	£'000
Cash inflow from operating activities			
Surplus/(Deficit) for the year		3,825	(6,008)
Adjustment for non-cash items			
Depreciation	10	4,340	3,789
Impairment reversal of asset held for resale		(350)	
Impairment of asset held for resale		-	660
Decrease in stocks		10	23
(Increase)/Decrease in debtors		(173)	61
(Decrease)/Increase in creditors due within one year		(688)	326
(Decrease)/Increase in creditors due after one year		(1,523)	2,287
Decrease in provisions		(110)	(107)
Pension costs less contributions payable	23	2,839	1,799
Unrealised investment loss/(gain)		-	(1)
Adjustment for investing or financing activities			
Interest payable	8	987	1,008
Loss on sale of fixed assets		-	123
Net cash flow from operating activities		**9,157**	**3,960**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	1,372
Payments to acquire fixed assets		(1,745)	(6,202)
		(1,745)	(4,830)
Cash flows from financing activities			
Interest paid	8	(987)	(1,008)
New unsecured loans		3,800	4,300
Repayments of amounts borrowed		(3,966)	(2,481)
		(1,153)	811
Increase/(Decrease) in cash and cash equivalents in the year		**6,259**	**(59)**
Cash and cash equivalents at the beginning of the year	17	894	953
Cash and cash equivalents at the end of the year	17	7,153	894

The accompanying notes and accounting policies on pages 30 to 52 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 2018 to 2019 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 in 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 and the ESFA on terms negotiated in 2010 and 2018 respectively.

Following a year of challenging financial performance in 2017/18 the College has implemented a range of actions to improve financial health from the classification of 'Inadequate' in 2017/18. This included a fundamental review of the operating cost base combined with the successful bid for support funds from the Restructuring Fund. The impact of these actions can be seen in the financial results section of the Strategic Report on page 5 and the Going Concern section of the Strategic Report on page 8.

Although the accounts show a net liability position of £5.66m. the balance sheet is being impacted by a significant negative pension reserve of £30m. This liability is a long term liability and the college is making contributions in line with the requirements of the pension scheme. The net current asset position has improved significantly from prior year, and there is sufficient cash to support operations. 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 has continued 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 OfS represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

The Restructuring Fund grant is recognised when the performance conditions have been met. An element of the grant could be repayable dependent on future performance being in excess of forecast, however as this is not known, this is possibility is reported as a contingent liability.

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 2% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when

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

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

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 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 2019. 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.
- The pension liability includes an estimate of the potential impact of the McCloud/Sargeant case and GMP equalisation on the reported pension figures. These calculations have been based on the Government Actuary Department (GAD) estimated impact of these two legal cases on the pension liability which have been calculated using a series of assumptions. In particular, assumptions relating to salary increases and the average age of employees have a significant impact on the estimated liability. Management have reviewed the assumptions set out by GAD and have determined that they are both reasonable and appropriate for estimating the liability for Kirklees College.
- The fair value of the LEP overage obligation held on the balance sheet as a 'loan' has been determined based on a discount rate from the actual cost of a commercial loan in 2014. Given that the Bank of England base rate did not change between 2014 and 2016 when the LEP grant was received, it is considered to be a reasonable estimate of what a commercial loan would have cost if drawn at that time.
- The College signed a 125 year lease with Kirklees Council for Pioneer House in Dewsbury in June 2019 and will be refurbishing the building throughout 2019/20. After making enquiries with the Council, the transfer value of the building was assessed as having a negative market value, and therefore despite the College taking on the risks and rewards of ownership, the lease has been reflected in these financial statements at a nil value.

Notes *(continued)*

2 Funding council grants

	2019 £'000	2018 £'000
Recurrent Grants		
Education and Skills Funding Agency 16-18 programme funding	15,510	14,446
Education and Skills Funding Agency 16-18 high needs	1,980	1,320
Education and Skills Funding Agency – Adults	7,095	6,884
Education and Skills Funding Agency – Apprenticeships	5,279	5,193
Education and Skills Funding Agency – Other	-	17
Office for Students	236	314
Specific Grants		
Education and Skills Funding Agency – Other	6,605	20
Releases of government capital grants	1,758	1,723
Total	**38,463**	**29,917**

3 Tuition Fees and Education Contracts

	2019 £'000	2018 £'000
Adult education fees	951	1,179
Apprenticeship fees and contracts	124	77
Fees for FE loan supported courses	711	786
Fees for HE loan supported courses	889	1,403
Total tuition fees	2,675	3,445
Education contracts	1,882	1,965
Total	**4,557**	**5,410**

4 Other grants and contracts

	2019 £'000	2018 £'000
Other grants and contracts	136	49
Total	**136**	**49**

5 Other income

	2019 £'000	2018 As restated £'000
Catering and residences	757	764
Non-government capital grants	334	223
Miscellaneous income	801	845
	1,892	**1,832**

Notes *(continued)*

6 Staff costs

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

	2019 No.	2018 No.
Teaching staff	270	284
Non-teaching staff	387	411
	657	**695**

Staff costs for the above persons

	2019 £'000	2018 £'000
Wages and salaries	18,517	19,670
Social security costs	1,543	1,667
Other pension costs	5,221	4,223
Subtotal staff costs	**25,281**	**25,560**
Contractual restructuring costs	179	892
Total staff costs	**25,460**	**26,452**

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

	2019 No.	2018 No.
The number of key management personnel including the Accounting officer was:	14	14

6 Staff costs (*continued*)

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

	Key management personnel	
	2019 No.	**2018 No.**
£60,001 to £65,000 p.a	6	5
£65,001 to £70,000 p.a	4	5
£75,001 to £80,000 p.a	1	-
£85,001 to £90,000 p.a	-	1
£90,001 to £95,000 p.a	2	2
£140,001 to £145,000 p.a	1	1
	14	**14**

No other staff received emoluments excluding pension contributions but including benefits in kind in excess of £60,000 during the year. Numbers of key management personnel disclosed above are higher than the number of key management personnel posts as a result of changes in post-holders in the year. There are eleven key management personnel posts.

Key management personnel emoluments are made up as follows:

	2019 £'000	**2018 £'000**
Salaries gross of salary sacrifice	867	889
Employers National Insurance	107	109
Benefits in kind	1	1
	975	**999**
Pension contributions	136	140
Total key management personnel emoluments	**1,111**	**1,139**

6 Staff costs (*continued*)

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

	2019 £'000	2018 £'000
Salaries	143	141
Employers National Insurance	19	19
Benefits in kind	2	1
	164	161
Pension contributions	24	23
Total emoluments	**188**	**184**

The governing body adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future.

The remuneration package of Senior Post Holders, including the Principal and Chief Executive, is subject to annual review by the Executive Employment Committee of the governing body who use benchmarking information to provide objective guidance.

The Principal and Chief Executive report to the Chair of Governing Body, who undertakes an annual review of her performance against the College's overall objectives using both qualitative and quantitative measures of performance.

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.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple:

	2019	2018
Principal's basic salary as a multiple of the median of all staff	6.2	6.1
Principal's total remuneration as a multiple of the median of all staff	6.2	6.2

Agency workers have been excluded from the calculation of the pay multiple.

Notes *(continued)*

6 Staff costs (*continued*)

Compensation for loss of office to former key management personnel

	2019 £'000	2018 £'000
Compensation paid to former key management personnel	36	-
Estimated value of other benefits, including provision for pension benefits	89	-

The compensation payments were made to three key management personnel of which one was a senior postholder. All were in line with the redundancy scheme approved by the Corporation. The payment made to a senior postholder was approved by the College's Executive Employment Committee.

7 Other operating expenses

	2019 £'000	2018 £'000
Teaching costs	4,358	4,398
Non-teaching costs	3,391	3,594
Premises costs	2,649	2,771
Total	**10,398**	**10,763**
Other operating expenses include:		
Auditors' remuneration:		
Financial statements audit	30	38
Other services provided by the financial statements auditors	2	-
Internal audit	21	19
Hire of land and buildings under operating leases	9	11

8 Interest payable

	2019 £'000	2018 £'000
On bank loans, overdrafts and other loans:	987	1,009
	987	1,009
Pension finance costs (note 23)	388	421
Total	**1,375**	**1,430**

9 Taxation

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

Notes *(continued)*

10 Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold	Under Construction		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2018	94,060	10,312	12,212	116,584
Additions	415	230	1,100	1,745
Transfers	9,686	(9,686)	-	-
Disposals	-	-	(2,624)	(2,624)
At 31 July 2019	**104,161**	**856**	**10,688**	**115,705**
Depreciation				
At 1 August 2018	9,911	-	8,289	18,200
Charge for the year	2,827	-	1,513	4,340
Eliminated in respect of disposals	-	-	(2,624)	(2,624)
At 31 July 2019	12,738	-	7,178	19,916
Net book value at 31 July 2019	**91,423**	**856**	**3,510**	**95,789**
Net book value at 31 July 2018	**84,149**	**10,312**	**3,923**	**98,384**

Land and Buildings under construction are costs incurred to date on the Pioneer Centre, which is expected to be completed in 2019/20.

11 Investments

	2019	2018
	£'000	£'000
Listed Investments	38	35
	38	35

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

Notes *(continued)*

12 Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year		
Trade receivables	385	306
Prepayments and accrued income	428	304
Amounts owed by the Education and Skills Funding Agency	457	357
Other debtors	293	423
Total	**1,563**	**1,390**

13 Creditors: Amounts falling due within one year

	2019 £'000	2018 As restated £'000
Local authority loans	-	716
Bank and ESFA loans	2,000	3,250
Trade payables	655	445
Other taxation and social security	753	792
Accruals and deferred income	3,010	3,856
Deferred income – government capital grants	2,135	2,153
Deferred income – government revenue grants	211	201
Other creditors	370	375
Total	**9,134**	**11,788**

14 Creditors: Amounts falling after one year

	2019 £'000	2018 As restated £'000
Local authority loans	18,030	18,030
ESFA loans	1,800	-
LEP overage liability	1,055	1,008
Deferred income - government capital grants	49,535	51,403
Other creditors	404	106
Total	**70,824**	**70,547**

The LEP overage liability is the present value of a sum of £1.4m repayable to the LEP in 2026, being the difference between the grant intervention rate received on the Process Manufacturing Centre in 2016 and the final grant to be recognised against the project. In line with the accounting requirements of FRS102 'basic' financial instruments, the discount rate applied is one considered to be reflective of commercial market rate at the time the grant was received.

Notes *(continued)*

15 Maturity of debt

Local Authority, Restructuring Fund loans and LEP overage liability

Bank loans and overage obligations are repayable as follows:

	2019	2018 As restated
	£'000	£'000
In one year or less	2,000	3,966
Between one and two years	2,003	753
Between two and five years	3,050	2,500
In five years or more	15,832	15,785
Total	**22,885**	**23,004**

The Local Authority loan is a fixed rate 25 year term loan of £18,029,605 at 5.08%. The Restructuring Fund loan is a variable rate loan of £3,800,000 at 0.25% margin above the PWLB standard rate. 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. This is not considered to be a substantial change to the loan terms.

16 Provisions for liabilities and charges

	Defined benefit Obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2018	14,688	1,916	16,604
Expenditure in the period	(1,656)	(154)	(1,810)
Transferred from statement of comprehensive income	16,965	109	17,074
At 31 July 2019	**29,997**	**1,871**	**31,868**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 23.

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:

	2019	2018
Price Inflation	2.00%	2.30%
Discount Rate	2.00%	1.30%

Notes *(continued)*

17 Cash and cash equivalents

	At 1 August 2018 £'000	Cash Flows £'000	Other changes £'000	At 31 July 2019 £'000
Cash and cash equivalents	894	6,259	-	7,153
Total	**894**	**6,259**	**-**	**7,153**

18 Capital commitments

	2019 £'000	2018 £'000
Commitments contracted for at 31 July	976	122

19 Lease Obligations

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

	2019 £'000	2018 £'000
Land and buildings		
Not later than one year	8	10
Later than one year and not later than five years	1	1
Later than five years	-	-
	9	11

In June 2019 the College signed a lease with Kirklees Council for Pioneer House in Dewsbury. The lease runs for 125 years at an annual peppercorn rent. Throughout 2019/20 the College will fit-out Pioneer House as the last stage in its 10 year estates transformation plan. The fit-out costs incurred to date have been capitalised and are part of land and buildings assets in note 10. The College holds the responsibility for the maintenance, security and insurance on the building

20 Financial assets and liabilities

	2019 £'000	2018 £'000
Financial assets measured at amortised cost	1,221	1,092
Financial assets held at fair value	38	35
Financial liabilities measured at amortised cost	26,003	23,468

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.

Notes *(continued)*

21 Contingent liabilities

The contingent liability relating to Guaranteed Minimum Pension reported in the financial statements to July 2018 has now been reflected in the financial statements to July 2019. This is a result of the outcome of the court case being finalised in 2018. Further detail of the impact of this ruling on the College liability can be found at note 23 to these accounts.

The Restructuring Fund grant agreement agreed by the College in 2018/19 includes provision for funding to be repaid in the event that future College financial performance exceeds that on which the funding was approved. As the occurrence of these conditions is not known, no provision has been made for any repayment in these financial statements.

22 Events after the reporting period

The College sold its Wheelwright Centre in October 2019 for £800,000. The carrying value of this asset at the July 2018 was £400,000 and as a result of the sale being secured post year end, a reversal of a prior year impairment has been processed through these accounts to reflect the sale price less accumulated costs of sale.

23 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 2016 and of the LGPS 31 March 2016.

Total pension cost for the year		**2019 £'000**		**2018 £'000**
Teachers' Pension Scheme: contributions paid		1,228		1,288
Local Government Pension Scheme:				
Contributions paid (including enhancements on redundancy)	1,656		1,809	
FRS 102 (28) charge	2,451		1,378	
		4,107		3,187
Charge to the Statement of Comprehensive Income		5,335		4,475
Enhanced pension charge to Statement of Comprehensive Income		107		90
Total Pension Cost for Year		**5,442**		**4,565**

Contributions amounting to £345,996 (2018 £354,906) were payable to the schemes at 31 July and are included within creditors.

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' 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 2016. The valuation report was published by the Department for Education (the Department in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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 £1,228,290 (2018: £1,288,049)

Notes *(continued)*

23 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 2019 was £2,140,898 of which employees contributions deducted through payroll totalled £596,300 and employer's contributions totalled £1,544,599. 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 2019 by a qualified actuary.

	At 31 July 2019	**At 31 July 2018**
Rate of increase in salaries	3.45%	3.35%
Future pensions increases	2.20%	2.10%
Discount rate for scheme liabilities	2.10%	2.80%
Inflation assumption (CPI)	2.20%	2.10%
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 2019 Years	**At 31 July 2018 Years**
Retiring today		
Males	22.2	22.1
Females	25.4	25.3
Retiring in 20 years		
Males	23.2	23.1
Females	27.2	27.1

Asset Allocation:	**At 31 July 2019**	**At 31 July 2018**
Equities	78.6%	74.6%
Property	4.3%	4.2%
Government Bonds	9.9%	10.8%
Corporate Bonds	3.6%	3.5%
Cash	2.1%	2.2%
Other	1.5%	4.7%
Total	100%	100%

Notes *(continued)*

23 Pensions and similar obligations (*continued*)

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

	2019 £'000	2018 £'000
Fair value of plan assets	72,880	69,695
Present value of plan liabilities	(102,877)	(84,383)
Net pensions liability (Note 18)	**(29,997)**	**(14,688)**

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost net of employer contributions	1,147	1,161
Past service cost	1,304	217
Total	**2,451**	**1,378**

	2019 £'000	2018 £'000
Amounts included in interest and finance costs		
Net interest charge	**388**	**421**

	2019 £'000	2018 £'000
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	1,309	3,044
Experience losses arising on defined benefit obligations	(13,779)	1,168
Amount recognised in Other Comprehensive Income	**(12,470)**	**4,212**

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

Movement in net defined benefit liability during the year

	2019 £'000	2018 £'000
Deficit in scheme at 1 August	(14,688)	(17,101)
Movement in year:		
Current service cost	(2,803)	(2,970)
Past service cost	(1,304)	(217)
Employer contributions	1,656	1,809
Net interest on the defined liability	(388)	(421)
Actuarial (loss)/gain	(12,470)	4,212
Net defined benefit liability at 31 July	**(29,997)**	**(14,688)**

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations	2019 £'000	2018 £'000
Defined benefit obligations at start of period	84,383	81,225
Current service cost	2,803	2,970
Past service cost	1,304	217
Interest cost	2,339	2,100
Contributions by Scheme participants	595	623
Actuarial loss/(gain)	13,779	(1,168)
Estimated benefits paid	(2,326)	(1,584)
Defined benefit obligations at end of period	**102,877**	**84,383**

Reconciliation of Assets

	2019 £'000	2018 £'000
Fair value of plan assets at start of period	69,695	64,124
Interest on plan assets	1,951	1,679
Actuarial gain	1,309	3,044
Employer contributions	1,656	1,809
Contributions by Scheme participants	595	623
Estimated benefits paid	(2,326)	(1,584)
Assets at end of period	**72,880**	**69,695**

Notes *(continued)*

23 Pensions and similar obligations *(continued)*

McCloud/Sargeant judgement

These accounts show a past service cost of £0.985 million in respect of the McCloud/Sargeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 1% of the total scheme liability as at 31 March 2019. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

Guaranteed Minimum Pension equalisation

Defined benefit schemes will be affected by the ultimate resolution of the equalisation of benefits for men and women in relation to the Guaranteed Minimum Pension provisions. The method of equalisation will increase the College's pension liabilities in respect of the West Yorkshire Pension Fund and the fund actuary has calculated a constructive obligation using an estimated method which is included in the pension deficit carried on the balance sheet as at 31 July 2019. The impact on the past service cost in these accounts for this adjustment is £0.203 million.

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.1% per annum lower, then the past service cost disclosed here would be expected to reduce by 0.4% (£0.4m) and conversely a 0.1% pa increase would increase the estimated cost by 0.4%, £0.4m.

24 Related Party Transactions

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

The total expenses paid to or on behalf of the Governors during the year was £2,006, 2 governors (2017/18 £3,659, 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.

25 Amounts disbursed as agent

Learner support funds	**2019 £'000**	**2018 £'000**
Funding body grants – bursary support	108	179
Funding body grants – learner support	925	854
	1,033	1,033
Disbursed to students	(988)	(986)
Administration costs	(45)	(47)
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.

26 Prior Year Adjustment

The financial statements include a Prior Year Adjustment necessary to reflect a payment obligation not previously reported. In 2016, the College received £3.1m in capital grants from the LEP towards the development of the College's Process Manufacturing Centre. The College understood that this obligation only existed if any part of the site was sold. However, the overage side agreement to the grant agreement requires that £1.42m of this grant is repayable to the LEP in 2026 whether or not a sale takes place.

The adjustments to the accounts in respect of this are:

- A reduction to opening reserves at 1st August 2017 of £340k;
- A reduction to grant releases in 2017/18 of £97k.

These adjustments can be seen on the Statement of Changes in Reserves. The 2018 Balance Sheet has been restated to reflect the obligation at that time.

The £1.42m obligation is included in the Balance Sheet within creditors falling due after one year. £1.06m of this is shown as a 'loan' obligation, being the discounted value of the overage liability at the Balance Sheet date as described in Note 14 to the accounts. The balance of the liability remains in government capital grants falling due after one year.