



Kirklees College Report and Financial Statements

For the year ended 31 July 2020

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 2019/20:

| | |
|----------------------------|--|
| Mrs Marie Gilluley | Principal and Chief Executive, Accounting Officer |
| Mrs Carmen Gonzalez-Eslava | Vice Principal, Curriculum, Performance and Innovation |
| Mr Mark Bennington | Vice Principal, Corporate Operations (Started 19th August 2019) |
| Mrs Rebecca Meara | Executive Director of Finance |
| Mr Darren Rayneau | Executive Director of Business Systems (Started 8th October 2019) |
| Mrs Jane Simpson | Executive Director of HR and Organisational Development |
| Mrs Pauline Hughes | Assistant Principal, Quality and Apprenticeships |
| Mrs Philippa Firth | Assistant Principal, Adults and Higher Education |
| Mrs Julia Arechiga | Assistant Principal, Study Programmes |
| Mrs Polly Harrow-Wright | Assistand Principal, Safeguarding and Inclusion |
| Mrs Helen Rose | Director of External Relations |

Board of Governors

A full list of Governors is given on page 16 of these financial statements. Mrs Joanna Green acted as Clerk to the Corporation.

Registered Office

Kirklees College
Waterfront Quarter
Manchester Road
Huddersfield
HD1 3LD

Professional advisers (*continued*)

Financial statement and regularity auditors:

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

Internal auditors

TIAA Ltd
Artillery House
Fort Fareham
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Fareham
PO14 1AH

Bankers:

Lloyds Bank plc
1 Westgate
Huddersfield
HD1 2DN

Kirklees Council
Civic Centre
Huddersfield
HD1 1WG

Solicitors:

Shoosmiths LLP
The XYZ Building
2 Hardman Boulevard
Spinningfields
Manchester
M3 3AZ

Eversheds LLP
Bridgewater Place
Water Lane Leeds
LS11 5DR

Report and Financial Statements

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Strategic Report

OBJECTIVES AND STRATEGY

The Governing Body present their report and the audited financial statements for the year ended 31 July 2020.

Legal status

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

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

Mission

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

The College's mission is:

'Creating opportunity, changing lives'

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

Implementation of strategic plan

On 1st February 2019, the Corporation formally approved amendments to the College's Vision for 2022. The review outlined the College's strategic priorities and the values that the College aimed to operate within to create a 'culture' that underpinned professional standards and behaviours.

The 2022 Vision was agreed as:

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

Strategic Report (*continued*)

The College values were refreshed as INSPIRE:

Inclusive – creating an environment where all individuals are treated equally and with respect

Nurturing our students and staff to get the best out of them and develop them continually

Supportive of our students and our staff, and creating an environment that demonstrates care

Pride for being part of the Kirklees College family

Integrity - transparency, fairness and honesty in our management and communications

Respect – respectful and supportive behaviour towards each other, our students and our community

Excellence – being the best that we can be

The College strategic objectives were updated to:

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

Key achievements against these objectives in 2019/20 include:

- Significant progress was made on the refurbishment of Pioneer House in Dewsbury, the final stage in the College's ten-year estate transformation programme. The building opened to students in November 2020 and provides first class facilities for our students in the North of the Kirklees District.
- The College met the financial operating performance targets in its Restructuring Fund plan for the third consecutive year.
- Consistent financial performance in line with the recovery plan meant that the College was removed from FE Commissioner intervention in March 2020.
- The College responded highly effectively to the need to transition extremely quickly to new remote ways of working, including digital delivery, virtual open days and online enrolment with minimal disruption to levels of service.
- Similarly, the College facilitated a smooth reopening of facilities, reporting very few numbers of Covid-19 cases.
- The College was awarded 'Microsoft showcase college' status, only one of twelve nationally, reflecting how well technology is used across the college for students and staff.
- The College became part of the Microsoft showcase teaching programme, promoting the use of tools such as Surface and Office to improve accessibility, collaboration and communication and increase digital skills in classrooms.
- A new partnership with TogetherAll was launched to provide access to round the clock mental health support for students and staff.
- The College partnered with Youth Central, Conscious Youth CIC, a virtual youth centre delivering support and activities to tackle inequalities and improve outcomes for disadvantaged young people in Kirklees.

Strategic Report (*continued*)

- For the third consecutive year, Leaders and Governors have created the business environment that has allowed growth in the number of 16-18-year olds which has impacted positively on financial recovery.
- We enhanced Governor and Senior Leaders skills and recruited new Governors and staff with improved skills and expertise, providing good oversight of the College recovery.

Operational Impact of Covid-19

The onset of the pandemic had the potential to have a significant adverse impact on all College operations. However, from the outset, the College was determined to ensure that the quality of the learner experience was maintained as far as possible whilst operating within the guidance issued by central government. Some of the key actions taken to keep students safe and learning throughout lockdown were:

- **Engagement** - the College developed a tracker that monitored and reported levels of engagement for each individual learner, at Faculty level, on a weekly basis. This applied to all learners and enabled compliance with ESFA monitoring requirements as well as providing a tool to identify 'at risk' students.
- **Financial support** – the College increased the daily allowance for students on free college meals and agreed to pay for five days a week, which was greatly welcomed by students and families. A large number of emergency vouchers were issued and IT equipment was issued to students who were not engaging with online classes as well as we expected.
- **Communications**- we communicated with students regularly, letting them know of any decisions made by the College and advising of the impact on them. The feedback was very positive. In addition, the pastoral teams created a Newsletter to support wellbeing that was emailed to all students every two weeks. Communication with vulnerable students was more enhanced, and responded to individual student risk assessments. The Safeguarding team continued to contact and support students "at risk", liaising with our key partner agencies such as the police, probation services and Calderdale & Kirklees Careers.
- **Operation Springfield**- we initiated a plan to continue delivery on-site at the Springfield campus in association with the Local Authority to deliver provision for some of our most "at risk" learners, those with a social worker attached to them.
- **Pastoral support**- Progress coaches continued to provide tutorials and one-to-one support. The Counselling service operated throughout the lockdown period, and provided bereavement and grief support for students and their families.
- **Support for employers/apprentices**- this was considered fundamental and the feedback from some of our employers was extremely positive. We continued to support practical assessments wherever possible to ensure students could complete their programmes. Some staff went into workshops and recorded activities for use in online sessions.
- **Enrichment activities**- the College provided a breadth of online activities to support and continue to develop our students personally including quizzes, competitions, cooking, exercise, meditation, coffee sessions and CV building.
- **Open days and online enrolment** – the College acted quickly to move to virtual open days and online enrolment to manage the flow of people on and around our sites.
- **Assessment** - The College responded swiftly to the changes in assessment following guidance from Ofqual. A "task group" formulated and delivered a delivery plan which was communicated on a regular basis with students and staff.
- **Estate** – a significant investment of time and resource was made to reassess all room capacities using social distance guidelines, and signage was installed to make the buildings 'Covid secure'.

Strategic Report (*continued*)

Furthermore, the response plan ensured that

- **Governance** processes continued as normal albeit over Microsoft Teams rather than in person. Additional processes were put in place to focus on Covid-19 governance matters, and the strategy for re-opening was agreed by the Corporation only after a satisfactory full assessment of readiness against government guidance.
- **Financial impact** – was estimated in April 2020 and swift actions were taken (such as budget clawbacks and an application to furlough some staff) to mitigate the impact of the expected loss of income. The income loss was significant, particularly in apprenticeship activity where funding stopped due to apprentices being placed on a learning break due to lockdown.

Resources

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

People

The College employed an average of 664 full time equivalent staff in the year to 31st July 2020 (657 in 2018/19) of whom 297 (270 in 2019) are teaching or staff directly engaged in the delivery of the curriculum.

Students

The College delivered education to approximately 12,500 students. The College's population included 3,538 16 to 18-year-old students, 1,575 apprentices, 174 higher education students, 350 advanced learner loans funded students and 6,800 adults.

Financial

Reserves excluding pension reserves decreased by £0.35m in 2019/20, to £23.9m from £24.3m 2018/19. The College has net liabilities of £27.43m as at 31st July 2020 (net liabilities of £5.66m at 31 July 2019), including a pension liability of £51.4m (£30.0m at 31 July 2019).

Tangible resources as at 31st July 2020 include the main College sites in Huddersfield and Dewsbury and four other specialist sites situated in the Kirklees area. The College also holds £5.8m in cash, some of which is earmarked to complete the refurbishment of Pioneer House in Dewsbury over the Autumn of 2020.

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.

Strategic Report (*continued*)

Stakeholders

Kirklees College has many stakeholders. These include:

- Current, future and past students
- Staff and their trade unions. The Senior Management Team are named at the front of this document. The trade unions of which Kirklees College staff are members are the University and College Union, National Education Union and Unison.
- The employers it works with.
- The wider local community.
- The Department for Education and its delivery agencies.
- Bankers.
- Kirklees Council, The Leeds City Region Local Enterprise Partnership (LEP) and the West Yorkshire Combined Authority.
- Other FE institutions and Schools.
- Professional bodies

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

Public Benefit

Kirklees College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 16.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard to the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the College provides identifiable public benefits through the advancement of education to approximately 12,500 students including approximately 450 with high needs.

Kirklees College provides courses without charge to young people, to those who are unemployed and adults taking English and maths courses. The college adjusts its courses to meet the needs of local employers and provides training to 1,575 apprentices. The College is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible, regardless of their educational background.

DEVELOPMENT AND PERFORMANCE

Financial results

The College has adopted the measure of Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) for monitoring financial performance. This measure adjusts the operating position for the major non-cash transactions (depreciation, capital grant releases, the defined benefit pension obligation operating credits/charges) and interest payable. In 2019/20, the College returned an EBITDA of £2.86m against an original budget of £2.79m (2018/19 £2.94m against an original budget of £3.05m).

Strategic Report (*continued*)

The Statement of Comprehensive Income shows a deficit of £21.8m, (2018/19 – deficit of £8.71m). This is stated after an adverse £18.3m exceptional movement in the actuarial valuation of the Local Government Pension Scheme, (2018/19 £12.5m adverse actuarial movement and a favourable £6.6m in Restructuring Fund grant), and £3.2m (2018/19 £2.8m) of FRS102 operating charges. The underlying trading position is therefore a deficit of £0.24m (2018/19 surplus £0.06m), caused substantially by the loss of income due to Covid-19.

The exceptional actuarial charge relating to the pension scheme has been incurred due to a combination of factors, including reduced yields on corporate bonds and volatile investment returns caused by the Covid-19 pandemic, combined with increased liabilities from changes in inflation assumptions and a reduction in the discount rate. Further details can be found at note 25 to the accounts.

The LGPS pension scheme has undergone a full actuarial valuation as at March 2019, and at that time the fund was 106% funded overall. Although there will be an increase in contributions payable by the College from April 2021, this increase is in line with the assumption in the long-term financial forecast.

The College's accounts show accumulated reserves of £23.9m prior to the pension deficit reserve of £51.4m, i.e. a net unrestricted reserves position of negative £27.5m compared to the net unrestricted reserves of negative £5.7m in 2018/19. The Statement of Changes in Reserves on page 34 summarises the movements in more detail, however is almost entirely explained by FRS102 pension adjustments. As these adjustments do not impact cash, they do not affect the College going concern assessment.

Tangible fixed asset additions during the year amounted to £14.22m, of which £4.55m were cash additions. These cash additions were split between land and buildings acquired of £3.89m and equipment additions of £0.66m. Land and Buildings additions included £3.37m of costs related to the construction of the new Pioneer Centre in Dewsbury. This project forms part of the College's wider Dewsbury Learning Quarter project which includes the construction of the Springfield Centre completed in 2018. The total project budget is £18.47million of which £11.12million is being funded by the Leeds City Region Local Enterprise partnership (LEP), £4.85million is funded by Kirklees Council and the balance from the College. The College took possession of Pioneer House from Kirklees Council in June 2019, the refurbishment of this centre is approaching completion, and opened to students in November 2020. Other land and buildings additions relate to improvements to the Brunel Construction Centre following significant learner growth in the Construction area. The £0.66m of equipment additions relates to a refresh of the College IT and network infrastructure estate, and updated curriculum resources.

The balance of £9.67m of non-cash additions is the reflection of the fair value of the 'right to use' of Pioneer House as a result of the College acquiring a 125 lease at a peppercorn rent. Further detail on how this value was derived can be found at Note 1 to the accounts on page 44.

Financial Impact of Covid-19

Although overall financial performance targets were met, Covid-19 had a significant impact on the college budget. Whilst the government provided protection on 16-18 funding and increased the tolerance threshold for adult funding, apprenticeship income was not protected. The College assessment of income lost as a result of apprentices being either made redundant, being placed on a break in learning or not meeting their planned achievement date is estimated £0.8m in lost income.

Furthermore, additional income was lost in refectory, conferencing and commercial activities impacting the budget by a further £0.5m.

Strategic Report (*continued*)

Managing the pandemic response also resulted in additional costs, revenue costs of £70k for PPE, sanitiser and signage costs, and £95k in capital costs of additional laptops for staff and students and preparation for online enrolment. In addition, progress with the Pioneer House refurbishment was slower than expected, due to the reduced number of people able to work safely on site due to social distancing requirements.

Lastly, although this cannot be quantified, the impact of the pandemic on stock markets is a factor in the significant FRS102 costs associated with the defined benefit scheme described above.

In response to the risk of this scale of impact, the College moved quickly to assess what actions could be taken to mitigate the income loss. Actions included clawback of revenue funding, a halt on staff recruitment, the launch of a 'voluntary leaver scheme' and assessing what government support schemes were accessible. The College applied to the 'Job Retention Scheme' and furloughed a number of catering staff. The grant received can be seen at Note 4 of these financial statements.

Cash flows and liquidity

There was a net cash inflow from operating activities of £4.37m in 2019/20 compared to £9.16m in 2018/19. The net inflow in 2018/19 included £6.6m of Restructuring Fund income, so there has been a net underlying improvement of £1.8m. The Statement of Cash Flows analyses the movements in cash flows in more detail. £2m of Restructuring Fund debt was repaid during the year.

Cashflow Impact of Covid-19

As described above, the college responded quickly to manage costs to mitigate the loss of income, and cashflow was therefore effectively maintained. The slower than forecast capital expenditure on Pioneer House had a positive impact on cashflow in 2019/20, however these costs will be incurred in 2020/21 and this timing shift will mean that the DfE loan covenant is at risk of breach in 2020/21.

Throughout the pandemic, the College remained committed to paying suppliers promptly as debts fell due, and contractual commitments were honoured.

Developments

In 2019/20 the main capital development was the refurbishment of Pioneer House. £3.37m was spent during the year, and the new site opened to students in November 2020. A further £1.2m was invested in curriculum resources, including £0.3m to create a new plastering workshop at the Brunel Centre in response to growing demand for Construction skills training.

The College continued to progress actions in 'Project-T', the college long term project to transform back-office systems and processes through smarter working. The project delivered substantial efficiencies in 2019/20 and will continue to do so in the future.

Student numbers

In 2019/20 the College delivered funded activity that has produced £30m in ESFA funding (2018/19, £29.86m). The College delivered to approximately 12,500 funded learners from these allocations. In 2019/20 the College delivered to 3,538 16-18-year olds, 121 more than the 3,417 contracted for and 135 more than 2018/19, meaning that allocations for 2020/21 have been increased through the lagged funding methodology.

Strategic Report (*continued*)

Curriculum achievements

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

The College has a strategic focus on providing the skills, knowledge and expertise required to address skills shortage areas and support economic growth in Kirklees and the wider Leeds City region. To ensure that the right curriculum is offered to meet employers' needs and key regional skills shortage priorities, the College has had significant strategic focus of developing excellent relationships with a wide range of employers. The College is becoming an acknowledged centre for the delivery of training for industry in Engineering and Process Manufacturing, which is of strategic economic importance in Kirklees. Senior leaders have ensured continued support for employers during the pandemic and overseen the responsiveness of the curriculum in meeting local and regional economic needs.

In response to local needs and very strong and effective partnership work with schools, the College has developed and continued to grow a vocational offer to accommodate 14-16 year olds, as well as an alternative curriculum to meet the needs of young students at risk of becoming NEET (Not in Employment, Education or Training).

Students benefit from the high expectations, levels of support and subject expertise of staff which ensures that they develop the required academic knowledge and practical skills in order to successfully complete their programme and progress into further learning or employment in the industries that learners aspire to move into.

Curriculum developments

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

Future curriculum developments will focus on skills shortage areas, local and regional LEP priorities and employer identified demands. This work has already led to new apprentices in laboratory technicians for the asbestos and textile industries, the development of social media and marketing apprenticeship routes, warehousing, and performing engineering operations tailored to specific employers. In addition, we are reviewing our curriculum offer in Dewsbury to be able to offer new and exciting curriculum in our new facilities.

Environmental matters

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

Strategic Report (*continued*)

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

Reserves

The College has accumulated income and expenditure reserves (excluding pension reserve) of £23.94m and cash reserves of £5.85m. The College wishes to continue to accumulate reserves and cash balances in order to fund future capital investment.

Sources of income

The College places significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the FE funding bodies provided 82% of the College's total income. The largest proportion of funding comes from 16-18 Education and Training, which grew by £0.66m (4%) on the previous year.

FUTURE PROSPECTS

Future developments

The major College development continues to be the enhancement of the College's estate. Following the successful opening of the College's new Process Manufacturing Centre in August 2016 and the Springfield Centre in 2018, the College's 10-year estate transformation project will be concluded with the completion of the Pioneer Centre in November 2020. These new centres will enable savings through teaching space being smaller, better utilised and more energy efficient. The Dewsbury projects are being delivered in partnership with Kirklees Local Authority and West Yorkshire Combined Authority and will provide the Dewsbury community and employers an exciting curriculum offer that meets their needs.

The future focus for our curriculum will be the preparation for T-Level delivery, which the College has been approved to deliver from September 2022, and the continued development of the curriculum in association with employers. The College also plans to launch and deliver on a new digital strategy, aimed at transforming our curriculum delivery, staff skills, operations and processes through the use of digital tools.

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. During 2020/21 and beyond, the College will seek to adapt its strategy in response to the content of the FE White Paper due to be published in the Autumn of 2020.

Financial Plan

The College governors approved a financial plan in July 2019 which set objectives for the period to July 2021. The College aims through that plan to consistently improve financial resilience with the aim of being 'Good' financial health by 2021/22 from a baseline of 'Inadequate' in 2017/18.

Strategic Report (*continued*)

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate Treasury Management policy in place.

In March 2010, the College agreed a long-term borrowing facility of £23.4m from the Local Authority at a fixed rate for 25 years of 5.08% to part finance the £85m major capital build projects in Huddersfield. As part of the College recovery plan supporting the Restructuring Fund application, the Local Authority agreed a one-year payment holiday in 2019/20. The loan term has been extended by one year to March 2036.

In November 2018, the College agreed a £3.8m borrowing facility with the Department for Education through the Restructuring Fund. Interest is payable at 0.25% above the Public Works Loan Board (PWLb) standard rate. The loan is repayable by February 2022. £2m was repaid during 2019/20. The financial performance covenant attached to the Restructuring Fund loan was met during 2019/20.

These financial statements include provision for the repayment of £1.42m to the LEP in respect of an overage clause to the Process Manufacturing Centre grant agreement. Accounting standards require this to be treated as a 'loan'. The repayment amount in February 2026 is fixed at £1.42m. This sum has been discounted back to arrive at a value at drawdown reflective of the prevailing commercial rate of interest at the time, and the balance is being amortised annually until it reaches the repayment sum by the repayment date. At the July 2020 year end, £1.1m is disclosed within loan balances, the remaining £0.32m is disclosed within other creditors.

The establishment of all borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Reserves Policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date, the Income and Expenditure account reserve (excluding pension reserve) stands at £23.9million (2019: £24.3million). It remains the Corporation's intention to increase reserves by the generation of annual operating surpluses.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has well developed strategies for managing risk and strives to embed risk management in all that it does. The Governing Body has overall responsibility for risk management and its approach to managing risks and the system of internal control is explained in the Statement on Corporate Governance.

The Risk Management policy and procedure has been redesigned in 2019/20 to place a greater focus on managing risk down through the identification of actions. This review has been welcomed as a positive by the Senior Leadership Team and the Governing Body. With effect from 2020/21 the risk register will be considered in detail by the Audit Committee on a termly basis before being presented to the full Corporation meeting.

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

Strategic Report (*continued*)

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

The Senior Leadership Team also consider any risks which may arise as a result of a new area of work being undertaken by the College, and have a separate risk register for any capital building projects. Outlined below is a list of the risks that the College has assessed as its key risks. Not all the factors are within the College's control.

- Failure to manage College operations effectively during the pandemic;
- Failure to meet employer expectations;
- Failure to improve outcomes and learner experience on English and maths;
- Failure to identify resources necessary to meet curriculum reforms and industry standards;
- Failure to complete estates development and disposal strategy;
- Failure to protect the health, safety and wellbeing of staff and students;
- Failure to retain students on programme to achieve;
- Failure to diversify income streams;
- Failure to come out and stay out of financial notice;
- Failure to meet business plan targets.

KEY PERFORMANCE INDICATORS

Financial objectives

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

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

2019/20 EBITDA performance was 7.6%. This is considered a good outcome given that income was an estimated £1.2m lower than forecast as a direct result of Covid-19 in the year. The outturn was £65,000 higher than budget.

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

The target for 2019/20 was to sustain 'requires improvement' status achieved in 2018/19 from 'inadequate' in 2017/18. This has been achieved.

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

This has been achieved throughout the year.

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

The debt to income ratio remains high at 55% due to a combination of longstanding debt drawn to fund the Waterfront campus in 2010 and the short-term Restructuring Fund loan. The planned level of debt within the Restructuring Fund plan at the end of 2019/20 was 55%, so the College performance is in line with the recovery plan. This ratio has reduced by 7% in 2019/20 and the College remains on track to achieve the 40% target by the target date. This will be achieved through the planned repayment of the balance of the Restructuring Fund loan, and through ongoing annual repayments of the Local Authority loan.

Strategic Report (continued)

5. Staff to Income ratio no more than 65%

This target has not been achieved in 2019/20. The College outturn was 67.3%. The ratio has increased nationally for this indicator, driven partly by increased pension costs which have been 100% funded by income, but the College remains above this increasing national average. The College management team remain focussed on keeping control of staff costs, but use this measure more as an indicator of efficiency rather than a hard rule. The College recognises that some activities are in-house delivered such as cleaning and refectory services, and this pushes the ratio higher than other institutions.

Student achievements

Only 21.5% of our 16-18 learners have gained both English and Maths grade 4 or higher at school on entry to the College in 2019-20, 3.5% lower than in the 2018-19 academic year. The requirement for them to continue their English and Maths studies places additional pressure on their vocational achievement outcomes and on the resources required to enable students to make good progress. Despite this, the achievement rates of 16-18 study programme learners has continued to improve and English and Maths progress measures are excellent having improved year on year for the last five years.

Overall achievement for all ages has improved by 4.8% (+6.3% for 16-18 and +3% for adults). Apprenticeship achievement for Frameworks is in line with the performance for the previous year and Standards are slightly above national rates besides the significant challenges that this provision has experienced as a result of the pandemic.

GCSE English and maths achievement and pass rates for young people are above the national rate and a greater proportion received the highest grades (4 and above) in maths. Over 99% of adults returning to education to study GCSE English and maths received a grade at 1 or above, with 9-4 pass rates also high at 40% for English and 37% for Maths. Internal college data for GCSE English and maths students show that 35% of students improved their Key Stage 4 GCSE English grade by at least one. For maths, 33% of students improved their grade by at least one.

87% of students have had a positive destination and gaps in performance have continued to narrow and are now not significant.

Contract performance

The College exceeded the 16-18 learner number and cash allocations within its ESFA contract for the 2019/20 funding year, returning 3,538 against contracted numbers of 3,417 and the contract for 2020/21 has been increased as a result. The Adult Education Budget was delivered within the tolerance threshold. Apprenticeship activity was however seriously affected by the impact of Covid-19, and an estimated £800,000 of income was lost as a result during the year.

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 2020, the College paid 91.36% (2018/19 92.68%) of its invoiced values within 30 days of receipt. 93.64% of invoice volumes (2018/19 90.78%) were paid within 30 days of receipt. The College incurred no interest charges in respect of late payment for this period.

Strategic Report (*continued*)

EQUALITY AND DIVERSITY

Single Equality, Diversity and Inclusiveness Strategy

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

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

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. The Equality and Diversity policy is implemented and monitored on a planned basis and is published on the College website. The College also publishes an annual Equality Report to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures.

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

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

Trade Union facility time

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

For the purpose of industrial relations, the College recognises UNISON and UCU working collectively together to resolve any employee related issues. Therefore, a number of the College's employees also carry out Union duties as part of their role; the number of employees undertaking these roles are:

UCU – 5 employees

UNISON – 6 employees

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

Strategic Report (*continued*)

During an academic year, UCU reps are allocated hours per individual. During this period UCU have spent 840 hours on facility time. These hours are used for anything Union related such as meetings, hearings, discussions etc. The hours set for remission are set at the beginning of the academic year and UCU ensure that they do not go beyond these hours.

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

The total percentage spent for paid trade union activities against the total pay bill amount equates to 0.14%. The total percentage of total paid facility time hours spent on paid Union activities equates to 9.46%.

GOING CONCERN

The financial health of the College has been a challenge for a number of years due to the level of historic debt from investment in the College's estate in 2010. With the exception of the 2017/18 financial year, the College has returned healthy cash based operating performance over recent years in spite of the underlying debt position, but years of responding to continued funding cuts and the need to improve the estate had an adverse impact on the Colleges solvency position.

In 2017/18 the College self-assessed its financial health as 'Inadequate'. The ESFA concurred with this assessment and in October 2017 referred the College for FE Commissioner intervention. In response to the FE Commissioner recommendations, during 2017/18 the College prepared a comprehensive financial recovery plan which outlined a range of actions that would be taken to address the deteriorating financial position.

The plan was well received by the FE Commissioner team, and, following a visit in March 2018, the College received confirmation of the 2015 Area Review panel decision that the College should continue to remain a standalone institution and the FE Commissioner team recommended that a 'Fresh Start' application to the Restructuring Fund should be made recognising the significant progress that had been made in addressing the concerns raised at their initial visit.

The Restructuring Fund package of £3.8m loan and £6.6m grant was formally agreed and funds received by the end of March 2019. This package alongside actions taken by the College to improve its operating performance placed the College on a much firmer financial footing. Operating performance (one of the three key financial health measures along with solvency and debt to income ratios) has been sustained at a 'good' level in 2019/20 and solvency has been significantly improved. However, levels of debt remain high. £2m has been repaid in 2019/20 and a similar level is forecast to be repaid in 2020/21. The College currently expects to achieve overall 'Good' financial health by 2022/23. Should the Halifax Road centre sell by July 2022, then this aspiration may be achieved by 2021/22.

Although the accounts show a net liability position of £27.34m, the balance sheet is being impacted by a significant negative pension reserve of £51.4m. This liability is a long-term liability and the College is making contributions in line with the requirements of the pension scheme. At the date of the last full actuarial valuation in March 2019, the fund overall reported a funding level of 106%. Furthermore, the College has adequate provision within its future financial plans to meet the obligations arising from the reassessment of employer contributions from the March 2019 actuarial valuation which took effect from April 2020 and will run until March 2023.

The adjusted current ratio position as measured by the ESFA has improved from 1.04 in 2018/19 to 1.25 in 2019/20.

Strategic Report (*continued*)

In preparing an assessment of going concern, the College has prepared a financial forecast that covers the period from August 2020 to July 2022. This forecast has been based upon a financial plan approved by the Corporation in July 2020, adjusted to reflect subsequent changes in the timing of capital expenditure, a receipt from a capital disposal and actual 2019/20 performance. The impact of Covid-19 on the forecast has been considered, and the College assessment is that any additional costs in 2020/21 arising from the pandemic can be absorbed within existing budget contingencies.

This forecast has been further underpinned by a comprehensive sensitivity analysis, which has considered 2020/21 enrolment as at October 2020, and models the financial plan and cashflow implications of no further enrolments against fee paying programmes or apprenticeships, a £0.5m shortfall in activity against the Adult Education Budget, and significant cuts in other income but no cost mitigations in either the pay or non-pay budgets with the exception of direct food costs associated with catering income reductions. This exercise concluded that even under these extreme circumstances, the college has sufficient liquidity to continue to operate within available facilities for more than twelve months from the date of the approval of these financial statements.

The assessment confirmed a risk highlighted in the July 2020 financial plan, that unless advance agreement is secured from the Department for Education, the College will breach a Restructuring Fund loan performance covenant in 2020/21 as a result of a change in timing of capital expenditure on the Pioneer House capital project. This is not however considered to impact on the going concern assessment. This is because the College has modelled the impact of the breach, and has sufficient cash to repay the balance of the loan if recalled for immediate payment, and forecasts to hold sufficient cash for the going concern period.

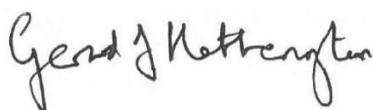
Whilst uncertainties remain in respect of future enrolments and resultant funding, the College believes that there is an adequate level of flexibility within the staffing budget to be able to absorb short term reductions in income such that the operating position and cash flow can be sustained.

The Corporation, having considered the forecasts, sensitivity analysis and covenant requirements as described above, has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future (being a period to end of the 2021/22 financial year) and accordingly the going concern basis has been adopted in the preparation of these financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

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

Approved by order of the members of the Corporation on 14 December 2020 and signed on its behalf by:

Signed 

Mr G Hetherington, Chair

Date 14 December 2020

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 2019 to 31st July 2020 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); and
- 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”) (as amended).

In the opinion of the Governors, the College complies with or exceeds all mandatory and most of the advisory provisions of the Code and substantially complies with the remaining advisory provisions. In particular, as a result of the pandemic lockdown, opportunities to meet with staff, employers and particularly students dried up in the latter part of the year. As the lockdown shows no sign of easing, the Corporation is looking at ways to interact with those stakeholder groups remotely, so as to continue to comply with the mandatory and good practice measures set out at 3.5 and 4.4 of the Code respectively throughout financial year 2020/21. The Governors’ opinion in this regard is based on an internal review of compliance with the Code reported to the Corporation on 23 October 2020 undertaken by the Clerk, with oversight from the Search and Governance Committee.

The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code, which it formally adopted on 1 August 2015.

The Corporation

The members who served on the Corporation during the year and up to the Approval Date were as listed in the table below, along with attendance data for academic year 2019/20:

| Member | Date of Appointment | Term of Office Expires | Date of Resignation | Status of Appointment | Committees Served | % Board meeting attendance | Overall attendance % |
|------------------|---------------------|------------------------|---------------------|-----------------------|--------------------------------------|----------------------------|----------------------|
| Mr H Aslam | 09.10.20 | 08.10.22 | | Student | | 100% | 100% |
| Mr B Blank | 13.12.19 | 22.10.21 | | Student | | 100% | 100% |
| Ms M Carabine | 24.01.20 | 31.03.23 | | Independent | Audit | 100% | 100% |
| Mr A Conn | 6.10.17 | 30.03.25 | | Independent | Audit | 100% | 100% |
| Prof. S Donnelly | 18.5.18 | 31.03.22 | | Independent | QPS | 83% | 67% |
| Ms C George | 23.5.14 | 30.03.25 | | Independent | QPS, Finance, EEC, SAG, Safeguarding | 100% | 95% |
| Ms M Gilluley | 30.01.17 | N/A | | Principal | Finance, QPS, SAG, Safeguarding | 100% | 100% |

Statement of Corporate Governance and Internal Control *Continued*

| Member | Date of Appointment | Term of Office Expires | Date of Resignation | Status of Appointment | Committees Served | % Board meeting attendance | Overall attendance % |
|-------------------|---------------------|------------------------|---------------------|-----------------------|--------------------------------------|----------------------------|----------------------|
| Mr G Hetherington | 15.05.15 | 31.03.22 | | Independent | QPS, Finance, EEC, SAG, Safeguarding | 100% | 95% |
| Ms F Hussain Butt | 24.01.20 | 31.03.23 | | Independent | | 100% | 100% |
| Miss M Jakhrani | 24.01.20 | 23.01.21 | 03.07.20 | Student | | 100% | 100% |
| Mr D Keeton | 24.03.17 | 31.03.21 | 01.11.19 | Independent | Audit | 100% | 100% |
| Mr H Linn | 16.03.18 | 31.03.22 | | Independent | Finance | 100% | 100% |
| Ms L Precious | 26.1.18 | 25.01.22 | | Staff | QPS | 83% | 94% |
| Mr J M Royle | 17.05.06. | 31.07.21 | | Independent | Finance, QPS, SAG Safeguarding | 100% | 100% |
| Mr N Taylor | 06.10.17 | 31.07.21 | | Staff | QPS | 83% | 92% |
| Ms S Weston | 19.05.17 | 31.03.21 | 27.01.20 | Independent | QPS | 33% | 67% |
| Mr M Varyani | 16.03.18 | 31.03.22 | | Independent | Finance | 67% | 83% |
| Mr I Wainwright | 01.12.20 | 31.03.24 | | Independent | | | |
| Dr A Williams | 08.07.16 | 31.03.24 | | Independent | Audit, EEC, QPS | 100% | 94% |
| Mr J Williams | 12.7.12 | 31.07.21 | | Independent | Finance, EEC, SAG Safeguarding | 100% | 100% |

Ms J Green acted as the Clerk to the Corporation.

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

| Members' name | Date of Appointment | Term of Office Expires | Date of Resignation | Status of Appointment | Attendance 2019/20 | Total Service to 31.7.20 |
|---------------|---------------------|------------------------|---------------------|-----------------------|--------------------|--------------------------|
| Mr E Croston | 01.09.18 | 31.03.22 | | Finance Committee | 100% | 1 year 10 months |
| Mr M Pearmain | 15.05.15 | 31.07.23 | | Audit Committee | 75%% | 5 years 2 months |

Expenses claimed from 1 August 209 to 31 July 2020 by 3 members of the Corporation totalled £796 (£2,006 in 2018/19 from 2 members).

Statement of Corporate Governance and Internal Control *Continued*

The governance framework

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 half-termly.

The Corporation conducts its business through a number of Sub-Committees. Each Sub-Committee has terms of reference which have been approved by the Corporation and are reviewed annually. The Sub-Committees are Audit, Finance, Executive Employment, Quality, Performance & Standards (QPS), Safeguarding and Search & Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at the College's registered address or, alternatively, on the College 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 and may be viewed electronically or in person at the College's registered 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 Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

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

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

COVID-19

In March 2020, the growing impact of the COVID-19 coronavirus caused the Corporation to adapt its ways of working, taking the bulk of its processes online. Throughout the pandemic lockdown, Governors received regular reports detailing the College's preparations and ongoing actions to respond to the pandemic and plan for financial and operational recovery. In response to Department for Education guidance published in June, the Corporation discussed and approved a formal plan for the staged return of learners to College and established a COVID-19 Governance and Leadership forum, to which regular updates and links have been uploaded and having a facility for Governors to comment and ask questions. At regular intervals as the year progressed, the Corporation took the opportunity to review these arrangements and reflect on whether there was appropriate communication and scrutiny.

Statement of Corporate Governance and Internal Control *Continued*

In the early stages of the pandemic response, the Corporation Chair, Clerk and Principal worked with Sub-Committee Chairs to introduce a temporary streamlining of decision-making arrangements, to ensure key decisions relating to the emergency response could be progressed at pace while maintaining careful oversight. The Corporation leaned out its March agenda to bring the core business of its Finance and Quality, Performance & Standards Sub-Committees into that meeting, as though operating a Carver model. All usual papers were produced and distributed to Sub-Committee members for comment.

In addition to scheduled Corporation and Sub-Committee meetings, five remote Governor briefing sessions were held and regular E-bulletins were shared by email. The Principal was in constant communication with the Corporation Chair, while Governors with particular areas of expertise, such as occupational health & safety, liaised with relevant managers. The Corporation Chair continued to meet with a small peer-support network of Corporation Chairs to exchange experiences and share good practice.

The Audit Sub-Committee continued to meet virtually and, via the auditors, sought assurance that the College's systems of internal control were continuing to operate soundly throughout the period of emergency response. The Head of Internal Audit opinion for 2019-20 was positive.

Meanwhile the Search & Governance Sub-Committee undertook an internal review of the impact of the pandemic on governance effectiveness and Governors' ability to hold the Executive to account, reporting to the 23 October Corporation meeting that the practical changes occasioned by the lockdown had been implemented smoothly and had, in many ways, proved beneficial, particularly in terms of decision-making agility and progressing the digital agenda. All Sub-Committees had undertaken self-assessment at the end of the financial year and, in each case, had reported that they had fully discharged their governance remit. As the Corporation had previously amended its Instrument of Government to permit teleconferencing, video-conferencing and decision-making by written resolution, there were no concerns about the validity of remote meetings. As a result of the Sub-Committee's thorough review, actions for 2020-21 will include steps to mitigate risks around stakeholder engagement and delays in progressing the long-term strategic planning agenda.

The Corporation is satisfied that its framework of corporate governance proved resilient to the enforced and new ways of working and supported the corporate response to the pandemic effectively. In particular, Governors are satisfied that they have received adequate information regarding the impact of COVID-19, particularly on the College's revenue budget and cashflow. The Corporation has supported management in the development of a strategy to manage the College's financial position, in order to continue to deliver on its charitable purposes. Where it has adapted features of its governance framework it has done so appropriately and with good reason, for example to facilitate remote working and support staff and Governor wellbeing.

During 2019/20, the College used the concession afforded by the Procurement Policy Notice (PPN) to continue paying for agency staff during the lockdown even though hours were not being worked. This decision affected in the main, support workers for high needs learners and was taken on the basis that the college continued to receive funding for that support. It was also considered important to retain the goodwill of the local staffing agencies which the College relies upon to provide an ongoing supply of this crucial workforce.

In addition, the College continued to make payments to awarding bodies, even though examinations did not take place as normal. This was on the basis that the large awarding bodies undertook to calculate any savings they realised and pass on the savings through the issuing of credits against future exam series.

The Accounting Officer was satisfied that the College was obtaining value for money in both of these cases by doing so.

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 & Governance Sub-Committee, having a minimum of three and up to seven members. It is responsible for the selection and nomination of any new Independent Governor for the Corporation's consideration, as well as for advising the Corporation on its governance arrangements. The Corporation is responsible for ensuring that appropriate training is provided for Governors, as required.

Independent Governors are appointed for a term of office of up to four years to expire on 31 March of the fourth year. On the expiry of their term of office, independent Governors are eligible for re-appointment. On completion of their term of office, Independent Governors wishing to be considered for re-appointment are subject to a review of their performance. A member will normally be eligible for consideration for re-appointment for a maximum of two terms of office (or eight years) in line with the AoC Code of Good Governance for English Colleges. Extension beyond two terms (or eight years) will only be made in truly exceptional circumstances and will normally be for one year at a time, with annual reviews.

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2020 and graded itself as "Good" on the Ofsted scale.

Executive Employment Committee ("EEC")

Throughout the year ending 31 July 2020 and up to the Approval Date, the EEC comprised Independent Governors Mrs C George, Mr G Hetherington, Mr A Williams and Mr J Williams.

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

Details of remuneration for the year ended 31 July 2020 are set out in note 7 to the financial statements.

Audit Sub-Committee

The Audit Sub-Committee comprises three Governors and one co-opted member. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Sub-Committee meets at least on a termly basis and provides a forum for reporting by the College's internal auditors, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion without the presence of College management. The Committee also receives and considers reports from the main FE 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 Sub-Committee.

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

Statement of Corporate Governance and Internal Control *Continued*

The Audit Sub-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 Sub-Committee

The Finance Sub-Committee comprises six members of whom one is the College Principal and one co-opted member with relevant experience. It meets at least once each term and 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, in particular matters of budget monitoring and setting and recommendations for capital investment.

Quality, Performance and Standards Sub-Committee

The Quality, Performance & Standards Sub-Committee comprises eight members of whom one is the College Principal. It normally meets at least once a term and as required.

The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to have oversight of and monitor strategic objectives related to quality performance and standards, to advise on behalf of the Corporation on the setting of student targets, and to monitor on behalf of the Corporation the College's overall curriculum framework, its quality and the contribution and impact of student and other support functions on the learner experience.

Internal Control

Scope of Responsibility

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

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

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at Kirklees College for the year-ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Statement of Corporate Governance and Internal Control *Continued*

Capacity to Handle Risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2020 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 Corporation;
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines, where appropriate.

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

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

Impact of COVID-19

The Corporation has been alert to the risks posed by Covid-19 on the internal control environment. In order to manage this risk, the majority of scheduled meetings have continued to take place virtually, and a specific Covid-19 Leadership and Governance channel was established on Microsoft Teams to share documents, approaches and risk assessments in readiness for re-opening in June 2020.

The financial risks to the College were explicitly reported upon through the management accounts from March 2020 onwards, and through the financial plan approved by the Corporation in July 2020.

Statement of Corporate Governance and Internal Control *Continued*

Risks faced by the Corporation

In 2019/20 the Corporation received and approved a new approach to risk management with associated new policy and procedure. The following key principles outline the College's approach to risk management and control:

- The Corporation has responsibility for overseeing risk management within the College as a whole;
- An open and receptive approach to solving risk problems is adopted by the SLT and Corporation;
- The Principal and the Senior Leadership Team propose, support and implement policies approved by the Corporation;
- The College makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- Senior and middle managers are responsible for encouraging good risk management practice within their designated areas.

The College's risk management framework is discharged through the College Strategic Risk Register, which is owned and monitored by the Risk Management Group (Senior Leadership Team). It is developed in collaboration with the Governors and College managers based on the College's Strategic Plan and includes key risks to the achievement of its strategic aims.

Each college risk has a risk 'owner' who is responsible for the evaluation of the risk, the controls in place to manage the risk and the actions required to bring the risk level to the target level. These assessments are subject to scrutiny and challenge by the Risk Management Group, before being presented to Audit Committee for further scrutiny and challenge.

The College has identified and evaluated 25 risks. Those scoring a high level of residual risk (in excess of a score of 15) have been disclosed in the strategic report on page 11.

Control weaknesses identified

The internal audit service opinion for 2019/20 was:

"TIAA is satisfied that, for the areas reviewed during the year, Kirklees College has reasonable and effective risk management, control and governance processes in place.

This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by Kirklees College from its various sources of assurance."

The internal audit service undertook five internal audits during the year. They were:

- Business Planning;
- ICT and Cyber Security
- Incident Management Reporting
- Apprenticeship and
- Creditor Payments and Payroll

Of these, only the Incident Management Reporting audit resulted in a limited assurance opinion. The College Leadership Team have agreed a number of actions to address the concerns raised in the report and these have been accepted by the Internal Audit Service and the Corporation. Progress against these actions will be reported to each Audit Committee meeting until they are discharged.

Statement of Corporate Governance and Internal Control *Continued*

Responsibilities under funding agreement

Under the terms of the funding contract with the ESFA, the Corporation has responsibilities to:

- ensure that the College's funds are used only in accordance with the Corporation's powers as set out in the Further and Higher Education Act 1992 and the College's own statutory duties, articles of association, trust deeds and other obligations.
- appoint an Accounting Officer with an appropriate separation of duties between executive and non-executive roles and responsibilities.
- inform the Department in writing, as soon as is reasonably practicable, of the vacating or filling of the positions of the Chair of the Governing Body, the Principal and the Clerk.

The Corporation believes these obligations have been fully discharged during 2019/20. This has been monitored through the framework of established reporting to the Corporation and/or its sub-committees and through the establishment and implementation of robust financial regulations.

The Corporation also:

- complied with the requirement to establish an independent and objective Audit Committee which advised the Corporation on governance, risk management, internal control and assurance frameworks.
- Considered and approved the regularity self-assessment and Covid-19 supplementary Annex as required by the Joint Audit Code of Practice.
- Complied with all requirements for financial reporting to the ESFA.

Statement from the Audit Committee

The Audit Committee has advised the Board of Governors that the Corporation has an effective framework for governance and risk management in place. The Audit Committee believes the Corporation has effective internal controls in place.

The specific areas of work undertaken by the Audit Committee in 2019/20 and up to the date of the approval of the financial statements were:

- Consideration of Internal Audit service plan and reports;
- Consideration of External financial statements plan and reports;
- Consideration of External subcontract audit report;
- Regular monitoring of progress against audit report recommendations;
- Consideration of a new approach to risk management;
- Consideration of new anti-fraud policy, procedure and fraud register
- Consideration of changes to financial regulations;
- Self-assessment of committee performance.

Review of Effectiveness

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

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

Statement of Corporate Governance and Internal Control *Continued*

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

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

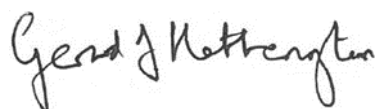
The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its October 2020 meeting, the Corporation carried out a review of the annual assessment for the year ended July 2020 by considering documentation from the Senior Leadership Team and internal audit, and taking account of events since 31 July 2020.

At its December 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Senior Leadership Team and internal audit, and taking account of events since 31 July 2020.

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."*

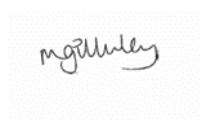
Approved by order of the Members of the Corporation on 14 December 2020 and signed on its behalf by:

Signed



Mr G Hetherington, Chair

Signed



Mrs M Gilluley, Accounting Officer

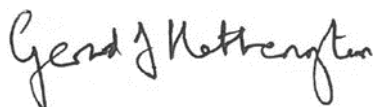
Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreement and contracts with ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with ESFA.

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

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

Signed



Mr G Hetherington, Chair

Signed



Mrs M Gilluley, Accounting Officer

Dated

14 December 2020

Statement of the Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the grant funding agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and its surplus/deficit of income over expenditure for that year.

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

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

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

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the Members of the Corporation on 14 December 2020 and signed on its behalf by:

Signed 
Mr G Hetherington, Chair

Independent auditor's report to the Corporation of Kirklees College

Opinion

We have audited the financial statements of Kirklees College (the 'corporation') for the year ended 31 July 2020, which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2020 and of the College's deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in October 2018 and any subsequent amendments

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

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

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

In our evaluation of the Members of the Corporation's conclusions, we considered the risks associated with the corporation's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The Members of the Corporation are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, set out on pages 1 to 27, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Office for Student's ('OfS') accounts direction (issued October 2019)

In our opinion, in all material respects:

- funds from whatever source administered by the corporation for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by the OfS have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them, and
- the requirements of the OfS's accounts direction (issued October 2019) have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- the corporation has not kept adequate accounting records; or
- the corporation's annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the following matters where the OfS accounts direction (issued October 2019) requires us to report to you where:

- the corporation's grant and fee income, as disclosed in the note to the accounts, has been materially misstated; or
- the corporation's expenditure on access and participation activities for the financial year, as disclosed in the note to the accounts, has been materially misstated.

Responsibilities of the Members of the Corporation for the financial statements

As explained more fully in the statement of responsibilities of the Members of the Corporation set out on page 27, the Members of the Corporation are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members of the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Members of the Corporation, as a body, in accordance with the terms of our engagement letter dated 21 October 2020. Our audit work has been undertaken so that we might state to the Members of the Corporation those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation and the Members of the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
16/12/2020

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

In accordance with the terms of our engagement letter dated 21 October 2020 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by Kirklees College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice ('the Code') for 2019 to 2020 issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the ESFA or devolved authority has other assurance arrangements in place.

Respective responsibilities of Kirklees College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that, in all material respects, the expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Use of our report

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

Grant Thornton UK LLP

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Leeds

16/12/2020

Statement of Comprehensive Income

| | Note | 2020 £'000 | 2019 £'000 |
|--|------|-----------------|----------------|
| INCOME | | | |
| Funding body grants | 2 | 32,834 | 38,463 |
| Tuition fees and education contracts | 3 | 5,276 | 4,557 |
| Other grants and contracts | 4 | 131 | 136 |
| Other income | 5 | 1,756 | 1,892 |
| Investment Income | 6 | 2 | - |
| Total income | | 39,999 | 45,048 |
| EXPENDITURE | | | |
| Staff costs | 7 | 27,172 | 25,460 |
| Other operating expenses | 8 | 10,306 | 10,398 |
| Depreciation | 11 | 4,355 | 4,340 |
| Reversal of prior year impairment | | - | (350) |
| Interest and other finance costs | 9 | 1,567 | 1,375 |
| Total expenditure | | 43,400 | 41,223 |
| (Deficit)/surplus before other gains and losses and tax | | (3,401) | 3,825 |
| Loss on disposal of assets | | (39) | - |
| (Deficit)/surplus before taxation | | (3,440) | 3,825 |
| Taxation | | - | - |
| (Deficit)/surplus for the year | | (3,440) | 3,825 |
| Unrealised gain on revaluation of investments | | 3 | 3 |
| Actuarial loss in respect of pension schemes | 25 | (18,332) | (12,533) |
| Total Comprehensive Income for the year | | (21,769) | (8,705) |
| Represented by: | | | |
| Restricted comprehensive income | | 3 | 3 |
| Unrestricted comprehensive income | | (21,772) | (8,708) |
| | | (21,769) | (8,705) |

All activities are continuing activities.

The accompanying notes and accounting policies on pages 37 to 62 form an integral part of these financial statements.

Statement of Changes in Reserves

| | Income and Expenditure account | Restricted reserve | Pension reserve | Total |
|--|--------------------------------------|-----------------------|--------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1st August 2018 | 17,686 | 47 | (14,688) | 3,045 |
| Surplus/(deficit) from the income and expenditure account | 6,663 | 1 | (2,839) | 3,825 |
| Other comprehensive income | (63) | 3 | (12,470) | (12,530) |
| Balance at 31st July 2019 | <u>24,286</u> | <u>51</u> | <u>(29,997)</u> | <u>(5,660)</u> |
| Surplus/(deficit) from the income and expenditure account | (242) | - | (3,198) | (3,440) |
| Other comprehensive income | (105) | 3 | (18,227) | (18,329) |
| Balance at 31st July 2020 | <u>23,939</u> | <u>54</u> | <u>(51,422)</u> | <u>(27,429)</u> |

The accompanying notes and accounting policies on pages 37 to 62 form an integral part of these financial statements.

Balance Sheets as at 31 July

| | Note | 2020 £'000 | 2019 £'000 |
|--|------|-----------------|----------------|
| Fixed assets | | | |
| Tangible fixed assets | 11 | 105,655 | 95,789 |
| Investments | 12 | 41 | 38 |
| | | 105,696 | 95,827 |
| Current assets | | | |
| Stocks | | 46 | 48 |
| Assets held for resale | | 600 | 1,575 |
| Trade and other receivables | 13 | 1,828 | 1,563 |
| Cash and cash equivalents | 18 | 5,851 | 7,153 |
| | | 8,325 | 10,339 |
| Less: Creditors – amounts falling due within one year | 14 | (8,435) | (9,134) |
| Net current (liabilities)/assets | | (110) | 1,205 |
| Total assets less current liabilities | | 105,586 | 97,082 |
| Less: Creditors – amounts falling due after more than one year | 15 | (79,724) | (70,824) |
| Provisions | | | |
| Defined benefit obligations | 17 | (51,422) | (29,997) |
| Other provisions | 17 | (1,869) | (1,871) |
| Total net liabilities | | (27,429) | (5,660) |
| Unrestricted reserves | | | |
| Income and expenditure account excluding pension reserve | | 23,939 | 24,286 |
| Pension reserve | 25 | (51,422) | (29,997) |
| Total unrestricted reserves | | (27,483) | (5,711) |
| Restricted reserve | | 54 | 51 |
| Total reserves | | (27,429) | (5,660) |

The accompanying notes and accounting policies on pages 37 to 62 form an integral part of these financial statements.

The financial statements on pages 33 to 62 were approved and authorised for issue by the Corporation on 14 December 2020 and were signed on its behalf on that date by:

Mr. G Hetherington, Chair




Mrs. M Gilluley, Accounting Officer

Statement of Cash Flows

| | Note | 2020 £'000 | 2019 £'000 |
|---|------|----------------|----------------|
| Cash inflow from operating activities | | | |
| (Deficit)/surplus for the year | | (3,440) | 3,825 |
| Adjustment for non-cash items | | | |
| Depreciation | 11 | 4,355 | 4,340 |
| Impairment reversal of asset held for resale | | - | (350) |
| Decrease in stocks | | 2 | 10 |
| Increase in debtors | | (265) | (173) |
| Decrease in creditors due within one year | | (831) | (688) |
| Increase/(decrease) in creditors due after one year | | 1,363 | (1,523) |
| Decrease in provisions | | (108) | (110) |
| Pension costs less contributions payable | 25 | 3,198 | 2,839 |
| Adjustment for investing or financing activities | | | |
| Interest payable | | 62 | 987 |
| Interest receivable | | (2) | - |
| Loss on sale of fixed assets | | 37 | - |
| Net cash flow from operating activities | | 4,371 | 9,157 |
| Cash flows from investing activities | | | |
| Proceeds from sale of fixed assets | | 938 | - |
| Payments to acquire fixed assets | 11 | (4,551) | (1,745) |
| | | (3,613) | (1,745) |
| Cash flows from financing activities | | | |
| Interest paid | | (62) | (987) |
| Interest received | | 2 | - |
| New unsecured loans | | - | 3,800 |
| Repayments of amounts borrowed | | (2,000) | (3,966) |
| | | (2,060) | (1,153) |
| (Decrease)/Increase in cash and cash equivalents in the year | | (1,302) | 6,259 |
| Cash and cash equivalents at the beginning of the year | 18 | 7,153 | 894 |
| Cash and cash equivalents at the end of the year | 18 | 5,851 | 7,153 |

The accompanying notes and accounting policies on pages 37 to 62 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Statement of accounting policies

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

Basis of preparation including going concern assumption

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the College Accounts Direction for 2019 to 2020 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention.

Going concern

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

The College currently has £20m of term loans outstanding with the local authority and the ESFA on terms negotiated in 2010 and 2018 respectively.

Following a year of challenging financial performance in 2017/18 the College implemented a range of actions to improve financial health from the classification of ‘Inadequate’ in 2017/18. This included a fundamental review of the operating cost base combined with the successful bid for support funds from the Restructuring Fund. The impact of actions taken have meant that for 2018/19 and for 2019/20, the College is able to return an improved financial health position.

Although the accounts show a net liability position of £27.34m, the balance sheet is being impacted by a significant negative pension reserve of £51.4m. This liability is a long term liability, and the College is making contributions in line with the requirements of the pension scheme. Furthermore, the College has adequate provision within its future financial plans to meet the obligations arising from the reassessment of employer contributions from the March 2019 actuarial valuation which took effect from April 2020 and the outcome of which is known until March 2023.

A comprehensive sensitivity analysis on a financial forecast running to July 2022 has been undertaken and concludes that the College's forecasts and financial projections indicate that it will be able to operate within available facilities for the foreseeable future.

Notes (continued)

1 Statement of accounting policies (continued)

Recognition of income

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

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

The Restructuring Fund grant was recognised in the 2018/19 accounts when the initial performance conditions were met. An element of the grant could be repayable dependent on future performance being in excess of forecast, however as this is not known, this possibility is reported as a contingent liability.

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

Capital grant funding

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

Fee Income

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

Donated equipment

Income from equipment donations is recognised as follows:

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

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

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Post retirement benefits

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

Teachers' Pension Scheme (TPS)

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

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

West Yorkshire Local Government Pension Scheme (LGPS)

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

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

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

Short term Employment benefits

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

Enhanced Pensions

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

Notes (continued)

1 Statement of accounting policies (continued)

Non-current assets - Tangible fixed assets

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

Land and buildings

Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- New and acquired buildings 50 years
- Refurbishments 10 years

Where part of a fixed asset has different useful lives, they are accounted for as separate items of fixed assets. This includes mechanical and electrical equipment purchased as part of a new build programme. These assets are depreciated over 10 years.

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

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

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

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the Statement of Comprehensive Income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Assets held for resale

Fixed assets held for resale are held at market value as assessed by professional property valuers.

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 | - | 33⅓ % per annum |

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

Borrowing costs

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

Financial Instruments

Investments

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

Inventories

Inventories 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.

Notes (continued)

1 Statement of accounting policies (continued)

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

Foreign currency translation

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

Maintenance of premises

The cost of routine corrective maintenance is recognised as expenditure in the period it is incurred.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK Corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when:

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

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

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.

Notes (continued)

1 Statement of accounting policies (continued)

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

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

Restricted reserves

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

Judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets. 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.
- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Estimation Uncertainties

- 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 24, 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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. 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)

1 Statement of accounting policies (continued)

- The pension liability includes an estimate of the potential impact of the McCloud/Sargeant case and GMP equalisation on the reported pension figures. The provision for McCloud liabilities uses data from the 2019 full actuarial valuation of the West Yorkshire Pension Fund. The GMP equalisation provides for full indexation for members with a State Pension Age on or after 6th April 2016. Management have reviewed the assumptions set out by the fund actuary and have determined that they are both reasonable and appropriate for estimating the liability for Kirklees College.
- Within the West Yorkshire Pension Fund, details for which are set out in note 25, the valuers have reported the property fund's valuation as subject to 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation of property funds than would normally be the case. The College has concluded that, on the basis that the value of pension assets held in property at 31 July 2020 is not material in the context of overall pension assets and after considering that pension assets, including property, are invested for long-term gains, the uncertainty reported by property valuers does not have a material impact on these financial statements
- The fair value of the LEP overage obligation held on the balance sheet as a 'loan' has been determined based on a discount rate from the actual cost of a commercial loan in 2014. Given that the Bank of England base rate did not change between 2014 and 2016 when the LEP grant was received, it is considered to be a reasonable estimate of what a commercial loan would have cost if drawn at that time.
- The College signed a 125 year lease at a peppercorn rent with Kirklees Council for Pioneer House in Dewsbury in June 2019 and has been refurbishing the building throughout 2019/20. Management have determined that there is 'right to use' asset that should be in the financial statements to reflect the benefit to the College of having a lease at peppercorn rent over 125 years.

Management engaged an external valuations expert to carry out an assessment of the annual asset value and this is deemed to be £8 sq ft per annum. This is based on £14 sq ft rental cost, less £6 sq ft expected ongoing maintenance costs. The maintenance costs are deducted from £14 sq ft to reflect that the benefit to the College is reduced by the fact that the College will have to incur significantly more running and ongoing maintenance costs for Pioneer than for an equivalent building; due to the fact that it is an old, Grade II Listed building.

The value of the asset based on this value and the square footage of the building is £128k per annum. Taking this annual value over the life of the lease and deducting amounts already spent and capitalised to date by the College for the development of the building, gives a total asset value of £9,670k. This is recorded as a leasehold asset within fixed assets and a deferred income creditor split between under 1 year and over 1 year. Both the asset and the liability will be released to income and costs respectively each year on a straight-line basis over the life of the asset, being 50 years as per our depreciation policy.

Other possible valuations of this asset give a range from £9 sq ft to £15 sq ft, which equates to a range of asset values of £11.6m to £23.7m and this wide range of valuations reflects that due to the uniqueness of this building there is uncertainty over the value of the benefit of the lease and limited comparatives in the market.

The Members of the Corporation have assessed the fair value of this right to use asset based on independent expert advice and this fair value represents a conservative assessment based on the range of values and the options available.

Notes (continued)

2 Funding council grants

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Recurrent Grants | | |
| Education and Skills Funding Agency 16-18 programme funding | 16,165 | 15,510 |
| Education and Skills Funding Agency 16-18 high needs | 1,980 | 1,980 |
| Education and Skills Funding Agency – Adults | 7,076 | 7,095 |
| Education and Skills Funding Agency – Apprenticeships | 4,824 | 5,279 |
| Education and Skills Funding Agency – Other | 940 | - |
| Office for Students | 187 | 236 |
| Specific Grants | | |
| Education and Skills Funding Agency – Other | - | 6,605 |
| Releases of government capital grants | 1,662 | 1,758 |
| Total | 32,834 | 38,463 |

Higher Education – Grant and Fee Income

| | 2020 £'000 | 2019 £'000 |
|---------------------------------------|---------------|---------------|
| Grant income from Office for Students | 200 | 256 |
| Grant income from other bodies | - | - |
| Fee income for taught awards | 752 | 889 |
| Fee income for research awards | - | - |
| Fee income for non-qualifying course | - | - |
| Total | 952 | 1,145 |

3 Tuition Fees and Education Contracts

| | 2020 £'000 | 2019 £'000 |
|------------------------------------|---------------|---------------|
| Adult education fees | 772 | 951 |
| Apprenticeship fees and contracts | 73 | 124 |
| Fees for FE loan supported courses | 771 | 711 |
| Fees for HE loan supported courses | 752 | 889 |
| Total tuition fees | 2,368 | 2,675 |
| Education contracts | 2,908 | 1,882 |
| Total | 5,276 | 4,557 |

Notes (continued)

4 Other grants and contracts

| | 2020 £'000 | 2019 £'000 |
|--|-------------------|-------------------|
| Other grants and contracts | 58 | 136 |
| Coronavirus Job Retention Scheme Grant | 73 | - |
| Total | <u>131</u> | <u>136</u> |

The Corporation furloughed some of the catering and conferencing staff under the government's Coronavirus Job Retention Scheme. The funding received of £73,043 relates to staff costs which are included within the staff costs note below as appropriate.

5 Other income

| | 2020 £'000 | 2019 £'000 |
|-------------------------------|---------------------|---------------------|
| Catering and residences | 512 | 757 |
| Non-government capital grants | 624 | 334 |
| Miscellaneous income | 620 | 801 |
| | <u>1,756</u> | <u>1,892</u> |

6 Investment income

| | 2020 £'000 | 2019 £'000 |
|---------------------|-----------------|-----------------|
| Interest receivable | 2 | - |
| | <u>2</u> | <u>-</u> |

Notes (continued)

7 Staff costs

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

| | 2020 No. | 2019 No. |
|--------------------|-------------|-------------|
| Teaching staff | 297 | 270 |
| Non-teaching staff | 367 | 387 |
| | 664 | 657 |

Staff costs for the above persons

| | 2020 £'000 | 2019 £'000 |
|---------------------------------|---------------|---------------|
| Wages and salaries | 19,338 | 18,517 |
| Social security costs | 1,637 | 1,543 |
| Other pension costs | 6,058 | 5,221 |
| | 27,033 | 25,281 |
| Contractual restructuring costs | 139 | 179 |
| | 27,172 | 25,460 |

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

| | 2020 No. | 2019 No. |
|--|-------------|-------------|
| The number of key management personnel including the Accounting officer was: | 11 | 14 |

Notes (continued)

7 Staff costs (continued)

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

| | Key management personnel | |
|----------------------|---------------------------------|---------------------|
| | 2020 No. | 2019 No. |
| £60,001 to £65,000 | 4 | 6 |
| £65,001 to £70,000 | 1 | 4 |
| £75,001 to £80,000 | 1 | 1 |
| £80,001 to £85,000 | 1 | - |
| £85,001 to £90,000 | - | - |
| £90,001 to £95,000 | 1 | 2 |
| £140,001 to £145,000 | - | 1 |
| £145,001 to £150,000 | 1 | - |
| | 9 | 14 |

No other staff received emoluments excluding pension contributions but including benefits in kind in excess of £60,000 during the year. Numbers of key management personnel disclosed above vary from the number of key management personnel posts as a result of changes in post-holders in the year and for 2020 only include those who have served for the full year. The comparative disclosed all postholders in the year. This has not been restated as it was the correct accounting disclosure at the time. There are eleven key management personnel posts.

Key management personnel emoluments are made up as follows:

| | 2020 £'000 | 2019 £'000 |
|--|-----------------------|-----------------------|
| Salaries gross of salary sacrifice | 846 | 867 |
| Employers National Insurance | 104 | 107 |
| Benefits in kind | 2 | 1 |
| | 952 | 975 |
| Pension contributions | 166 | 136 |
| Total key management personnel emoluments | 1,118 | 1,111 |

Notes (continued)

7 Staff costs (continued)

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

| | 2020 £'000 | 2019 £'000 |
|------------------------------|-----------------------------|-----------------------------|
| Salaries | 145 | 143 |
| Employers National Insurance | 19 | 19 |
| Benefits in kind | 2 | 2 |
| | <hr/> 166 | <hr/> 164 |
| Pension contributions | 33 | 24 |
| | <hr/> | <hr/> |
| Total emoluments | 199 | 188 |

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

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

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

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

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

| | 2020 | 2019 |
|---|-------------|-------------|
| Principal's basic salary as a multiple of the median of all staff | 6.1 | 6.2 |
| Principal's total remuneration as a multiple of the median of all staff | 6.1 | 6.2 |

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

Compensation for loss of office to former key management personnel

| | 2020 £'000 | 2019 £'000 |
|---|-----------------------------|-----------------------------|
| Compensation paid to former key management personnel | - | 36 |
| Estimated value of other benefits, including provision for pension benefits | - | 89 |

The compensation payments in 2019 were made to three key management personnel of which one was a senior postholder. All were in line with the redundancy scheme approved by the Corporation. The payment made to a senior postholder was approved by the College's Executive Employment Committee.

Notes (continued)

8 Other operating expenses

| | 2020 £'000 | 2019 £'000 |
|--------------------|----------------------|----------------------|
| Teaching costs | 4,579 | 4,358 |
| Non-teaching costs | 3,097 | 3,391 |
| Premises costs | <u>2,630</u> | <u>2,649</u> |
| Total | <u>10,306</u> | <u>10,398</u> |

Other operating expenses include:

Auditors' remuneration:

Financial statements audit

35 30

Other services provided by the financial statements auditors

1 2

Internal audit

13 21

Hire of land and buildings under operating leases

9 9

9 Interest payable

| | 2020 £'000 | 2019 £'000 |
|--|---------------------|---------------------|
| On bank loans, overdrafts and other loans: | <u>954</u> | <u>987</u> |
| | 954 | 987 |
| Pension finance costs (note 25) | <u>613</u> | <u>388</u> |
| Total | <u>1,567</u> | <u>1,375</u> |

10 Taxation

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

Notes (continued)

11 Tangible fixed assets

| | Land and Buildings | | | Equipment | Total |
|---------------------------------------|----------------------|---------------------|---------------------|---------------------|-----------------------|
| | Freehold | Long Leasehold | Under Construction | | |
| | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation | | | | | |
| At 1 August 2019 | 104,161 | - | 856 | 10,688 | 115,705 |
| Additions | 521 | 9,670 | 3,370 | 660 | 14,221 |
| Disposals | - | - | - | (377) | (377) |
| At 31 July 2020 | <u>104,682</u> | <u>9,670</u> | <u>4,226</u> | <u>10,971</u> | <u>129,549</u> |
| Depreciation | | | | | |
| At 1 August 2019 | 12,738 | - | - | 7,178 | 19,916 |
| Charge for the year | 2,870 | - | - | 1,485 | 4,355 |
| Eliminated in disposals | - | - | - | (377) | (377) |
| At 31 July 2020 | <u>15,608</u> | <u>-</u> | <u>-</u> | <u>8,286</u> | <u>23,894</u> |
| Net book value at 31 July 2020 | <u>89,074</u> | <u>9,670</u> | <u>4,226</u> | <u>2,685</u> | <u>105,655</u> |
| Net book value at 31 July 2019 | <u>91,423</u> | <u>-</u> | <u>856</u> | <u>3,510</u> | <u>95,789</u> |

The College signed a 125-year lease at a peppercorn rent with Kirklees Council for Pioneer House in Dewsbury in June 2019 and has been refurbishing the building throughout 2019/20. Management have determined that there is 'right to use' asset that should be in the financial statements to reflect the benefit to the College of having a lease at peppercorn rent over 125 years.

The fair value of the right to use of this asset has been assessed as £9.67m using independent third party advice and has been described in Note 1 to the accounts on page 44. This value is recorded above as a long leasehold asset addition.

Land and Buildings under construction are costs incurred to date on the refurbishment of the Pioneer Centre, which is expected to be completed in 2020/21.

12 Investments

| | 2020 £'000 | 2019 £'000 |
|--------------------|---------------|---------------|
| Listed Investments | 41 | 38 |
| | <u>41</u> | <u>38</u> |

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

Notes (continued)

13 Debtors

| | 2020 £'000 | 2019 £'000 |
|---|---------------------|---------------------|
| Amounts falling due within one year | | |
| Trade receivables | 436 | 385 |
| Prepayments and accrued income | 494 | 428 |
| Amounts owed by the Education and Skills Funding Agency | 422 | 457 |
| Other debtors | 476 | 293 |
| Total | <u>1,828</u> | <u>1,563</u> |

14 Creditors: Amounts falling due within one year

| | 2020 £'000 | 2019 £'000 |
|---|---------------------|---------------------|
| Local authority loans | 753 | - |
| Bank and ESFA loans | 1,250 | 2,000 |
| Trade payables | 318 | 655 |
| Pension scheme creditors | 409 | 346 |
| Other taxation and social security | 634 | 407 |
| Accruals and deferred income | 2,236 | 3,010 |
| Deferred income – government capital grants | 2,257 | 2,135 |
| Deferred income – government revenue grants | 302 | 211 |
| Other creditors | 276 | 370 |
| Total | <u>8,435</u> | <u>9,134</u> |

15 Creditors: Amounts falling after one year

| | 2020 £'000 | 2019 £'000 |
|---|----------------------|----------------------|
| Local authority loans | 17,276 | 18,030 |
| ESFA loans | 550 | 1,800 |
| LEP overage liability | 1,104 | 1,055 |
| Deferred income - government capital grants | 60,433 | 49,535 |
| Other creditors | 361 | 404 |
| Total | <u>79,724</u> | <u>70,824</u> |

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

Notes (continued)

16 Maturity of debt

Local Authority, Restructuring Fund loans and LEP overage liability

Bank loans and overage obligations are repayable as follows:

| | 2020 | 2019 |
|----------------------------|---------------|---------------|
| | £'000 | £'000 |
| In one year or less | 2,003 | 2,000 |
| Between one and two years | 1,342 | 2,003 |
| Between two and five years | 2,629 | 3,050 |
| In five years or more | 14,959 | 15,832 |
| Total | 20,933 | 22,885 |

The Local Authority loan is a fixed rate 25 year term loan of £18,029,605 at 5.08%. The Restructuring Fund loan is a variable rate loan of £3,800,000 at 0.25% margin above the PWLB standard rate, of which £1,800,000 was outstanding at the July 2020 year end. Both loans are secured on freehold land and buildings of the College. The carrying value of secured assets at 31 July 2020 is £89.1m. As part of the College's financial recovery strategy, the Local Authority have agreed a one year capital and interest payment holiday in the 2019/20 financial year. This is not considered to be a substantial change to the loan terms.

17 Provisions for liabilities and charges

| | Defined benefit Obligations | Enhanced pensions | Total |
|--|------------------------------------|--------------------------|---------------|
| | £'000 | £'000 | £'000 |
| At 1 August 2019 | 29,997 | 1,871 | 31,868 |
| Expenditure in the period | (1,627) | (145) | (1,772) |
| Transferred from statement of comprehensive income | 23,052 | 143 | 23,195 |
| At 31 July 2020 | 51,422 | 1,869 | 53,291 |

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

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

The principal assumptions for this calculation are:

| | 2020 | 2019 |
|-----------------|-------------|-------------|
| Price Inflation | 2.20% | 2.00% |
| Discount Rate | 1.30% | 2.00% |

Notes (continued)

18 Cash and cash equivalents

| | At 1 August 2019 £'000 | Cash Flows £'000 | Other changes £'000 | At 31 July 2020 £'000 |
|---------------------------|---------------------------------|------------------------|---------------------------|--------------------------------|
| Cash and cash equivalents | 7,153 | (1,302) | | 5,851 |
| Total | 7,153 | (1,302) | - | 5,851 |

19 Reconciliation of Net Debt

Analysis of net debt:

| | 2020 £'000 |
|--|---------------|
| Net debt at 1st August 2019 | 15,732 |
| Movement in cash and cash equivalents | (1,302) |
| Non-cash changes | 652 |
| Net debt at 31 st July 2020 | 15,082 |
| Change in net debt | (650) |

Analysis of net debt:

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Cash and cash equivalents | 5,851 | 7,153 |
| Borrowings: secured loans due under one year | 2,003 | 2,000 |
| Borrowings: secured loans due over one year | 18,930 | 20,885 |
| Total | 15,082 | 15,732 |

20 Capital commitments

| | 2020 £'000 | 2019 £'000 |
|---------------------------------------|---------------|---------------|
| Commitments contracted for at 31 July | 1,892 | 976 |

Capital commitments relate to the refurbishment of Pioneer House.

Notes (continued)

21 Lease Obligations

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

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Land and buildings | | |
| Not later than one year | 8 | 8 |
| Later than one year and not later than five years | 1 | 1 |
| Later than five years | - | - |
| | <u>9</u> | <u>9</u> |

In June 2019 the College signed a lease with Kirklees Council for Pioneer House in Dewsbury. The lease runs for 125 years at an annual peppercorn rent. Throughout 2019/20 the College has been undertaking the fit-out of Pioneer House as the last stage in its 10 year estates transformation plan. The fit-out costs incurred to date have been capitalised and are part of land and buildings assets in note 11. The College holds the responsibility for the maintenance, security and insurance on the building

22 Financial assets and liabilities

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Financial assets measured at amortised cost | 1,382 | 1,221 |
| Financial assets held at fair value | 41 | 38 |
| Financial liabilities measured at amortised cost | 24,500 | 26,003 |

The disclosure above reflects the sum of balance sheet assets and liabilities at July year ends that are due to be settled in cash after year end. Financial assets measured at amortised cost includes trade and other receivables which will be settled in cash. Financial liabilities measured at amortised cost include trade creditors and other payables, including loans but excluding tax and pension liabilities which will be settled in cash.

23 Contingent liabilities

The Restructuring Fund grant agreement agreed by the College in 2018/19 includes provision for the DfE to request 50% of any financial performance exceeding that specified in the agreement to be repaid. The identification of any overperformance is subject to a number of adjustments, and any repayment agreed is due within 30 days of a request by the DfE. As the occurrence and timing of these conditions is not known, no provision has been made for any repayment in these financial statements.

24 Events after the reporting period

No events are reported

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.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the TPS was 31 March 2016 and of the LGPS 31 March 2019.

| Total pension cost for the year | 2020 £'000 | 2019 £'000 |
|--|---------------------|---------------------|
| Teachers' Pension Scheme: contributions paid | 1,869 | 1,228 |
| Local Government Pension Scheme: Contributions paid (including enhancements on redundancy) | 1,627 | 1,656 |
| FRS 102 (28) charge | <u>2,585</u> | <u>2,451</u> |
| | 4,212 | 4,107 |
| Charge to the Statement of Comprehensive Income | 6,081 | 5,335 |
| Enhanced pension charge to Statement of Comprehensive Income | 143 | 107 |
| Total Pension Cost for Year | <u>6,224</u> | <u>5,442</u> |

Contributions amounting to £409,097 (2019 £345,996) 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' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. Membership is automatic for full-time teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan. Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Notes (continued)

25 Pensions and similar obligations (continued)

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (DfE) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

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

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

The pension costs paid to TPS in the year amounted to £1,869,825 (2019: £1,288,290).

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 2020 was £2,220,792 of which employees contributions deducted through payroll totalled £617,289 and employer's contributions totalled £1,603,503. The agreed contribution rate for future years are 17% for the employer for the 2020/21 year rising in annual increments of 1% per year until 2022/23 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 2019 updated to 31 July 2020 by a qualified actuary.

| | At 31 July 2020 | At 31 July 2019 |
|--------------------------------------|--------------------|--------------------|
| Rate of increase in salaries | 3.55% | 3.45% |
| Future pensions increases | 2.30% | 2.20% |
| Discount rate for scheme liabilities | 1.40% | 2.10% |
| Inflation assumption (CPI) | 2.30% | 2.20% |
| Commutation of pensions to lump sums | 75% | 75% |

Notes (continued)

25 Pensions and similar obligations (continued)

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

| | At 31 July 2020 Years | At 31 July 2019 Years |
|-----------------------------|-----------------------------|-----------------------------|
| <i>Retiring today</i> | | |
| Males | 21.8 | 22.2 |
| Females | 24.6 | 25.4 |
| <i>Retiring in 20 years</i> | | |
| Males | 22.5 | 23.2 |
| Females | 25.7 | 27.2 |

| Asset Allocation: | At 31 July 2020 | At 31 July 2019 |
|-------------------|--------------------|--------------------|
| Equities | 77.7% | 78.6% |
| Property | 4.3% | 4.3% |
| Government Bonds | 10.0% | 9.9% |
| Corporate Bonds | 5.0% | 3.6% |
| Cash | 1.6% | 2.1% |
| Other | 1.4% | 1.5% |
| Total | 100% | 100% |

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

| | 2020 £'000 | 2019 £'000 |
|---|-----------------|-----------------|
| Fair value of plan assets | 69,076 | 72,880 |
| Present value of plan liabilities | (120,498) | (102,877) |
| Net pensions liability (Note 17) | (51,422) | (29,997) |

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

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Amounts included in staff costs | | |
| Current service cost net of employer contributions | 2,563 | 1,147 |
| Past service cost | 22 | 1,304 |
| Total | 2,585 | 2,451 |

Notes (continued)

25 Pensions and similar obligations (continued)

| | 2020 £'000 | 2019 £'000 |
|--|-----------------|-----------------|
| Amounts included in interest and finance costs | | |
| Net interest charge | <u>613</u> | <u>388</u> |
| | | |
| | 2020 £'000 | 2019 £'000 |
| Amounts recognised in Other Comprehensive Income | | |
| Return on pension plan assets | (5,097) | 1,309 |
| Experience losses arising on defined benefit obligations | <u>(13,130)</u> | <u>(13,779)</u> |
| Amount recognised in Other Comprehensive Income | <u>(18,227)</u> | <u>(12,470)</u> |
| | | |
| Movement in net defined benefit liability during the year | | |
| | 2020 £'000 | 2019 £'000 |
| Deficit in scheme at 1 August | (29,997) | (14,688) |
| Movement in year: | | |
| Current service cost | (4,190) | (2,803) |
| Past service cost | (22) | (1,304) |
| Employer contributions | 1,627 | 1,656 |
| Net interest on the defined liability | (613) | (388) |
| Actuarial loss | (18,227) | (12,470) |
| Net defined benefit liability at 31 July | <u>(51,422)</u> | <u>(29,997)</u> |
| | | |
| Asset and Liability Reconciliation | | |
| | 2020 £'000 | 2019 £'000 |
| Changes in the present value of defined benefit obligations | | |
| Defined benefit obligations at start of period | 102,877 | 84,383 |
| Current service cost | 4,190 | 2,803 |
| Past service cost | 22 | 1,304 |
| Interest cost | 2,141 | 2,339 |
| Contributions by Scheme participants | 618 | 595 |
| Actuarial loss | 13,130 | 13,779 |
| Estimated benefits paid | (2,480) | (2,326) |
| Defined benefit obligations at end of period | <u>120,498</u> | <u>102,877</u> |

Notes (continued)

25 Pensions and similar obligations (continued)

Reconciliation of Assets

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Fair value of plan assets at start of period | 72,880 | 69,695 |
| Interest on plan assets | 1,528 | 1,951 |
| Actuarial (loss)/gain | (5,097) | 1,309 |
| Employer contributions | 1,627 | 1,656 |
| Contributions by Scheme participants | 618 | 595 |
| Estimated benefits paid | (2,480) | (2,326) |
| Assets at end of period | 69,076 | 72,880 |

Transitional Protection Arrangements (McCloud)

Following the loss of a court case (the McCloud judgement) which found that transitional protections put in place when two public sector pension schemes were reformed were age discriminatory, the government committed in July 2019 to seeking a remedy across all public sector schemes. The College's pension liabilities in respect of the West Yorkshire Pension Fund have increased due to this although the method of remedy and hence the amount of the increase in liabilities is not yet known. The fund actuary calculated an approximate estimated liability of £0.985m which was recognised during 2018/19 in the Statement of Comprehensive Income and Expenditure as an exceptional past service cost. Changes to the estimated liability in 2019/20 have been recognised through actuarial gains/losses.

Guaranteed Minimum Pension equalisation

Defined benefit pension schemes will be affected by the ultimate resolution of the equalisation of benefits for men and women in relation to Guaranteed Minimum Pension provisions. The method of equalisation has increased the College's pension liabilities in respect of the West Yorkshire Pension Fund and the fund actuary calculated an estimated liability of £0.203m which was recognised during 2018/19 in the Statement of Comprehensive Income and Expenditure as part of the service cost in excess of contributions. Changes to the estimated liability in 2019/20 have been recognised through actuarial gains/losses.

Widower Benefits (Goodwin)

Following a recent Employment Tribunal ruling that a female member in an opposite sex marriage is treated less favourably than a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on the grounds of sexual orientation, the government announced in July 2020 that it believed changes would be required to all public sector schemes with similar arrangements. For the College, this will increase the liability in respect of the West Yorkshire Pension Fund, but no allowance has been made in the accounting figures as it is expected that the impact on the liabilities will be immaterial and there is currently insufficient data available to estimate a cost.

Notes (continued)

25 Pensions and similar obligations (continued)

Actuarial sensitivity

The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.1% per annum lower, then the past service cost disclosed here would be expected to reduce by 0.2% (£0.2m) and conversely a 0.1% pa increase would increase the estimated cost by 0.2%, £0.2m.

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 £796, 3 governors (2018/19 £2,006, 2 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.

The Corporation of Kirklees College is the sole trustee of a charitable trust set up in 1895 to establish and operate a technical institute in Holmfirth. The members of the Corporation are not themselves trustees. The charity is unregistered because it does not meet the income threshold for charity registration. During 2019/20, the trust applied for and was given consent by the Charity Commission to dispose of the property known as the Holmfirth Adult Education Centre following a public consultation. The Charity Commission confirmed that the permanent endowment had been released and the Holmfirth Centre building could be sold with the proceeds of sale being available for reinvestment in vocational education at the Huddersfield campus of Kirklees College.

Kirklees College is one of seven equal college partners in the West Yorkshire College's Consortium, a company limited by guarantee. The object of the company is the bidding for, managing and/or delivering contracts relating to the provision of training. The level of activity undertaken by the company in 2019/20 has been assessed as not material in the context of the Kirklees College financial statements and has therefore not been consolidated.

Notes (continued)

27 Amounts disbursed as agent

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Learner support funds | | |
| Funding body grants – bursary support | 188 | 108 |
| Funding body grants – learner support | 868 | 925 |
| Vulnerable Young People bursaries | 148 | - |
| | <hr/> 1,204 | <hr/> 1,033 |
| Disbursed to students | (1,027) | (988) |
| Administration costs | (53) | (45) |
| | <hr/> | <hr/> |
| Balance unspent as at 31 July, included in creditors | 124 | - |

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 Access and Participation

| | 2020 £'000 |
|-------------------------|---------------|
| Access Investment | 256 |
| Financial Support | 14 |
| Disability Support | - |
| Research and Evaluation | - |
| | <hr/> |
| Total | 270 |

As 2019/20 is the first year that there is a requirement to disclose Access and Participation expenditure, there are no comparatives disclosed. The College Access and Participation plan can be found on the College website <https://www.kirkleescollege.ac.uk/policies-reports/>

The sum disclosed for Access Investment includes £127,765 which is included within staff costs disclosed at Note 7 of these financial statements.