

KIRKLEES COLLEGE

**Report and Financial Statements
for the year ended 31 July 2016**

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 2015/16:

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

Board of Governors

A full list of Governors is given on page 15 of these financial statements. Mr D Winward acted as Clerk to the Corporation throughout the period.

Registered Office

Kirklees College
Waterfront Quarter
Manchester Road
Huddersfield
HD1 3LD

Professional advisers

Financial statement and regularity auditors:

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

Internal auditors

Kirklees Council Internal Audit
Civic Centre 1
Huddersfield
HD1 2NF

Professional advisers (*continued*)

Bankers:

Lloyds Bank plc
1 Westgate
Huddersfield
HD1 2DN

Kirklees Council
Civic Centre
Huddersfield
HD1 1WG

Solicitors:

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Eaton Smith LLP
14 High Street
Huddersfield
HD1 2HA

Report and Financial Statements

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Members' Report

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2016.

Legal status

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

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

Mission

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

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

'Creating opportunity, changing lives'

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

Public Benefit

Kirklees College is an exempt charity under Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 15.

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

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

Members' Report *Continued*

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

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

Implementation of strategic plan

On 10 July 2015, the Corporation formally approved the College's strategic plan for the period 2014 to 2016. This document outlined the College's strategic priorities and the values that the College aims to develop to create a 'culture' that underpins professional standards and behaviours.

The College values were agreed as:

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

The College strategic priorities were agreed as:

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

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

Members' Report Continued

1 To deliver enterprising, responsive and efficient education and training

- The College has continued to positively engage with all major stakeholders to ensure that provision is responsive to the needs of our community. The College continues to offer basic skills, ESOL, foundation learning and IT provision from over 40 community based locations in response to community demand, and is committed to offering a curriculum offer strong in depth and breadth.
- STEM has been promoted across the curriculum and the College has led locally in bringing together a Kirklees steering group including membership with public, private and third sector industry representation, FE, HE and schools.
- The continued development of new employer responsive provision has seen the successful development of a number of new apprenticeships to provide training for the food, pharmaceutical and chemical industries where there are existing and emerging skills shortages. This significant development has been possible through effective partnerships between the college, local authority, employers and the LEP.
- In addition to the engineering and science focus, strong relationships with industry and employers have been established in the contexts of Construction, Creative Industries and Land Based.
- The positive work through employer engagement and curriculum development is evidenced by high levels of employer satisfaction as evidenced in the national employer survey, where the score has risen from 84% in 2014 to 88% in 2016, and places the college in the upper quartile nationally for this measure.
- Satisfaction in relation to our offer from our Higher Level and HE students reflects very positively through national surveys having improved from 65% in 2014 to 92% in 2015/16 against a 86% national average in the national student survey.
- Curriculum contribution rates have continued to improve from 44.5% to 45.7% reflecting measures put in place to improve the efficiency of curriculum delivery.

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

- Equality and diversity are central to the college and its culture. Any differences between the performance of different groups are monitored and swiftly addressed.
- Students report that they feel safe in the college, and there is zero tolerance to bullying or harassment.
- A team of progress coaches support students very effectively to achieve at college.
- There are very effective processes to identify learners who are at risk and support interventions are put in place rapidly.
- The implementation of blended learning from 2014/15 and continued drive through 2015/16 has enhanced the students' independent learning skills and focused on technology in learning.
- Study programmes for our students have been enhanced in the year by the introduction of enterprise and employability weeks, and our partnership with Stafflex has improved work experience opportunities. These developments have improved opportunities for positive progression.
- Overall vocational achievement rates have remained high at around 85% over the last 3 years.
- Overall Apprenticeship achievement rates continue to perform above the national rate and have increased to 78% in 2015/16.
- The college maintains a robust self-assessment and monitoring process for all areas supported by external quality assurance with the aim of driving up the quality of all aspects of the student experience.

Members' Report Continued

3 To provide modern, safe estate and resources

- Following on from the success of the Engineering Centre the College has successfully completed the new Process Manufacturing Centre, within budget despite the building contractor going into administration. The new building will be operational from August 2016.
- The College has successfully secured LEP funding for two new projects in Dewsbury. The first is for the construction of a new 16 – 18 centre (including construction and motor vehicle) and the second is for the refurbishment of the listed building Pioneer House for an adult and apprenticeship centre. Both projects are expected to be completed to allow operational use by September 2018. These new works will allow the rationalisation of the existing Dewsbury estate including the disposal of the Halifax Road campus and the Batley School of Art.
- The College relocated the 'Hair Academy' to new premises in Huddersfield in partnership with the private sector and brought this into use for the start of the 2015/16 academic year.
- The college had previously entered into an option agreement for the sale of New North Road with a developer, but the developer withdrew in June 2016. The college is currently in negotiations with another developer, which could lead to the site being sold by the end of 2016.

4 To promote effective communications and customer services

- The customer services and examinations team achieved Customer Service Excellence accreditation, the Government's customer service standard. The assessor, who spoke to staff, students and teams, recommended full compliance on all 57 elements along with 3 'compliance plus'. 'Compliance Plus' meant we exceeded the Customer Service Excellence expectations with our innovative ideas and is an excellent outcome.
- The careers team had their annual Matrix check with a very successful outcome resulting in renewal for another year, with no improvements required. The college was praised for its commitment to the careers provision for students during a challenging financial climate.
- The college entered its seventh year of partnership with Huddersfield Town AFC; which focuses on the sponsorship of the Huddersfield Town Enterprise Academy (the club's business network). Through the year it has led to numerous direct opportunities for our students, and established new successful business relationships.
- The college celebrated many successes including;
 - Association of Colleges Beacon Award runner-up 2016 for "Effective integration of libraries/LRCs in curriculum delivery" (CoLRic).
 - Chamber Regional Award for KC Works.
 - Kirklees Youth Enterprise Awards for Peter Jones Enterprise Academy.
 - Peter Jones Enterprise Academy - Business Enterprise Manager of the Year, and Student of the Year.
 - Apprenticeships 4 England Provider of the Year Runner up.
 - Kirklees Apprenticeship Hub Apprentice awards.
 - Global Entrepreneurship Week – High Impact.
 - National Champions – Canon Challenge.

Members' Report Continued

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

- A new competency based framework has been developed which will integrate recruitment, probation and staff performance, development and reviews (PDR's).
- A new online PDR scheme has been developed which will allow better reporting of employee performance at individual, team and college wide level.
- Positive audit reports have been received for Payroll, Human Resources, Staff Development and Safeguarding indicating a level of 'substantial assurance' in all areas.
- A comprehensive staff development offer, teaching and learning conferences and a highly effective teacher development team has resulted in improvements in the quality of teaching, learning and assessment to such an extent that the College self-assesses this aspect as 'Outstanding'.
- College sickness absence rates have reduced again during 2015/16 to the lowest rates recorded of 2.9%, which is significantly lower than the sector average.
- The third KC Stars award ceremony was held in March 2106 to celebrate outstanding employees at the College. Over 120 nominations received from across the workforce to recognise excellence in 20 categories of teaching, business support and leadership.
- The employment of apprentices into substantive posts is now well embedded, and recruitment targets have been met. Further development of Apprenticeship recruitment is being considered to meet the changes brought about by the levy introduction in April 2107.
- A number of staff cost saving exercises have been successfully undertaken, including a restructure in two curriculum areas and a TUPE transfer in of cleaning staff at our Dewsbury site.

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

- The College has achieved a financial outturn that exceeded target in 2015/16. This together with very tight cash flow management has enabled a significant amount of debt to be repaid in the year.
- Another year of strong operating performance has enabled the College to agree capital investment for 2016/17 in addition to the estate transformation in Dewsbury funded by the LEP.
- A benchmarking analysis has been undertaken to inform where further efficiencies could be identified. This analysis concluded that the College was operating in a very efficient way, particularly given the size of interest and depreciation charges, and is placed in the upper quartile of colleges nationally.
- Financial performance management within curriculum departments has been enhanced by the development of more visual financial reporting, which has enabled contribution reporting on a monthly rather than termly basis.
- Regular and open dialogue with bankers has ensured that the College has operated within bank facility limits during the year. The fast pace of capital developments in Dewsbury meant that two bank covenants were at risk, but waivers were agreed before the year end.
- All statutory and funding agency returns have been made within prescribed timescales.
- The College has achieved 'Satisfactory' financial health for 2015/16 under the old performance measures. However the ongoing level of capital debt means that under the new measures the College will have to apply for a moderated uplift from inadequate to satisfactory financial health.

Members' Report Continued

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

- The Curriculum Support team facilitated the 2016-17 curriculum planning process with a high-degree of accuracy and sense-checking; ensuring all deadlines were met and the plan was delivered one month earlier than the previous year.
- The team also managed a focus on student status and compliance with conditions of funding such that data at the end of the academic year was updated in a timeframe never previously achieved, giving the college strong indications of retention levels, and ensuring funding accuracy.
- The Funding and Management Information Team successfully managed an SFA/ESF Audit; the audit team commented on the organisation and completeness of student information and only raised minor, administrative recommendations.
- The team also planned and completed all the Internal Financial Assurance Reviews which were introduced to help ensure improvements in data accuracy and quality. All external returns were submitted to funding agencies on time and without error.
- The IT team has also provided advice and guidance on the implementation of a new electronic portfolio system (called Onefile) for apprenticeships.
- The provision of blended learning advice, guidance and resources continued to be a focus for the IT team during 2015/16. A comprehensive set of management information showing the spread and completion of blended learning (SOLA) packs across the College was produced to help ensure the embedding of blended learning continues to increase and best practice is promulgated.
- The IT team has initiated a project to implement equipment and services as part of the Associate College agreement recently completed with Microsoft. This will bring significant benefits to our students in the future through new and exciting curriculum for IT students and additional enrichment opportunities for all.

Financial objectives

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

- Performance against the planned OSPR (Operating Surplus for Performance Ratio) of £2.1million;
- The maintenance of cash balances in line with forecast;
- Overall College financial health as measured by the Skills Funding Agency maintained at at least 'Satisfactory'.

All of these objectives were met during 2015/16.

Reserves

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. As at the balance sheet date, the Income and Expenditure account reserve stands at £4.5 million (2015: £19.5million). The reason for the reduction between 2015 and 2016 is an actuarial adjustment of £10m of the LGPS pension scheme and a £5m asset impairment of Dewsbury buildings. Further detail can be found in the body of the accounts. It remains the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

Members' Report Continued

Performance indicators

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The current rating of 'Satisfactory' is considered an acceptable outcome, particularly in the light of the College levels of borrowing undertaken to improve inadequate estate and student facilities. Without this level of capital borrowing, the College financial health category would be at least 'Good' for 2015/16.

College performance in 2015/16 against individual performance indicators has been outlined in the strategic objectives section of this report; however performance against the key measures of success rates and financial and funding performance are:

- While overall performance of primary learning goals in Award and Certificate qualifications is strong, further improvement is required in Diploma qualification outcomes. In general, Education and Training achievement rates have fallen due to the volume of Maths and English provision in the College resulting from the new study programme requirements. Maths and English enrolments accounted for 44% of all Education and Training enrolments in 2015/16. Apprenticeship outcomes have continued to improve and 2015/16 outcomes were significantly above the 2014/15 national averages.
- The 2015/16 financial operating performance ratio is strong at 7.5% (2014/15 7.77%), and £6.5m in cash has been generated from operations to reduce debt and invest in new estate. Cost reduction targets have been achieved further to very challenging funding settlements. The College's operating performance ratio is in the upper quartile of colleges nationally.
- The College did not achieve the 16-18 learner numbers and cash allocations within its EFA contract for the 2015/16 funding year. However, the SFA original contract was significantly exceeded for apprenticeships, resulting in increases to contract allocations in year.

FINANCIAL POSITION

The College has prepared the financial statements under the FRS102 accounting standard for the first time, and the prior year comparative has been restated under FRS102. Note 28 to the accounts outlines the key changes from accounting under the previous UK Generally Accepted Accounting Principles (UK GAAP) and the impact of the new standard on opening reserves and the prior year financial outturn.

Financial results

The College has adopted the measure of Operating Surplus for Performance Ratio (OSPR) for monitoring financial performance. This measure adjusts the operating position for the major non cash transactions of depreciation, capital grant releases and the FRS102 operating credits/charges. In 2015/16, the College outturned an OSPR of £2,936,000 against a target of £2,100,000 (2014/15 £2,969,000 against a target of £2,500,000).

The Statement of Comprehensive Income shows a deficit of £15,073,000, (2014/15 - £3,232,000). This is stated after an exceptional asset revaluation of £4,995,000 in anticipation of capital investment in new land and buildings, and a £9,618,000 exceptional movement in the actuarial valuation of the Local Government Pension Scheme. The underlying trading position is therefore a deficit of £460,000 (2014/15 £382,000).

Members' Report Continued

The College's accounts show accumulated reserves of £31,310,000 prior to the pension deficit reserve of £26,838,000, i.e. a net general reserve position of £4,472,000 compared to the net general reserve of £19,545,000 in 2014/15. The reduction in this position is substantially due to an increase in the deficit pension reserve of £10,944,000 and the property impairment of £4,995,000. Notes 12 and 25 to the Financial Statements explains these movements in more detail.

Tangible fixed asset additions during the year amounted to £3,775,000. This was split between land and buildings acquired of £3,029,000 and equipment additions of £746,000. In the main, this related to the construction of the College new Process Manufacturing Centre to be ready for occupation from August 2016. The total project budget was £5.084 million of which £0.8 million is being provided by employers in the form of equipment donations. The centre is also part funded by the Leeds City Region Local Enterprise partnership (LEP).

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2015/16 the FE funding bodies provided 81% of the College's total income.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

In March 2010, the College agreed a long-term borrowing facility of £23.4m from the local authority at a fixed rate for 25 years of 5.08%. This loan was taken out as the agreed sum that the College would contribute towards the financing of the £85m major capital build projects in Huddersfield. A short-term loan of £14.151m was also approved at the same meeting, to be drawn down as required to bridge the gap between the 3 year build period and the 5 year £55m SFA receipt of grant period. In March 2015, this facility was reduced to £6m to bridge the timing of LEP grant receipts on the Process Manufacturing Centre and receipts from the sale of the New North Road campus. At the 31 July 2016 year end, the sum drawn against this facility was £1.8m.

The College also has financing facilities with Lloyds Bank, a £1.5m five year fixed rate loan drawn in October 2014 and a £2.5m revolving credit facility. At the 31 July 2016 year end, the outstanding balance on the fixed rate loan was £1.050m. Nothing was drawn against the revolving credit facility.

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

Cash flows and liquidity

There was a net cash inflow from operating activities of £6,532,000 in 2015/16 compared to £3,432,000 in 2014/15. The Statement of Cash Flows analyses the movements in cash flows in more detail. This healthy level of cash flows from operations has enabled the College to repay £3.2m of long term and short term debt during the year.

Members' Report Continued

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College has reported activity that has produced £29,592,000 in SFA and EFA funding (2014/15, £31,612,000). The College had approximately 15,000 funded learners from these allocations. The College also had 357 full time and part time HE students.

Curriculum achievements

At its most recent Ofsted inspection, in November 2012, the College was assessed as 'Good' with 'Outstanding' leadership and management. Since that time outcomes on vocational qualifications has been maintained at a high level. The college has focused on a continued drive for improvements in teaching, learning and assessment, investing in staff who are well qualified in their vocational and professional area.

Constant vigilance and assessment of the quality of teaching learning and assessment, linked to effective performance management, has led to year on year improvements. Close attention is paid to the identification and support for those students identified as being at risk of not completing their programme, this also includes close liaison with schools and referral agencies to ensure effective transfer from school to college.

Apprenticeship success rates remain above the national average and the growth in apprenticeships has been significant particularly in response to employer demand and skills shortages. In the 2015/16 employer survey the College was rated very positively by employers at 8.8, putting the College in the upper quartile nationally for employer satisfaction. The College continually strives to build on its reputation and the ability to meet the needs of the community it serves.

Curriculum developments

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 2015/16 92% of all full time learners progressed onto higher and further education, training or employment.

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

2014/15 saw the introduction of 10% of curriculum delivery through blended learning, and this was extended in 2015/16. The project was very effectively planned and delivered through a truly cross college 'Team Kirklees' approach involving library services, teacher development, ICT technical expertise and curriculum departments.

Members' Report *Continued*

Future curriculum developments will focus on skills shortage areas, local and regional LEP priorities and employer identified demands. This links into the effective partnership with Staffex which has expanded our penetration into SMEs who make up 99.5% of local employers. This work has already led to new apprentices in laboratory technicians for the asbestos and textile industries, the development of social media and marketing apprenticeship routes, warehousing, and performing engineering operations tailored to specific employers. In addition, we are reviewing our curriculum offer in Dewsbury to be able to offer new and exciting curriculum in our new facilities, scheduled to open in September 2018.

Another key focus for 2016/17 is further expansion of apprenticeships including the new provision in process manufacturing, and responding to the opportunities afforded by the introduction of the Apprenticeship levy and new Apprenticeship Standards.

Environmental matters

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

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the year ended 31 July 2016, the College paid 92.96% of its invoiced values within 30 days (94.3% of invoice volumes). The College incurred no interest charges in respect of late payment for this period.

Future developments

During 2015/16, the College contributed to the West Yorkshire Area Review, a process designed to review the curriculum and organisations located in a particular area and make recommendations for 'larger and more resilient institutions'. The outcome of the review was that Kirklees College should remain as a stand-alone institution.

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

Whilst recent new buildings have been constructed in Huddersfield, the College remains committed to the development of learning in Dewsbury, and has been successful in a bid to the LEP for funding for new facilities in Dewsbury in partnership with Kirklees Local Authority. The facilities are due to open in 2018 and will provide the Dewsbury community and employers an exciting curriculum offer that meets their needs.

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

Members' Report Continued

Going concern

One of the key risks to the College continuing as a 'going concern' in a difficult financial climate has been the maintenance of cash flow. The College has operated within its negotiated facilities during 2015/16 and has agreed bank facilities in place until the end of December 2017 sufficient to support the cash flow forecasts.

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

RESOURCES

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

Tangible resources as at 31st July 2016 include the main College sites in Huddersfield and Dewsbury and seven other specialist sites situated in the Kirklees area.

Financial

The College has net assets of £4,521,000 as at 31st July 2016 (£19,594,000 at 31 July 2015), including a pension liability of £26,838,000 (£15,894,000 at 31 July 2015).

People

The College employed an average of 744 full time equivalent staff in the year to 31st July 2016 (769 in 2014/15) of whom 341 (362 in 2014/15) are teaching staff.

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Risk Management Policy, Procedures and Register were fully embedded into College operations throughout 2015/16. All risks are linked to strategic objectives and are 'owned' by the strategic objective 'owner'. The Risk Register is reviewed with the Risk owners on a termly basis and then presented to the Senior Leadership Team for consideration before being presented to the Governing Body.

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

A "heat map" procedure is applied to assess levels of risk. The Risk Register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Using the heat map process, the risks are prioritised in a RAG (Red, Amber, Green) manner which gives us an easily recognised picture at a glance but with the detail beneath it as and when required.

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.

Members' Report *Continued*

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

- The College fails to dispose of its New North Road site, impacting on the ability to repay its loans;
- Changes in government funding and policy adversely affect the curriculum plan, student experience with a resultant impact on college finances;
- The College fails to operate within its agreed revenue budget;
- The new capital developments in Dewsbury are not delivered on time or to budget;
- The College fails to diversify income streams and maximise new income opportunities;
- The curriculum plan is not driven by a sound customer needs analysis;
- The College fails to respond to the new challenges of the SEN reforms;
- The curriculum plan is not achieved, resulting in a loss of funding and/or student numbers.

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

STAKEHOLDER RELATIONSHIPS:

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

- Students;
- Local employers;
- The local community;
- Staff;
- Education sector funding bodies;
- Bankers;
- Kirklees Council;
- The Leeds City Region Local Enterprise Partnership (LEP);
- West Yorkshire Combined Authority;
- FE Commissioner;
- Other FE institutions;
- Kirklees schools;
- Trade Unions;
- Professional bodies

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

Equal opportunities and employment of disabled persons

Kirklees College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

Members' Report Continued

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

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

Equality and Diversity

It is our policy to provide equal opportunities to all who learn with and work for Kirklees College irrespective of gender, race, ethnic origin, disability, age, nationality, national origin, religious belief, sexual orientation or marital status. We oppose all forms of unlawful and unfair discrimination. The College seeks to positively remove conditions and barriers which place people at a disadvantage and we will actively promote equality for all and celebrate diversity. To do this, we will monitor our performance and publish an annual report. We will ensure that all our procedures for both staff and students are open and easily accessible. We have developed an action plan specifically to ensure that we close any achievement gaps. In 2015/16 there were no material differences in retention or achievement rates among ethnic groups. All students and staff are helped and encouraged to develop their full potential within an ethos which reflects the equal status of all members of the College.

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

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

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

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

Members' Report *Continued*

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

Safeguarding

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

Modern Slavery and Human Trafficking

Kirklees College is committed to preventing slavery and human trafficking in its corporate activities, and to ensuring that its supply chains are free from slavery and human trafficking.

We are working towards understanding all potential modern slavery risks related to college business and to putting in place steps that are aimed at ensuring that there is no slavery or human trafficking within our own business and our supply chains.

Relevant policies

The organisation operates the following policies (currently under review) that describe its approach to the identification of modern slavery risks and steps to be taken to prevent slavery and human trafficking in its operations :

- Whistleblowing policy Kirklees College encourages all its workers, customers and other business partners to report any concerns related to the direct activities, or the supply chains of, the organisation.
- Employee code of conduct Kirklees College makes clear to employees the actions and behaviour expected of them when representing the organisation. The organisation strives to maintain the highest standards of employee conduct and ethical behaviour when operating abroad and managing its supply chain.
- Supplier/Procurement code of conduct Kirklees College is committed to ensuring that its suppliers adhere to the highest standards of ethics. Procedures are being reviewed to ensure that suppliers demonstrate that they provide safe working conditions where necessary, treat workers with dignity and respect, and act ethically and within the law in their use of labour.
- Recruitment/Agency workers Kirklees College uses only specified, reputable employment agencies to source labour and always verifies the practices of any new agency it is using before accepting workers from that agency.

The college will undertake due diligence when considering taking on new suppliers, and regularly reviews its existing suppliers.

Members' Report Continued

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 9 December 2016 and signed on its behalf by:

Signed

.....
Mr G Alvy, Chairman

Date

..... 9/12/2016

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 2015 to 31st July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

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

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

The Corporation

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

Member	Date of Appointment	Term of Office Expires	Date of Resignation	Status of Appointment	Committees Served	Attendance
Mrs R N Afzaal-Khan	01.08.08.	31.03.16		Independent		2/4
Mr G T Alvy (Chair)	01.08.08.	31.07.17		Independent	Search, EEC, Finance	7/8
Mrs J Bracewell	14.07.11	31.07.17		Independent	QPS, EEC, Audit, Search, Academic Board	8/8
Mrs L Carruthers	14.07.11	31.07.17		Independent	Audit	7/8
Mr R A Dawson	20.01.06.	31.03.16		Independent	Audit; QPS; Health & Safety, EEC	4/5
Mrs J Durrant	01.09.16			Acting Principal	Finance, QPS, Search	1/1

Statement of Corporate Governance and Internal Control *Continued*

Member	Date of Appointment	Term of Office Expires	Date of Resignation	Status of Appointment	Committees Served	Attendance
Ms J Gedman	09.12.11	31.07.17	06.12.16	Independent	Search	3/8
Ms C George	23.5.14	31.3.17		Independent	Finance, QPS, Search, EEC	6/8
Mr A Hawley	23.5.14	31.3.17		Independent	Audit, EEC	5/8
Mr G Hetherington	15.05.15	31.03.18		Independent		7/8
Mrs L Holdsworth	30.01.15	31.12.17		Staff (Business Support)		7/8
Mr W Hussain	29.01.16	31.07.16		Student		2/6
Prof. C Jarvis	22.03.13	31.03.19		Independent	QPS	4/8
Ms I Khalid	09.12.16	31.07.17		Student		
Mr N McCann	09.12.16	31.07.17		Student		
Mr P McCann	23.5.11		31.08.16	Principal	Finance, QPS, Search	8/8
Ms H Michkova	29.01.16	31.07.16	01.12.16	Student		4/6
Ms K Mullarkey	11.10.13	31.7.16		Staff member (Curriculum)	Audit	5/8
Ms J Nowacki	08.07.16	31.03.20		Independent		0/1
Mr Z Pervaiz	15.05.15	31.03.18		Independent		3/8
Mr G Pitchforth	07.10.16			Staff member (Curriculum)		1/1
Ms C Rowley	23.09.11	31.07.17	23.11.15	Independent	Finance	0/1
Mr J M Royle	17.05.06.	31.05.18		Independent	Finance, QPS	8/8
Prof. J Thompson	22.03.13	31.03.19		Independent		7/8
Dr A Williams	08.07.16	31.03.20		Independent		1/1
Mr J Williams	12.7.12	31.3.18		Independent	Finance, EEC, Search	7/8

Mr D Winward acts as the Clerk to the Corporation.

Statement of Corporate Governance and Internal Control *Continued*

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

Members' name	Date of Appointment	Term of Office Expires	Date of Resignation	Status of Appointment	Total Service to 31.7.16
Ms G Ellis	11.10.13	31.07.16		QPS Committee	3 years
Mrs C Hardern	09.12.11	31.07.16		Finance Committee	4.5 years
Mr M Pearmain	15.05.15	31.07.16		Audit Committee	1 year

Expenses claimed from 1 August 2015 to 31 July 2016 by four members of the Corporation totalled £1,342 (£1,634 in 2014/15 from five members).

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets twice each term.

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

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

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

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

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

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

Statement of Corporate Governance and Internal Control *Continued*

Appointments to the Corporation

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

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

Corporation performance

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

The Board is of the opinion that these processes have been effective during the 2015/16 year, that they fully understand the strategic and key operational position of the College and they have a key role in the establishment and monitoring of actions targeted at improving financial health.

Executive Employment Committee

During the year ending 31 July 2016, the College's Executive Employment Committee comprised:-

Mr G T Alvy, Mrs J Bracewell, Mrs C George, Mr A Hawley, Mr R Dawson, and Mr J Williams.

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

Details of remuneration for the year ended 31 July 2016 are set out in note 8 to the financial statements.

Audit Committee

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

Statement of Corporate Governance and Internal Control *Continued*

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

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

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

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

Finance Committee

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

The Finance Committee normally meet once in the first term and twice in the second and third terms and at other times if required.

Quality, Performance and Standards Committee

The Quality, Performance and Standards Committee comprises a minimum of five and a maximum of ten members of whom one is the College Principal and up to two co-opted members with relevant experience, as required.

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

Internal Control

Scope of Responsibility

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

Statement of Corporate Governance and Internal Control *Continued*

The Corporation has delegated to the Principal, as Accounting Officer, the day-to-day responsibility for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at Kirklees College for the year-ended 31 July 2016 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The Risk and Control Framework

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

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

Kirklees College has an internal audit service which operates in accordance with the requirements of the SFA's Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. The Kirklees Council Internal Audit Service, who were the College's internal auditors for the year-ended 31 July 2016, provide the Corporation with an annual report on the internal audit activity in the College.

Statement of Corporate Governance and Internal Control *Continued*

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

Review of Effectiveness

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

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

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee which oversees the 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 and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its 5th December 2016 meeting, the Audit Committee considered its annual report for the year ended 31 July 2016.

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

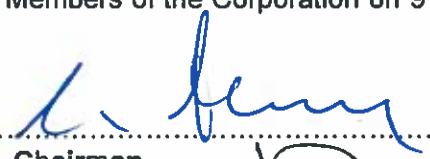
Going Concern

After considering the financial risks and uncertainties facing the College, and after making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. Further information behind this judgement can be found in the accounting policies disclosures.

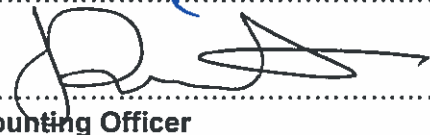
Statement of Corporate Governance and Internal Control *Continued*

Approved by order of the Members of the Corporation on 9 December 2016 and signed on its behalf by:

Signed


.....
Mr G Alvy, Chairman

Signed


.....
Mrs J Durrant, Acting Accounting Officer

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

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

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

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

Signed


.....
Mr G Alvy, Chairman

Signed


.....
Mrs J Durrant, Acting Accounting Officer

Dated

9 December 2016

Statement of the Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency/ Education Funding Agency and the Corporation of the College; the Corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the Accounts Direction for 2015 to 2016 financial statements issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

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

Approved by order of the Members of the Corporation on 9 December 2016 and signed on its behalf by:

Signed

.....
Mr G Alvy, Chairman

Date

.....
9/12/2016

Independent auditor's report to the Corporation of Kirklees College

We have audited the financial statements of Kirklees College for the year ended 31 July 2016 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the College's Corporation as a body, in accordance with Article 16 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the College's Corporation, as a body, 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.

Respective responsibilities of the Corporation and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2016 and of its deficit of income over expenditure for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds

19 December 2016

Reporting accountant's assurance report on regularity

To the corporation of Kirklees College and Secretary of State for Education acting through Skills Funding Agency

In accordance with the terms of our engagement letter dated 3 November 2016 and further to the requirements of the financial memorandum with Skills Funding Agency and funding agreement with Education Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by [name of college] during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency in June 2016. In accordance with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Skills Funding Agency and Education Funding Agency have other assurance arrangements in place.

This report is made solely to the corporation of Kirklees College, as a body, and the Skills Funding Agency as a body, in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Kirklees College and Skills Funding Agency those matters we are required to state in a limited assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Kirklees College as a body, and Skills Funding Agency as a body, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Kirklees College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom as imposed by the law, professional standards and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

The work undertaken to draw our conclusion includes:

- 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 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
Leeds

19 December 2016

Statement of Comprehensive Income
for the year ended 31 July 2016

	Note	2016 £'000	2015 £'000
INCOME			
Funding body grants	2	32,194	34,430
Tuition fees and education contracts	3	5,472	4,823
Other grants and contracts	4	171	100
Other income	5	2,282	1,369
Investment income	6	7	4
Donations	7	364	-
Total income		40,490	40,726
EXPENDITURE			
Staff costs	8	24,686	24,581
Other operating expenses	9	9,581	10,031
Depreciation	12	4,965	4,780
Asset Impairment	12	4,995	-
Interest and other finance costs	10	1,718	1,716
Total expenditure		45,945	41,108
Deficit before other gains and losses and tax		(5,455)	(382)
Taxation		-	-
Deficit for the year		(5,455)	(382)
Unrealised deficit on revaluation of assets		-	(344)
Actuarial loss in respect of pension schemes	25	(9,618)	(2,506)
Total Comprehensive Income for the year		(15,073)	(3,232)
Represented by:			
Restricted comprehensive income	2	11	
Unrestricted comprehensive income		(15,075)	(3,243)
		(15,073)	(3,232)

All activities are continuing activities.

Statement of Changes in Reserves
for the year ended 31 July 2016

	Income and Expenditure account	Restricted reserve	Revaluation reserve	Pension reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1st August 2014	6,060	38	29,173	(12,445)	22,826
surplus/(deficit) from the income and expenditure account	206	11	-	(943)	(726)
Other comprehensive income	-	-	-	(2,506)	(2,506)
Transfers between revaluation and income and expenditure reserves	29,173	-	(29,173)	-	-
Balance at 31st July 2015	35,439	49	-	(15,894)	19,594
Deficit from the income and expenditure account	(4,063)	-	-	(1,392)	(5,455)
Other comprehensive income	(66)	-	-	(9,552)	(9,618)
Total comprehensive income for the year ending July 2016	(4,129)	-	-	(10,944)	(15,073)
Balance at 31st July 2016	31,310	49	-	(26,838)	4,521

Balance Sheet
at 31 July 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible fixed assets	12	108,602	114,787
Investments	13	36	8
		<u>108,638</u>	<u>114,795</u>
Current assets			
Stocks		56	38
Asset held for resale		1,250	1,462
Trade and other receivables	14	1,648	2,892
Cash and cash equivalents	19	537	1,566
		<u>3,491</u>	<u>5,958</u>
Less: Creditors – amounts falling due within one year	15	(8,672)	(12,293)
Net current liabilities		<u>(5,181)</u>	<u>(6,335)</u>
Total assets less current liabilities		103,457	108,460
Less: Creditors – amounts falling due after more than one year	16	(69,978)	(70,805)
Provisions			
Defined benefit obligations	18	(26,838)	(15,894)
Other provisions	18	(2,120)	(2,167)
Total net assets		<u>4,521</u>	<u>19,594</u>
Unrestricted reserves			
Income and expenditure account excluding pension reserve		31,310	35,439
Pension reserve	25	(26,838)	(15,894)
Total unrestricted reserves		<u>4,472</u>	<u>19,545</u>
Restricted reserve		49	49
Total reserves		<u>4,521</u>	<u>19,594</u>

The financial statements on pages 28 to 55 were approved and authorised for issue by the Corporation on 9 December 2016 and were signed on its behalf on that date by:

Mr G Alvy, Chairman

Mrs J Durrant, Acting Accounting Officer

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Statement of Cash Flows
for the year ended 31 July 2016

	Note	2016 £'000	2015 £'000
Cash inflow from operating activities			
Deficit for the year		(5,455)	(382)
Adjustment for non-cash items			
Depreciation	12	4,965	4,780
Asset Impairment	12	4,995	-
Donations to income	7	(364)	-
Increase in stocks		(18)	(5)
Decrease/(increase) in debtors		1,244	(251)
Decrease in creditors due within one year		(1,353)	(1,529)
Increase/(decrease) in creditors due after one year		121	(1,416)
Decrease in provisions		(113)	(76)
FRS102 operating cost	25	1,392	1,062
Unrealised asset impairment		(50)	25
Unrealised investment gain		(3)	-
Adjustment for investing or financing activities			
Investment income		(7)	(4)
Interest payable		1,166	1,228
Loss on sale of fixed assets		12	-
Net cash flow from operating activities		6,532	3,432
Cash flows from investing activities			
Proceeds from sale of fixed assets		250	38
Investment income		7	4
Payments to acquire investments		(25)	-
Payments to acquire fixed assets		(3,411)	(1,957)
		(3,179)	(1,915)
Cash flows from financing activities			
Interest paid	10	(1,166)	(1,228)
New unsecured loans		12,900	13,300
Repayments of amounts borrowed		(16,116)	(12,487)
		(4,382)	(415)
(Decrease)/Increase in cash and cash equivalents in the year		(1,029)	1,102
Cash and cash equivalents at the beginning of the year	19	1,566	464
Cash and cash equivalents at the end of the year	19	537	1,566

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 2015 to 2016* 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.

Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 28.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value.
- Capital Grants – the College has retained the accruals model for accounting for capital grants, with grant revenue being held as deferred income on the balance sheet and recognised over the useful economic life of the asset

Notes (continued)

1 Statement of accounting policies (continued)

Basis of Accounting

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

Going concern

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

The College currently has £22.9m of term loans outstanding with bankers and the local authority on terms negotiated in 2010 and 2014. Additionally there is a £6m facility with the local authority for bridging cashflow between capital project expenditure and grant receipts of which £4.2m was undrawn at the year end and a £2.5m unsecured facility available for unconditional drawdown with Lloyds Bank.

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

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 or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

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 accruals method 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.

Notes (continued)

1 Statement of accounting policies (continued)

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.

Income from equipment donations is recognised as follows:

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

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

Post retirement benefits

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

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 the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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 other recognised gains and losses.

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

Short term Employment benefits

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

Notes (continued)

1 Statement of accounting policies (continued)

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to 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.

Tangible fixed assets

Land and buildings

Tangible fixed assets are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 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 meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

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

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

Notes (continued)

1 Statement of accounting policies (continued)

Equipment

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

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

Motor vehicles and general equipment	-	15% per annum
Computer equipment	-	33½ % 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.

FINANCIAL INSTRUMENTS

Investments

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Stocks

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

Cash and cash equivalents

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

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

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 charged to the income and expenditure account in the period it is incurred.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by 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.

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary learner support funds and bursary funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 27, except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant. The College employs five members of staff dedicated to the administration of Learner Support Fund applications and payments. Income and expenditure related to subcontracted activity is reflected gross in the accounts. Under the principles of FRS 5, the College has the right to adopt this policy on the basis that it controls this activity and bears a significant element of the related risk.

Notes (continued)

1 Statement of accounting policies (continued)

Restricted reserves

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the college's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The 2015/16 accounts reflect such a judgement on the College's Wheelwright centre, which has been impaired to a nil carrying value reflecting the intention to relocate provision to alternative sites in Dewsbury.
- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes (continued)

2 Funding council grants

	2016 £'000	2015 £'000
Skills Funding Agency	11,805	13,264
Education Funding Agency	17,787	18,348
Higher Education Funding Council	378	406
Releases of government capital grants	2,224	2,412
Total	32,194	34,430

3 Tuition Fees and Education Contracts

	2016 £'000	2015 £'000
Adult education fees	1,521	1,385
Apprenticeship fees and contracts	133	163
Fees for HE loan supported courses	787	708
Fees for HE loan supported courses	1,817	1,922
Total tuition fees	4,258	4,178
Education contracts	1,214	645
Total	5,472	4,823

4 Other grants and contracts

	2016 £'000	2015 £'000
Other grants and contracts	171	100
Total	171	100

5 Other income

	2016 £'000	2015 £'000
Catering and residences	868	638
Non-government capital grants	734	84
Miscellaneous income	680	647
Total	2,282	1,369

Notes (continued)

6 Investment income

	2016 £'000	2015 £'000
Other investment income	-	-
Other interest receivable	7	4
	<u>7</u>	<u>4</u>
Pension finance income (note 25)	-	-
Total Investment Income	<u>7</u>	<u>4</u>

7 Donations

	2016 £'000	2015 £'000
Unrestricted donations	364	-
	<u>364</u>	<u>-</u>
Total Donations	<u>364</u>	<u>-</u>

Donations in 2016 relate to donations of equipment from local employers to the College's new Process Manufacturing Centre. Donations are expected to continue in the 2017 financial year.

8 Staff costs

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

	2016 No.	2015 No.
Teaching staff	341	362
Non-teaching staff	403	407
	<u>744</u>	<u>769</u>

Staff costs for the above persons

	2016 £'000	2015 £'000
Wages and salaries	19,655	20,250
Social security costs	1,407	1,335
Other pension costs	3,310	2,918
	<u>24,372</u>	<u>24,503</u>
Sub total staff costs	<u>24,372</u>	<u>24,503</u>
Contractual restructuring costs	314	78
	<u>24,686</u>	<u>24,581</u>
Total staff costs	<u>24,686</u>	<u>24,581</u>

Notes (continued)

8 Staff costs (continued)

Key management personnel

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

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

	2016 No.	2015 No.
The number of Key management personnel including the Accounting officer was:	11	13

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

	Key management personnel	
	2016 No.	2015 No.
£10,001 to £20,000	-	1
£20,001 to £30,000	-	1
£40,001 to £50,000	-	1
£50,001 to £60,000	1	1
£60,001 to £70,000	7	6
£90,001 to £100,000	2	2
£140,001 to £150,000	1	1
	<u>11</u>	<u>13</u>

No other staff received emoluments excluding pension contributions but including benefits in kind in excess of £60,000 during the year.

Key management personnel emoluments are made up as follows:

	2016 £'000	2015 £'000
Salaries	839	847
Benefits in kind	1	1
	<u>840</u>	<u>848</u>
Employers National Insurance	94	91
Pension contributions	121	114
	<u>1,055</u>	<u>1,053</u>

Notes (continued)

8 Staff costs (continued)

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

	2016 £'000	2015 £'000
Salaries	141	141
Benefits in kind	1	-
	<u>142</u>	<u>141</u>
Employers National Insurance	18	17
Pension contributions	23	20
	<u>183</u>	<u>178</u>
Total emoluments	<u>183</u>	<u>178</u>

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

	Senior post-holders	
	2016 No.	2015 No.
£40,001 to £50,000	1	1
£60,001 to £70,000	-	-
£90,000 to £100,000	2	2
£140,001 to £150,000	1	1
	<u>4</u>	<u>4</u>

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

Notes (continued)

9 Other operating expenses

	2016 £'000	2015 £'000
Teaching costs	2,950	3,445
Non-teaching costs	3,513	3,284
Premises costs	3,118	3,302
Total	9,581	10,031

Other operating expenses include:

Auditors' remuneration:

Financial statements audit	28	24
Internal audit	16	15
Other services provided by the financial statements auditors	3	-
Losses on disposal of tangible fixed assets (where not material)	12	-
Hire of land and buildings under operating leases	11	70

10 Interest payable

	2016 £'000	2015 £'000
On bank loans, overdrafts and other loans:	1,166	1,228
	1,166	1,228
Pension finance costs (note 24)	552	488
Total	1,718	1,716

11 Taxation

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

Notes (continued)

12 Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold	Under Construction		
	£'000	£'000	£'000	£'000
Cost or valuation				
At August 2015	113,696	1,277	16,329	131,302
Additions	28	3,001	746	3,775
Disposals	-	-	(1,374)	(1,374)
At 31 July 2016	113,724	4,278	15,701	133,703
Depreciation				
At 1 August 2015	5,826	-	10,689	16,515
Charge for the year	3,169	-	1,796	4,965
Impairment	4,995	-	-	4,995
Elimination in respect of disposals	-	-	(1,374)	(1,374)
At 31 July 2016	13,990	-	11,111	25,101
Net book value at 31 July 2016	99,734	4,278	4,590	108,602
Net book value at 31 July 2015	107,870	1,277	5,640	114,787

The College's property at New North Road is surplus to requirements and has been marketed for sale. The carrying value of this property is £1,250,000 and this has been included in current assets.

During the financial year to 31 July 2016, the College has been developing its plans for improving its estate in Dewsbury and at the balance sheet date had grant funding approved to build and develop two new centres in the town. However, at the balance sheet date, final formal approval had not been given by the Governing Body to progress. In recognition of the College's intent to consolidate its Dewsbury estate, however delivered, an impairment on the College's Wheelwright centre to a book value of nil has been made in these accounts.

Notes (continued)

13 Investments

	2016 £'000	2015 £'000
Listed Investments	36	8
	<u>36</u>	<u>8</u>

14 Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year		
Trade receivables	460	655
Prepayments and accrued income	694	1,270
Amounts owed by the Skills Funding Agency	307	696
Other debtors	187	271
Total	<u>1,648</u>	<u>2,892</u>

15 Creditors: Amounts falling due within one year

	2016 £'000	2015 £'000
Local authority loans	2,448	4,716
Bank loans	300	300
Trade payables	469	498
Other taxation and social security	744	695
Accruals and deferred income	1,965	2,090
Deferred income – government capital grants	1,948	2,909
Deferred income – government revenue grants	231	217
Other creditors	520	451
Amounts owed to the Skills Funding Agency	47	417
Total	<u>8,672</u>	<u>12,293</u>

16 Creditors: Amounts falling after one year

	2016 £'000	2015 £'000
Local authority loans	19,427	20,075
Bank loans	750	1,050
Deferred income - government capital grants	49,743	49,559
Other creditors	58	121
Total	<u>69,978</u>	<u>70,805</u>

Notes (continued)

17 Maturity of debt

Local Authority and bank loans

Bank loans and overdrafts are repayable as follows:

	2016 £'000	2015 £'000
In one year or less	2,748	5,016
Between one and two years	981	948
Between two and five years	2,712	2,901
In five years or more	16,484	17,276
Total	22,925	26,141

Local authority loans include a 25 year term loan of £20,075,240 at 5.08% and short term revolving facilities of £1,800,000 (2015: £4,100,000) at LIBOR plus 1%. These are secured on a portion of freehold land and buildings of the College. Bank borrowings with Lloyds Bank include a £1,050,000 (2015: £1,350,000) 5 year term loan payable at 4.56%.

18 Provisions for liabilities and charges

	Defined benefit Obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2015	15,894	2,167	18,061
Expenditure in the period	(1,138)	(163)	(1,301)
Transferred from statement of comprehensive income	12,082	116	12,198
At 31 July 2016	26,838	2,120	28,958

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

The enhanced pension provision related to the cost of staff who have already left the College's employ 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:

	2016	2015
Price Inflation	2.30%	3.46%
Discount Rate	1.30%	1.75%

Notes (continued)

19 Cash and cash equivalents

	At 1 August 2015 £'000	Cash Flows £'000	Other changes £'000	At 31 July 2016 £'000
Cash and cash equivalents	1,566	(1,029)	-	537
Total	1,566	(1,029)	-	537

20 Capital commitments

	2016 £'000	2015 £'000
Commitments contracted for at 31 July	441	2,003

21 Lease Obligations

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

	2016 £'000	2015 £'000
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	54	-
Later than five years	-	-
	<u>54</u>	<u>-</u>

22 Financial assets and liabilities

	2016 £'000	2015 £'000
Financial assets measured at amortised cost	1,157	2,379
Financial liabilities measured at amortised cost	25,244	29,419

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.

23 Contingent liabilities

There are no contingent liabilities known to the College.

24 Events after the reporting period

There have been no events after the reporting period.

Notes (continued)

25 Defined benefit obligations

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

Total pension cost for the year	2016 £'000	2015 £'000
Teachers' Pension Scheme: contributions paid	1,369	1,247
Local Government Pension Scheme:		
Contributions paid	1,101	1,105
FRS 102 (28) charge	<u>840</u>	<u>574</u>
	1,941	1,679
Charge to the Statement of Comprehensive Income	3,310	2,926
Enhanced pension charge to Statement of Comprehensive Income	50	86
Total Pension Cost for Year	<u>3,360</u>	<u>3,012</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £317,970 (2015 £301,451) were payable to the schemes at 31 July and are included within creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972 paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay as you go' basis and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

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

Notes (continued)

25 Pensions and similar obligations (continued)

Valuation of the Teachers' Pension Scheme

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

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

The new employer contribution rate for the TPS was implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

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

Scheme Changes

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

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

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

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

The employers pension costs paid to TPS in the year amounted to £1,401,742 (2015: £1,252,055).

FRS 102 (28)

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

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

Notes (continued)

25 Pensions and similar obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the West Yorkshire Pension Fund. The total contribution made for the year ended 31 July 2016 was £1,665,500 of which employer's contributions totalled £1,118,725 and employee's contributions totalled £546,776. The agreed contribution rate was 12.9% 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 2013 updated to 31 July 2016 by a qualified actuary.

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.30%	3.60%
Future pensions increases	1.80%	2.10%
Discount rate for scheme liabilities	2.40%	3.60%
Inflation assumption (CPI)	1.80%	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 2016 Years	At 31 July 2015 Years
<i>Retiring today</i>		
Males	22.7	22.6
Females	25.6	25.5
<i>Retiring in 20 years</i>		
Males	24.9	24.8
Females	28.0	27.8

Asset Allocation:	At 31 July 2016	At 31 July 2015
Equities	75.1%	75.9%
Property	4.8%	4.5%
Government Bonds	11.2%	10.4%
Corporate Bonds	4.2%	4.6%
Cash	1.4%	1.5%
Other	3.3%	3.1%
Total	100%	100%

Notes (continued)

25 Pensions and similar obligations (continued)

Local Government Pension Scheme (continued)

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

	2016 £'000	2015 £'000
Fair value of plan assets	57,524	51,591
Present value of plan liabilities	(84,362)	(67,485)
Net pensions liability (Note 18)	(26,838)	(15,894)

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

	2016 £'000	2015 £'000
Amounts included in staff costs		
Current service cost	840	574
Past service cost	-	-
Total	840	574

	2016 £'000	2015 £'000
Amounts included in interest and finance costs		
Net interest charge	552	488

	2016 £'000	2015 £'000
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	4,013	2,460
Experience losses arising on defined benefit obligations	(13,565)	(4,847)
Amount recognised in Other Comprehensive Income	(9,552)	(2,387)

Notes (continued)

25 Pensions and similar obligations (continued)

Local Government Pension Scheme (continued)

Movement in net defined benefit liability during the year

	2016 £'000	2015 £'000
Deficit in scheme at 1 August	(15,894)	(12,445)
Movement in year:		
Current service cost	(1,978)	(1,672)
Employer contributions	1,138	1,098
Net interest on the defined (liability)/asset	(552)	(488)
Actuarial gain or loss	(9,552)	(2,387)
Net defined benefit liability at 31 July	(26,838)	(15,894)

Asset and Liability Reconciliation

	2016 £'000	2015 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	67,485	59,435
Current service cost	1,978	1,672
Interest cost	2,411	2,419
Contributions by Scheme participants	549	524
Actuarial loss	13,565	4,847
Estimated benefits paid	(1,626)	(1,412)
Defined benefit obligations at end of period	84,362	67,485

Reconciliation of Assets

Fair value of plan assets at start of period	51,591	46,990
Interest on plan assets	1,859	1,931
Return on plan assets		
Actuarial gain	4,013	2,460
Employer contributions	1,138	1,098
Contributions by Scheme participants	549	524
Estimated benefits paid	(1,626)	(1,412)
Assets at end of period	57,524	51,591

Notes (continued)

26 Related Party Transactions

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

The total expenses paid to or on behalf of the Governors during the year was £1,342, 4 governors (2014/15 £1,634, 5 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from the College during the year.

27 Amounts disbursed as agent

	2016 £'000	2015 £'000
Learner support funds		
Funding body grants – bursary support	117	-
Funding body grants – discretionary learner support	1,599	1,879
Other Funding body grants		
Interest earned		
	<u>1,716</u>	<u>1,879</u>
Disbursed to students	(1,607)	(1,765)
Administration costs	(80)	(85)
	<u>29</u>	<u>29</u>
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.

28 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS102 and the 2015 FE HE SORP has affected the College's financial position and financial performance is set out below.

Notes (continued)

28 Transition to FRS 102 and the 2015 FE HE SORP (continued)

(a) Financial Position

	Note	1st August 2014 £'000	31st July 2015 £'000
Total reserves under previous SORP		20,132	16,916
Employee leave accrual		(211)	(216)
Consolidation of restricted reserve movement into SOCI		11	-
Capital grant balances on land to be accounted for under the performance model		2,894	2,894
Total effect of transition to FRS 102 and 2015 FE HE SORP		2,694	2,678
Total reserves under 2015 FE HE SORP		22,826	19,594

(b) Financial Performance

	Year ended 31st July 2015 £'000
Surplus for the year after tax under previous SORP	796
Release of non-government grants received	-
Unrealised loss on revaluation of assets	(344)
Movement between opening and closing employee leave accrual	(5)
Pensions provision – actuarial loss	(2,506)
Changes to measurement of net finance cost on defined benefit plans	(1,173)
Total effect of transition to FRS 102 and 2015 FE HE SORP	(4,028)
Total comprehensive income for the year under 2015 FE HE SORP	(3,232)

(c) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st July each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 4.4 days unused leave for teaching staff and 3.1 days unused leave for non-teaching staff. In addition, employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the end of the leave year. This may be varied upwards at the discretion of the employees line manager. The cost of any unused or over used entitlement is recognised in the period in which the employee's services are received. An accrual of £210,736 was recognised at 1 August 2014, and £216,307 at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £3,795 has been charged to Comprehensive Income in the year ended 31 July 2016.

Notes (continued)

28 Transition to FRS 102 and the 2015 FE HE SORP (continued)

(d) Capital grants for land accounted for under the performance model

The SORP follows FRS102 in allowing a choice in accounting policy between the accruals model or performance model for capital grant accounting. The college has adopted the 'accruals model', however under FRS102 this option is not available for capital grants for land purchase which must be accounted for under the performance model. At the transition date, there were grant balances attached to the land at the Engineering Centre and Waterfront Quarter, therefore there is a FRS102 transition adjustment to release these balances to reserves.

(e) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

(f) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

