

KIRKLEES COLLEGE REPORT AND FINANCIAL STATEMENTS

For the year ended 31 July 2022



CONTENTS

	Page Number
Reference and Administrative details	2
Strategic Report	4
Statement of Corporate Governance and Internal Control	22
Statement on the College Regularity, Propriety and Compliance	34
Statement of Responsibilities of the Members of the Corporation	35
Independent Auditors' Report to the Corporation of Kirklees College	36
Statement of Comprehensive Income	40
Balance Sheet as at 31 July	41
Statement of Changes in Reserves	42
Statement of Cash Flows	43
Notes to the Financial Statements	44
Reporting Accountant's Assurance Report on Regularity	

Reference and Administrative Details

Board of Governors

A full list of Governors is given on pages 23 to 24 of these financial statements.

Clerk to the Corporation

Mrs Joanna Green acted as Clerk to the Corporation.

Key Management Personnel

Key management personnel are defined as members of the College Senior Management Team and were represented by the following in 2021/22:

Mr Palvinder Singh	Principal and Chief Executive, Accounting Officer
Mrs Julia Arechiga	Vice Principal, Curriculum, Performance and Innovation
Mr Mark Bennington	Vice Principal, Corporate Operations
Mrs Rebecca Meara	Executive Director of Finance
Mr Darren Rayneau	Executive Director of Business Systems
Mrs Jane Simpson	Executive Director of Human Resources and Organisational Development
Mrs Pauline Hughes	Assistant Principal, Quality, Study Programmes and HE
Mrs Philippa Firth	Assistant Principal, Adults and Higher Education (Left 3 rd January 2022)
Ms Lisa Buckley	Assistant Principal, Adults and Apprenticeships
Mrs Polly Harrow-Wright	Assistant Principal, Student Experience
Mrs Helen Rose	Director of External Relations

Reference and Administrative Details (*continued*)

Registered Office

Kirklees College
Waterfront Quarter
Manchester Road
Huddersfield
HD1 3LD

Professional advisors:

Financial statement and regularity auditors:

RSM UK Audit LLP
Two Humber Quays
Wellington Street West
Hull
HU1 2BN

Internal auditors

TIAA Ltd
Artillery House
Fort Fareham
Newgate Lane
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

Strategic Report

OBJECTIVES AND STRATEGY

The Governing Body present their annual report together with the financial statements and auditors report for Kirklees College for the year ended 31 July 2022.

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 opportunities, 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, guiding us to put students at the heart of everything we do and provide education to meet the needs of every student.



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 students 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.

Throughout 2021/22 the college has undertaken a further full revision to the college mission, strategic plan and college values following an extensive stakeholder engagement exercise. This was agreed by the Corporation in July 2022, and will be reported against in the financial statements to July 2023.

Strategic Report (continued)

Key achievements 2021/22

Key headline highlights against the college strategic objectives in 2021/22 include:



Kirklees College marked the official launch of the Pioneer Higher Skills Centre in October 2021. The event welcomed several notable attendees including Tracy Brabin, Mayor of West Yorkshire, Council Leader Cllr Shabir Pandor and Nigel Patrick, Mayor of Kirklees. Guests also visited the Gormley art exhibition which featured work from the Schools' Engagement project. Working in collaboration with local schools, the college invited three local artists to work with students to respond to Antony Gormley's sculpture 'WORK'.



For the second year, Kirklees College students were involved in the Student Commission for Racial Justice. Jordan Beech, Hammad Malik, Jaden Andrews and Faiz Sharif acted as College Commissioners and have through consultation with young people agreed an action plan to address racial inequality. They have worked on a powerful animation which can be viewed here: <https://www.youtube.com/watch?v=axzNnGDFpmo>



In July 2022 the college held its first 'Festival of Learning' where all delivery staff came together to share exemplary and innovative practice in Teaching and Learning.

The Festival brought together over 300 teachers and trainer assessors as well as some of our students, to share ideas, tips and tools. With 23 department exhibition spaces and 18 professional learning sessions staff feedback was positive, with the day described as informative, thoroughly enjoyable, useful and a wonderful way to re-connect with colleagues across the Kirklees College Community.

Strategic Report (*continued*)

The college is particularly proud of our staff and students and surveyed both groups in 2021/22.

In March 2022 the college ran a survey of staff and the outcome was compared against full external surveys undertaken in 2019 and 2020. Overall, 88% of staff felt that they were proud to work at Kirklees College (3% above the sector benchmark) and 92% of staff felt that the college is an inclusive institution 92%, (4% above the sector benchmark).

The college also surveys its students regularly. In the final term of 2021/22, a survey of classroom based learners concluded that 94% of students considered the quality of their teaching to be of a good standard. 95% of students agreed the college was a welcoming place for people of all backgrounds.

Resources

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

People

The College employed an average of 672 full time equivalent staff in the year to 31st July 2022 (657 in 2020/21) of whom 295 (300 in 2021) are teaching or staff directly engaged in the delivery of the curriculum.

Students

The College delivered education to approximately 12,400 students. The college's population included 3,407 16 to 18-year-old students, 1,522 apprentices, 119 higher education students and 250 advanced learner loans funded students. The college also delivered to 7,500 adults.

Financial

Reserves increased by £38.3m in 2021/22 to £25.0m, from restated liabilities of £13.3m at the end of July 2021. Reserves included a pension liability of £4.2m (£40.8m at 31 July 2021).

Tangible resources as at 31st July 2022 include the main College sites in Huddersfield and Dewsbury and four other specialist sites situated in the Kirklees area. The College also holds £10.3m in cash.

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 23.

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 12,400 students including over 500 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 in 2021/22 provided training to 1,522 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 2021/22 the College returned an EBITDA of £4.3m against an original budget of £3.4m (2020/21 £3.42m against an original budget of £2.93m).

Strategic Report (*continued*)

The Statement of Comprehensive Income shows a surplus of £38.3m, (2020/21 – surplus of £11.8m). This is stated after a favourable £40.7m exceptional movement in the actuarial valuation of the Local Government Pension Scheme, (2020/21 £14.9m favourable actuarial movement), and £4.2m (2020/21 £4.2m) of FRS102 operating charges in respect of the pension scheme. The underlying trading position without these pension movements and £0.7m in profit on sale of assets in 2020/21 has improved from a surplus of £0.5m in 2020/21 to £1.7m in 2021/22.

The exceptional actuarial credit relating to the pension scheme in 2021/22 has been incurred due to a combination of factors, including volatile investment returns combined with increased liabilities from changes in inflation assumptions and an increase in the discount rate. Further details can be found at note 25 to the financial statements.

The LGPS pension scheme last underwent a full actuarial valuation as at March 2019, and at that time the fund was 106% funded overall. Although there was an increase in contributions payable by the College from April 2022, this increase was in line with the assumption in the long-term financial forecast. The outcome of the March 2022 valuation has not been published at the time of writing.

The College's financial statements show accumulated reserves of £25.0m compared to the net restated unrestricted reserves of negative £13.3m in 2020/21. The Statement of Changes in Reserves on page 41 summarises the movements in more detail.

Tangible fixed asset additions during the year amounted to £1.3m. These additions were split between land and buildings additions of £0.6m and equipment additions of £0.7m.

Land and buildings additions relate to further development to the Brunel Construction Centre, and additional modular classrooms for the Taylor Hill site to create additional capacity for substantial ongoing learner number growth. Other costs related to smaller scale projects including the creation of a training 'Ward' – a real work environment for Health and Social Care students, and the initial feasibility works to a future project planned by the college to address estate condition at the Taylor Hill site. £150k of fixed asset additions to land and buildings are donated assets.

The £0.7m of equipment additions are £0.15m in costs relating to a number of curriculum projects, such as the fit-out of a new eSports classroom, fit-out of the new training ward, a bottling plant for the Process Manufacturing Centre and ground and air source equipment to support new green technology curriculum. The balance of £0.55m was investment in IT hardware and systems and replacement furniture.

Cash flows and liquidity

There was a net cash inflow from operating activities of £3.6m 2021/22 compared to £9.4m in 2020/21. The Statement of Cash Flows analyses the movements in cash flows in more detail, however the main impacts were the repayment in 2021/22 of Adult Education Budget funding not delivered in 2020/21 and a high level of debt at the July 2022 year end due to late invoicing of a major contract. This has been settled post year end. £0.5m of Restructuring Fund debt and £0.8m of other debt was repaid during the year.

Strategic Report (*continued*)

Capital Developments

The opening of the Pioneer House centre in 2020/21 marked the end of a ten year estate transformation programme, which saw investment of over £100m in five new centres, the disposal of eight sites, the vacation of two leased buildings and reducing space use by 39% since 2010.

Investment has been made in 2021/22 at the Brunel Construction Centre and Taylor Hill Animal Care centre in response to growing demand for provision at those sites. Investment in 2022/23 will focus on the delivery of a successful Wave 4 T Level bid to further enhance facilities at the Taylor Hill Centre and address the last of the college's poor condition estate.

Other Developments and events

During 2021/22, the college launched 'KC Community', a new initiative focusing on the college position within the Kirklees district. The key strands within this initiative are:

- We will provide equal opportunities to students and staff from all backgrounds to excel.
- We will enrich our curriculum by working in partnership with stakeholder employers.
- We will create a collaborative and supportive environment and will recognise and reward excellence in teaching, teamwork, outreach and enrichment.
- We will ensure all staff feel recognised and part of the Kirklees College Community.
- We will empower students to be equal partners in our success.
- We will play an important role in the West Yorkshire region, reflecting its rich diversity.

Our staff and students have demonstrated their commitment to this through high levels of charitable activity, and the college has celebrated these achievements through staff and student awards evenings, 'KC Stars' and 'COLS'.



Strategic Report (*continued*)

Student numbers

In 2021/22 the College delivered funded activity that has produced £34.5m in ESFA and West Yorkshire Combined Authority funding (2020/21, £32.1m). The College delivered to approximately 12,400 funded learners from these allocations, including 1,522 apprentices and 7,500 adults. In 2021/22 the College delivered to 3,407 16-18-year olds, 216 fewer than the 3,623 contracted for and 166 fewer than 2020/21, meaning that allocations for 2022/23 will be reduced through the lagged funding methodology.

Curriculum achievements

In March 2018 the college was reassessed by Ofsted as a 'Good' provider. Although there has not been a formal Ofsted inspection since that time, the college has self-assessed as remaining a 'Good' provider overall for 2021/22. Achievement rates overall have increased by 2% since 2018/19 (2019/20 and 2020/21 had calculated grades).

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.

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.

The college has seen significant growth in a number of curriculum areas, and is delighted to have directed investment to enable this growth for the future. Particular areas of celebration in 2021/22 have been:



The college celebrated being one of 39 colleges and sixth forms nationally to receive a share of £83 million Post-16 capacity Fund. The successful bid enabled an additional 120 places for young people to access Construction provision at the Brunel Construction Centre.

Strategic Report (*continued*)



The Taylor Hill Centre extended facilities to support growing numbers of students choosing to study on the college's Animal Care and Land-Based courses. The centre now has two additional classrooms for students and new outdoor facilities for animals.



The college opened a new specialist Training Ward for students studying Health and Science T-Levels from September 2022. The ward includes three specialist bays, genuine hospital beds, and specialist NHS approved equipment including a fully functional hoist, mobility aids and state of the art anatomical models.

The college was delighted to announce its collaboration with Yorkshire-based Esports company, Lucent, on its new Esports offering at both Level 2 and 3.

The courses cover all aspects of the Esports industry, including games, teams and tournaments, streaming, planning an event, establishing an Esports organisation, starting an enterprise within Esports and promoting positive health and wellbeing.



Strategic Report (continued)

Student achievements



Connor Roberts, a Level 3 Electrical Installation apprentice at Kirklees College placed runner-up at this year's regional North West SPARKS Apprentice of the Year competition. The SPARKS Apprentice of the Year competition runs annually and offers electrical students and apprentices the chance to show off their skills and provides the opportunity for them to kickstart their careers.

Kirklees College was proud to celebrate the achievements of three Animal Care students who progressed from a level 1 course through to level 5 HND. Joshua Hunt, Louie Turner and Sarah Coombes, who are now qualified in Animal Management, were presented with certificates to recognise their outstanding progress.

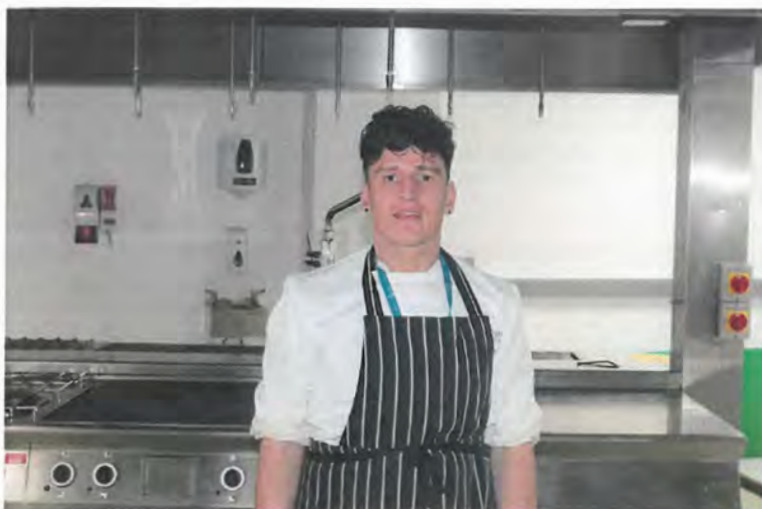


Kirklees College student and AoC Mental Health Ambassador, Jess Cleary, spoke at the AoC Mental Health and Wellbeing Conference 2022.

Jess shared information about the AoC Sport Mental Health Ambassador Programme and her role as the college's ambassador to support mental health through sport or physical activity at college.

Jess has been a fantastic role model at the college spreading the word about our wellbeing services, mental health support events and has given up lots of her time to her role.

Strategic Report (continued)



Kirklees College Hospitality and Catering student David competed in the semi-finals of the Nestlé Torque d'Or® Competition.

Just 20 chefs from 4,000 applications made it through to the heats and the last 20 students competed in the semi-finals in London.

Former Computing student Mohammed Hussain Patel, known as Hussain, has overcome numerous challenges to graduate from Leeds Beckett University.

Hussain did not give up hope and with sheer determination he was able to progress from a Level 2 course through to the Level 3 Information Technology course with a Distinction grade in 2017. Following encouragement from his college tutors, he enrolled on his BSC Degree in Information Technology and recently attended this year's graduation ceremony.

Hussain is now keen to share his education journey to help other young people who may be in the same position as him.



The 21-22 BTEC Uniformed Protective Services graduates celebrated some fantastic overall results this August with three students achieving DDD.

Students Ethan and Max (pictured) both demonstrated an outstanding commitment to their studies.

Their tutor commented "We are really proud of all our learners this year achieving some brilliant results. The results achieved are down to the hard work employed by each student and are fully deserved. We would like to wish all our students good luck in their future endeavours."

Strategic Report (continued)

Curriculum developments

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

Future curriculum developments will focus on skills shortage areas, local and regional LEP priorities and employer identified demands, together with extending the college T-Level offer into new curriculum areas from 2023/24.

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. With the exception of the glasshouse at the Taylor Hill site, all of the College's estate are in Building Condition bands A & B.

During 2021/22 the college commissioned a comprehensive condition survey to inform the next phase of its estate strategy and to assist in future financial planning to support maintenance costs over the next three to five years.

The college has been successful in a Wave 4 T Level capital bid which will both address the condition of the glasshouse at Taylor Hill and provide excellent new facilities for T Level students in Animal Care from September 2023. This project is also expected to enable a significant reduction in energy use at that site.

The College continues to bid against opportunities offered through SALIX funding to 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. The main site will open on reduced hours from 2022/23.

The college also commissioned a carbon baseline assessment to help inform its sustainability plans and recommend actions for the college to make a contribution to addressing the climate emergency. The next key project aimed at improving sustainability will be the installation of solar panels on three buildings early in 2022/23. Streamlined energy carbon reports can be viewed under the policies and reports page of the college website as they are published.

Reserves

The college has accumulated income and expenditure reserves of £25.0m and cash reserves of £10.3m. The college wishes to continue to accumulate reserves and cash balances in order to fund future capital investment.

Strategic Report (*continued*)

Sources of income

The College places significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2021/22, funding bodies provided 85% of the College's total income. The largest proportion of funding comes from 16-18 Education and Training, which grew by £0.75m (4%) on the previous year.

FUTURE PROSPECTS

Future developments

The college has concluded its 2018-22 strategic plan and during 2021/22 revised its strategy in response to the content of the FE White Paper and the current education climate. This critical piece of work was informed by a full stakeholder consultation, 'Your Voice, Our Future' undertaken over the Autumn of 2021.

This piece of work identified three key strategic goals on which the future college direction will be based; People, Performance and Position. For 2022/23 the key priorities that the college will focus on will be:

- Everyone understands the value of a restorative, anti-racist and trauma aware college.
- Maximising destination outcomes for all students.
- Detailed understanding of carbon footprint.
- Develop a centre (campus) place based curriculum strategy.
- Create inclusive communities of excellent learning and teaching with a focus on digital.
- Establish key delivery relationship mapping.
- Develop a marketing strategy for student recruitment growth.

These new priorities will be delivered in accordance with new college values.



Kindness

An honest and compassionate approach to ourselves, our people and our environment

- Encourage respectful, appropriate and helpfulness
- Be respectful and committed to the Kirklees College Community
- Treat the environment with respect and responsibility



Unity

A shared purpose across our Kirklees College Community

- Collaborate for the common good and essential progress
- Establish positive working relationships
- Build connections to share our ideas, information and knowledge



Excellence

A culture of high aspiration, expectation and success

- Drive excellence and innovation
- Encourage differentiation and innovation
- Achieve excellent leadership and high performance

Our College remains determined to continue raising standards in everything it does. We have demonstrated significant improvements to the learner experience; financial health, the support we provide for our students and the quality of teaching and learning provided and will seek to continue this drive over the next strategic plan period.

Strategic Report (*continued*)

In August 2021, the college signed up to the Black FE Leadership Group (BFELG) Ten Point Plan and became an affiliated organisation. Throughout 2022/23 the college will be implementing the ten point tool kit to inform its anti-racism strategy and promote equality within the college community. The affiliation follows the college 'Stand Together' Pledge which was launched in 2020/21 to promote equality and show solidarity in the college community.

In November 2022 the Office for National Statistics reclassified FE college corporations as public sector institutions with immediate effect. Following this reclassification, colleges and their subsidiaries are now considered part of central government. The governing body and senior leadership team recognise that they will need to respond to guidance as it is published.

Financial Plan

The college governors approved a financial plan in July 2022 which set objectives for the period to July 2023 which aims to consistently improve financial resilience.

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 2017/18 Restructuring Fund application, the Local Authority agreed a one-year payment holiday in 2019/20 which resulted in the loan term being 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. The final instalment of this loan was paid in February 2022. The financial performance covenant attached to the Restructuring Fund loan was met during 2021/22. The financial performance covenant will be measured until July 2023, and it is forecast to breach in 2022/23 due to timing differences in cash flows across years. Given that the loan has been fully repaid this is not considered to impact on the going concern assessment.

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 2022 year end, £1.21m is disclosed within loan balances due in over one year, the remaining £0.21m is disclosed within other creditors due in over one year.

The establishment of all borrowing requires the authorisation of the Corporation.

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 stands at £25.0m (2021 restated: (£13.3m)). It remains the Corporation's intention to increase reserves by the generation of annual operating surpluses.

Strategic Report (*continued*)

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 Governance Statement.

The Risk Management policy and procedure was redesigned in 2019/20 to place a greater focus on managing risk down through the identification of actions. This review was welcomed as a positive by the Senior Leadership Team and the Governing Body. The risk register is 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. Risks are prioritised in a RAG (Red, Amber, Green) manner which gives the College an easily recognised picture at a glance but with the detail beneath it as and when required. The Risk Management Policy and Procedures identify the inherent risks, the residual risks following implementation of appropriate controls and also show a target risk profile.

The Senior Leadership Team also consider any risks which may arise as a result of a new area of work being undertaken by the College, and have separate risk registers for any major capital building projects. Outlined below is a list of the risks that the College has assessed as its key risks as at July 2022. Not all the factors are within the College's control.

- Failure to equip students with the skills they need to successfully progress;
- Failure to align students with a programme of study that meets their needs;
- Failure to meet employer expectations;
- Failure to improve outcomes and learner experience on English and maths;
- Failure to identify the resources necessary to meet curriculum reforms and industry standards;
- Failure to protect college physical and digital resources and data;
- Failure to meet obligations to government and awarding bodies;
- Failure to meet business plan targets.

Of these, the primary risk is considered to be the risk of adequate resourcing, caused by a combination of inflationary pressures, particularly escalating energy costs and pay demands, and funding levels being largely static or possibly falling. At the time of writing, the college is not eligible for government support with energy costs and is actively assessing the likely impact on the budget of a further large increase in cost from April 2023.

The college has well established processes for managing and living with Covid-19 so whilst vigilance remains high, the impact of the pandemic no longer features as one of the college's key risks.

Strategic Report (*continued*)

KEY PERFORMANCE INDICATORS

Financial objectives

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

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

2021/22 EBITDA performance was 10.2%. This is considered an excellent outcome given the significant challenges faced by the college from the ongoing impact of the Covid-19 pandemic.

The college planned to deliver an outturn in excess of target in order to cushion the financial position from an expected reduction in the 16-18 contract in 2022/23. This is driven by the shortfall in 16-18 learner number recruitment referred to below.

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

The target for 2021/22 was to achieve 'Good' financial health. 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*

Despite the ratio having reduced by 5% in 2021/22, the debt to income ratio remains high at 44% due to the long term debt drawn to fund the Waterfront campus in 2010. The planned level of debt within the Restructuring Fund plan at the end of 2021/22 was 42%, so the College performance is behind the recovery plan on this measure. The key reason for this is the inclusion of the unamortised LEP overage as a 'loan' feeding into this calculation. The current assessment is that the college is not now expected to achieve this target until the year to July 2024.

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

This target has been achieved in 2021/22 - the final outturn was 64%, driven by a combination of post gapping and lower pay costs resulting from 16-18 student numbers being lower than plan.

Contract performance

After a number of years of 16-18 learner number growth, the College fell short of its 16-18 learner number and cash allocations within its ESFA contract for the 2021/22 funding year, returning 3,407 against contracted numbers of 3,623. The contract for 2022/23 has been reduced as a result.

Performance against the Adult Education Budget has continued to be impacted by Covid-19 but performance was much improved on 2020/21. The 2021/22 outturn for the devolved Adult Education Budget contract was 98% (2020/21 74.8%). Performance against the non-devolved Adult Education budget was 40%. The under-delivery against this contract equates to £0.2m and this is held as a creditor due in under one year in these financial statements.

Strategic Report (*continued*)

EQUALITY AND DIVERSITY

Single Equality, Diversity, Inclusiveness and Belonging 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 efforts in this regard have been further enhanced in 2021/22 through its affiliation with the Black FE Leadership Group.

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 – 5 employees

Of the above, all 10 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 133 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 720 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 0.12%. The total percentage of total paid facility time hours spent on paid Union activities equates to 9.95%.

GOING CONCERN

In preparing an assessment of going concern, the College has prepared a financial forecast that covers the period from August 2022 to July 2024. This forecast has been based upon a financial plan approved by the Corporation in July 2022, adjusted to reflect subsequent changes in the timing of capital expenditure, and actual 2021/22 performance.

The forecast has been further underpinned by a sensitivity analysis, which has considered 2022/23 enrolment as at October 2022, and models the financial plan and cashflow implications of no further enrolments against fee paying programmes, a reassessment of the 2023/24 contract for 16-18 activity, a material increase to the cost of energy beyond our existing contract terms but no cost mitigations in either the pay or non-pay budgets.

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.

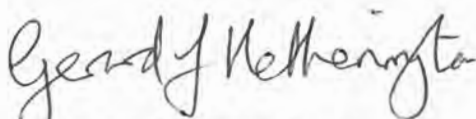
The Corporation, having considered the forecasts, sensitivity analysis and covenant requirements as described above, has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future (being a period to end of July 2024) and accordingly 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 31 March 2023 and signed on its behalf by:

Signed



Mr G Hetherington, Chair

Date

31 March 2023

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2021 to 31st July 2022 (the "Relevant Period") up to the date of approval of the annual report and financial statements (the "Approval Date").

The College endeavours to conduct its business:

- i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. In full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance; and
- iii. whilst not having adopted the UK Corporate Governance Code 2018, the corporation has due regard to its principles and guidance.

GOVERNANCE CODE

An internal review of compliance with the Code was undertaken by the Clerk with oversight from the People, Culture and Governance ("PCG") Committee and the findings were reported to the Corporation in November 2022. Two mandatory elements were deemed not to be fully compliant; both were concerned with student voice:

1. It was agreed that there was improvement work to be done to ensure that the student voice was heard through all partnership activities and not just some; and
2. The lack of a student governor during a large part of the year had created a further risk of disconnect from the student voice.

Three advisory recommendations in the Code were not achieved or only partially achieved:

1. In terms of responsiveness/local partnerships, there was some additional work to do in light of the new duty to consider local needs;
2. The Corporation had not considered or received reports on an annual operating plan. This was not considered to be a risk; and
3. There was a need for Governors to have more engagement with College life, with opportunities to meet staff and students. A 'speed networking' event for Governors and students was held on 28 November 2022 as part of the response to this need.

Governors concluded that, subject as above, throughout the year ended 31 July 2022, all other mandatory and advisory elements were satisfied and many were exceeded. Governors hear the student voice through many channels; feedback from student surveys is discussed and Governors also take an interest in the College and Student led engagement processes, follow the Student Union on social media, attend student events and observe Student Voice sessions, for example Student Parliament meetings.

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 1st August 2015. It adopted the revised version of the Code on 12 November 2021 and will report against it for financial year 2022-23.

Statement of Corporate Governance and Internal Control (continued)

THE CORPORATION

The Governing Body

The members who served on the Governing Body during the year and up to the Approval Date were as listed below:

Member	Date of Appointment	Current Term of Office Expires	Date of Resignation	Governor Category	Committees Served	% Board meeting attendance	Overall attendance %
Dr W Bailey	15.07.22	14.07.26		Independent	QPS	100%	100%
Ms M Carabine	24.01.20	31.03.23		Independent	Audit	100%	88%
Ms C Catmull	12.11.21	11.11.25		Staff	QPS	80%	70%
Dr A Conn	6.10.17	31.03.25		Independent	Audit, PCG	83%	92%
Prof S Donnelly	18.05.18	31.03.22	31.03.22	Independent	QPS	100%	100%
Mrs C George	23.05.14	31.03.25		Independent	Finance, PCG, QPS, SAG, EEC, Safe, EDISG	67%	95%
Mr A Greaves	12.11.21	11.11.25		Staff		100%	100%
Mr D Harding	15.07.22	14.07.26		Independent	QPS	100%	100%
Mr G Hetherington	15.05.15	25.03.26		Independent	Finance, QPS, ESAG, SAG, Art 10, EEC, Safe, EDISG, PCG	100%	90%
Ms F Hussain Butt	24.01.20	31.03.23		Independent	Art 10, EEC, PCG	100%	100%
Mr H Linn	16.03.18	31.03.22	31.03.22	Independent	Finance	75%	88%
Mr F Parvez	25.03.22	24.03.23		Independent	Safe	100%	100%
Mr C Robinson	16.07.21	31.03.25		Independent	Finance, PCG	100%	100%
Mr P Singh	07.06.21	N/A		Principal	Finance, QPS, SAG, Art 10, PCG, EDISG, Safe	100%	100%
Mr M Varyani	16.03.18	31.03.26		Independent	Finance	67%	83%
Mr I Wainwright	01.12.20	31.03.24		Independent	SAG, Audit	67%	83%

Statement of Corporate Governance and Internal Control (continued)

The Governing Body (continued)

Member	Date of Appointment	Current Term of Office Expires	Date of Resignation	Governor Category	Committees Served	% Board meeting attendance	Overall attendance %
Ms J Walters	16.07.21	31.03.25		Independent	Audit	100%	100%
Mr A Williams	08.07.16	21.03.24		Independent	QPS, SAG, EEC, PCG, Safe, Art 10	100%	95%
Ms G Woodyet	16.07.21	31.07.23	19.02.22	Student	QPS	100%	100%

QPS: Quality, Performance & Standards Committee

PCG: People, Culture & Governance Committee

SAG: Search & Governance Committee

EEC: Executive Employment Committee

Safe: Safeguarding Committee

EDISG: Equality, Diversity and Inclusion Strategic Group

Art 10 Committee: Recruitment committee for senior post holders

Mrs J Green acted as Clerk to the Governing Body

The following persons whilst not being full members of the Governing Body, served as co-opted Committee members:

Member	Date of Appointment	Term of Office Expires	Date of Resignation	Status of Appointment	Attendance 2021/22	Total Service to 31.7.22
Mr E Croston	01.09.18	31.03.26		Finance Committee	75%	3 years 11 mths
Mr M Pearmain	15.05.15	31.07.23		Audit Committee	100%	7 years

Expenses claimed from 1 August 2021 to 31 July 2022 by 2 members of the Governing Body totalled £70 (£202 in 2020/21 from 3 members).

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.

Statement of Corporate Governance and Internal Control (*continued*)

The Corporation conducts its business through a number of sub-committees; in 2021-22 these were:

- Article 10 Panels (temporary panels attending to Senior Postholder appointments);
- Audit;
- Finance;
- Executive Employment ("EEC");
- Quality, Performance & Standards ("QPS");
- Safeguarding; and
- Search & Governance ("SAG").

Each sub-committee has terms of reference which are reviewed and approved by the Corporation annually.

During 2021-22 the Corporation resolved to merge the remits of the Article 10 panels, the EEC and the SAG Committee, establishing a new sub-committee, known as the People, Culture and Governance Committee. This held its first meeting in October 2022. The Article 10, EEC and SAG Committees have been temporarily stood down.

In addition, Governors attend and/or are members of certain operational and strategic working and task & finish groups, specifically:

- Health & Safety Committee; and
- Equality, Diversity & Inclusion Strategic Group ("EDISG").

There are also frequent Chair, Clerk and Principal meetings ("CCPs").

Full minutes of all sub-committee meetings, except those deemed to be confidential by the Corporation, are available from the Clerk at the College's registered address or, alternatively, on the College's website: www.kirkleescollege.ac.uk.

The Clerk maintains a register of financial and personal interests of the Governors. The register is available for inspection on request.

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, 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 Board meetings. Briefings are provided on an ad-hoc basis.

The Governing Body has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Governing Body 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.

Statement of Corporate Governance and Internal Control (*continued*)

Appointments to the Governing Body

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a People, Culture and Governance Committee (during 2021-22 it had a Search & Governance Committee); this has a membership of between five and eight members, a majority of whom are sub-committee chairs. 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.

Members of the Corporation are appointed for a term of office not exceeding four years. On the expiry of their term of office, Governors are eligible for re-appointment, subject to a review of their performance. It is regarded as exceptional for any individual to serve more than two consecutive terms of office (or 8 years), unless subsequently undertaking a new and more senior role, for example as chair of a sub-committee, or as chair or vice chair of the Corporation.

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2022 and, having considered a range of assurance sources, graded itself as "Good" on the Ofsted scale.

The Corporation also commissioned two external reviews of governance. One, undertaken by consultants from The Governance Forum between November 2021 and January 2022, considered the overall effectiveness of governance, including the impact of board behaviours. Its recommendations were reported to a full meeting of the Corporation and informed an action plan to strengthen governance culture, policies and practices (available on the College website www.kirkleescollege.ac.uk). The other, conducted by boardroom advisor and trainer Fiona Chalk, looked at the interaction of the Corporation and its Clerk, with a view to better leveraging the secretariat function for the benefit of the College.

Activities Undertaken to Develop Governors and the Clerk

All new Governors undertake induction training on joining the Corporation, which includes briefings from members of the senior leadership team. As a board, Governors recently received internal training on safeguarding, to complement the safeguarding training module they complete online. Members of the Audit sub-committee attended an Association of Colleges masterclass for college audit committees. Other Governor training has included the FE Finance Virtual Masterclass with Andrew Tyley (completed by three Governors, other Governors having previously attended); and sub-committee chairs attended committee chairs network meetings. Governors' full training record is available on request from the Clerk.

The Clerk is a qualified solicitor with over 14 years' experience of company secretarial work and providing charity law advice to the third sector, including seven years of clerking in the Further Education sector. During the Relevant Period, the Clerk completed substantial professional training as part of the Chartered Governance Institute Chartered Governance Qualifying Programme. The Clerk regularly attends meetings of the Yorkshire & Humber Governance Professionals network and contributes to discussions in the FE Clerks Jiscmail forum. She attended a charity governance seminar hosted by Wrigleys Solicitors which looked at, among other things, board reporting on ESG and digitalisation of the boardroom, and she is completing the Kirklees College Leadership Academy programme, a bespoke leadership development programme for college managers provided by Pearlman Shaw Consultancy.

Statement of Corporate Governance and Internal Control (*continued*)

Executive Employment Committee ("EEC") (now part of the People Culture & Governance Committee)

During the year ending 31 July 2022, the EEC comprised:

- Mrs C George;
- Mr G Hetherington;
- Mr A Williams; and
- Mrs F Hussain Butt.

From September 2022, the People Culture & Governance Committee has taken on the role of the EEC. Its membership has expanded to include additional members:

- Chris Robinson; and
- Alistair Conn.

The Principal is also a member of the People, Culture & Governance Committee but the terms of reference provide that he may not in any circumstances count in quorum or vote during discussions regarding senior postholder remuneration and will under all circumstances leave the meeting before any discussion of his own remuneration or any staff matters concerning him.

The EEC (now the PCG) makes recommendations to the Corporation on the remuneration and benefits of the Accounting Officer and other senior post holders, as well as the Clerk. The Governing Body adopted the Association of Colleges Senior Post Holder Remuneration Code on 12 July 2019 and, having had regard to the University of Chairs' Higher Education Senior Staff Remuneration Code, decided not to adopt it for the following reasons:

- a) The Code covers the same areas and requires the College leadership to implement similar assurance and compliance measures;
- b) Both the Code and the Higher Education Senior Staff Remuneration Code are designed to provide transparency and protect institutional and sector reputation by demonstrating stewardship and leadership in relation to remuneration within institutions;
- c) The Code has been designed to be more directly relevant to the circumstances of colleges; and
- d) The Code is also identified in the ESFA's accounts direction as suitable for adoption.

Details of remuneration for the year ended 31 July 2022 are set out in note 8 to the financial statements.

Audit Committee

The Audit sub-committee comprises four Governors (excluding the Accounting Officer, Chair and Staff Governors) and one co-opted member. During the Relevant Period it has three Governor members; one additional member has since been appointed.

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.

Statement of Corporate Governance and Internal Control (*continued*)

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.

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

The Audit sub-committee met four times in the year to 31 July 2022. The members of the sub-committee and their attendance records are shown below:

Committee member	Meetings attended/possible attendances
Ms M Carabine	3 / 4
Dr A Conn	4 / 4
Mr M Pearmain	4 / 4
Dr A Williams	2 / 2
Ms J Walters	4 / 4

Finance Committee

The Finance sub-committee comprises between five and eight members of whom one is the College Principal, as well as one co-opted member with relevant experience.

The sub-committee's purpose is to determine and advise the Governing Body on all financial matters, in particular matters of budget monitoring and setting and recommendations for capital investment.

The Finance sub-committee meets at least once each term and as required.

Quality, Performance and Standards Committee

The Quality, Performance & Standards sub-committee comprises at least five members and no more than 50% of Governors from time to time, one being the College Principal. There is also one co-opted member with relevant experience.

The sub-committee's purpose is to have oversight of and monitor strategic objectives related to quality performance and standards, to advise 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.

Safeguarding Committee

The Safeguarding Committee comprises three to five members. It meets once a term, with the object of supporting the nominated Link Governor for Safeguarding in providing assurance to the Governing Body on compliance with Safeguarding legislation and guidance.

Statement of Corporate Governance and Internal Control (*continued*)

INTERNAL CONTROL

Scope of Responsibility

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

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

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 2022 and up to the date of approval of the annual report and financial statements.

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 2022 and up to the date of approval of the annual report and financial statements. 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.

Statement of Corporate Governance and Internal Control (*continued*)

Kirklees College has an internal audit service which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. The 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.

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. The Corporation has remained well informed about how the college management team have responded to government requirements, particularly around control measures and testing.

The financial risks to the College were explicitly reported upon through the management accounts during 2021/22, and through the financial plan approved by the Corporation in July 2022.

Risks faced by the Corporation

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 corporation receives a summary of the position on a termly basis.

The college has identified and evaluated 25 risks. Those scoring a high level of residual risk (in excess of a score of 12) have been disclosed in the strategic report on page 18.

Statement of Corporate Governance and Internal Control (*continued*)

Internal Audit

The internal audit service opinion for 2021/22 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:

- Safeguarding and Single Central Record
- Performance and Achievement – English and maths
- Data Protection - GDPR
- Risk Management Arrangements
- Key financial controls – Budgetary Control

No urgent internal control weaknesses were identified. Four important recommendations were made and progress against these will be reported to each Audit Committee meeting until they are discharged.

None of these audits resulted in a limited assurance opinion. The Safeguarding, Risk Management and Budgetary Control audits resulted in 'substantial assurance' opinions, Performance and Achievement and Data Protection were 'reasonable assurance' opinions.

Responsibilities under funding agreement

The Corporation keeps under review compliance with ESFA and other grant funding agreements and contracts ensuring that funding is used for the purposes given or generated. The Corporation also receives reports on specific conditions of grants such as the FE Capital grant. The Corporation ensures that the College makes key returns to the ESFA accurately and on time, including the Finance Record in January 2022 and the College Financial Forecast Return (CFFR) in July 2022.

The corporation believes its obligations have been fully discharged during 2021/22. 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.

Statement of Corporate Governance and Internal Control (*continued*)

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 2021/22 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, including supporting papers;
- Consideration of External subcontract audit report;
- Regular monitoring of progress against audit report recommendations, including in depth review of progress against recommendations in 'limited assurance' internal audit reports;
- Oversight and challenge of management assessment of risk in the strategic risk register;
- Consideration of recommended changes to the Whistleblowing framework;
- Self-assessment of committee performance.

The work of the audit committee was not impacted by Covid-19, with the exception of meetings taking place virtually rather than in person. All planned audits took place as planned and were received by the committee in accordance with the original schedule.

Review of Effectiveness

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

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

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

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

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

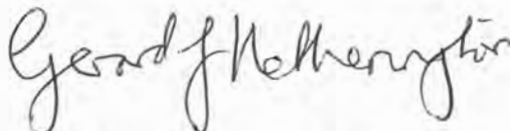
At its December 2022 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2022.

Statement of Corporate Governance and Internal Control (*continued*)

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 31 March 2023 and signed on its behalf by:

Signed



Mr G Hetherington, Chair

Signed



Mr P Singh, Accounting Officer

Statement on the College Regularity, Propriety and Compliance

As accounting officer I confirm that the corporation has had due regard to the requirements of grant funding agreements and contracts with ESFA and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding.

I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the terms and conditions of funding, under the corporation's grant funding agreements and contracts with ESFA, or any other public funder.

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



Signed
Mr P Singh,
Accounting Officer

31 March 2023

Statement of the chair of governors

On behalf of the corporation, I confirm that the accounting officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.



Signed
Mr G Hetherington
Chair

31 March 2023

Statement of Responsibilities of the Members of the Corporation

The members of the corporation are required to present audited financial statements for each financial year. Within the terms and conditions of the corporation's grant funding agreements and contracts with ESFA, OfS and West Yorkshire Combined Authority, the corporation is required to prepare financial statements which give a true and fair view of the financial performance and position of the corporation for the relevant period. Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice. In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK 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 (which must be consistent with other disclosures in the financial statements and auditor's report)
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the corporation will continue in operation

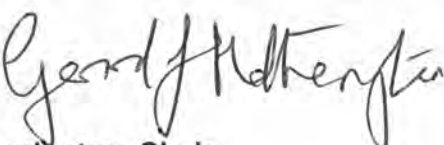
The corporation is also required to prepare a strategic report, in accordance with paragraphs 3.23 to 3.27 of the F&HE SORP, that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.

The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the corporation 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 corporation is responsible for the maintenance and integrity of its website; the work carried out by auditors does not involve consideration of these matters and, accordingly, 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 and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, 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 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 ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the Members of the Corporation on 31 March 2023 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 "College") for the year ended 31 July 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in reserves, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 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 2022 and of the College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Accounts Direction 2021 to 2022 issued by the Education and Skills Funding Agency.

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 college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the governors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information contained within the Report and Financial Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Independent auditor's report to the Corporation of Kirklees College (continued)

Opinion on other matters prescribed by the Office for Students' Accounts Direction

In our opinion, in all material respects:

- funds from whatever source administered by the college for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements 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 2021 to 2022 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

We have nothing to report in respect of the following matters where the Office for Students' accounts direction requires us to report to you if:

- the College's grant and fee income, as disclosed in the note 2 to the financial statements, has been materially misstated.
- the College's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the Corporation of Kirklees College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 35 the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

Independent auditor's report to the Corporation of Kirklees College (continued)

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the College operates in and how the college are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Further and Higher Education SORP, the College Accounts Direction published by the Education and Skills Funding Agency, and Regulatory Advice 9: Accounts Direction published by the Office for Students'. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those which are in relation to the Education Inspection Framework under the Education and Inspections Act 2006, Keeping Children Safe in Education under the Education Act 2002 and the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018. We performed audit procedures to inquire of management whether the college is in compliance with these laws and regulations and inspected correspondence with licensing or regulatory authorities in order to draw a conclusion.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates and performing tests of detail on a sample of revenue transactions together with performing a review of the appropriate application of the College's revenue recognition policy.

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

Independent auditor's report to the Corporation of Kirklees College (continued)

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 10 May 2022. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them 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, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
Two Humber Quays
Wellington Street West
Hull
HU1 2BN

3 April 2023

Statement of Comprehensive Income

	Note	2022 £'000	As restated 2021 £'000
INCOME			
Funding body grants	2	38,483	35,271
Tuition fees and education contracts	3	4,476	4,615
Other grants and contracts	4	318	285
Other income	5	1,623	1,021
Investment Income	6	1	1
Donations	7	150	-
Total income		45,051	41,193
EXPENDITURE			
Staff costs	8	29,471	28,254
Other operating expenses	9	12,040	10,746
Depreciation	12	4,513	4,362
Interest and other finance costs	10	1,493	1,597
Total expenditure		47,517	44,959
Deficit before other gains and losses and tax		(2,466)	(3,766)
Profit on disposal of assets		-	677
Deficit before taxation		(2,466)	(3,089)
Taxation		-	-
Deficit for the year		(2,466)	(3,089)
Re-measurement of net defined benefit pension liability	25	40,739	14,922
Other comprehensive income for the year		40,739	14,922
Total Comprehensive Income for the year and attributable to the corporation		38,273	11,833

All activities are continuing activities.

The accompanying notes and accounting policies on pages 44 to 71 form an integral part of these financial statements.

Balance Sheet as at 31 July

	Note	2022 £'000	As restated 2021 £'000
Fixed assets			
Tangible fixed assets	12	94,264	97,486
Investments	13	41	39
		94,305	97,525
Current assets			
Stocks		15	32
Trade and other receivables	14	2,431	1,212
Cash at bank and in hand	19	10,272	9,965
		12,718	11,209
Less: Creditors – amounts falling due within one year	15	(10,137)	(10,414)
Net current assets		2,581	795
Total assets less current liabilities		96,886	98,320
Less: Creditors – amounts falling due after more than one year	16	(66,226)	(69,107)
Provisions for liabilities			
Defined benefit pension scheme	25	(4,222)	(40,764)
Other provisions	18	(1,424)	(1,708)
Total net assets/(liabilities)		25,014	(13,259)
Reserves			
Unrestricted reserves			
Income and expenditure reserve		24,958	(13,313)
Total unrestricted reserves and attributable to the Corporation		24,958	(13,313)
Restricted reserve		56	54
Total reserves		25,014	(13,259)

The accompanying notes and accounting policies on pages 44 to 71 form an integral part of these financial statements.

The financial statements on pages 40 to 71 were approved and authorised for issue by the Corporation on 31 March 2023 and were signed on its behalf on that date by:

Mr. G Hetherington, Chair



Mr P Singh, Accounting Officer



Statement of Changes in Reserves

	Income and Expenditure reserve	Restricted reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2020 as restated	(25,146)	54	(25,092)
Deficit from the income and expenditure account	(3,089)	-	(3,089)
Other comprehensive income	14,922	-	14,922
Balance at 31 July 2021 as restated	(13,313)	54	(13,259)
Deficit from the income and expenditure account	(2,468)	2	(2,466)
Other comprehensive income	40,739		40,739
Balance at 31 July 2022	24,958	56	25,014

The accompanying notes and accounting policies on pages 44 to 71 form an integral part of these financial statements.

Statement of Cash Flows

	Note	2022 £'000	As restated 2021 £'000
Cash inflow from operating activities			
Deficit for the year		(2,466)	(3,089)
Adjustment for non-cash items			
Depreciation	12	4,513	4,362
Decrease in stocks		17	14
(Increase)/Decrease in debtors		(1,219)	616
Actuarial movement on Enhanced Pension Provision		(175)	
(Decrease)/Increase in creditors due within one year		242	2,873
(Decrease)/Increase in creditors due after one year		(2,049)	266
Decrease in provisions		(111)	(123)
Pension costs less contributions payable	25	4,197	4,226
Donations	7	(150)	-
Unrealised investment (gain)/loss		(2)	2
Adjustment for investing or financing activities			
Interest payable		816	889
Interest receivable		(1)	(1)
Profit on sale of fixed assets		-	(677)
Net cash flow from operating activities		3,612	9,358
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	1,277
Payments to acquire fixed assets	12	(1,141)	(3,526)
		<u>(1,141)</u>	<u>(2,249)</u>
Cash flows from financing activities			
Interest paid		(873)	(943)
Interest received		1	1
Repayments of amounts borrowed		(1,292)	(2,053)
		<u>(2,164)</u>	<u>(2,995)</u>
Increase in cash and cash equivalents in the year		307	4,114
Cash and cash equivalents at the beginning of the year	19	<u>9,965</u>	<u>5,851</u>
Cash and cash equivalents at the end of the year	19	<u>10,272</u>	<u>9,965</u>

The accompanying notes and accounting policies on pages 44 to 71 form an integral part of these financial statements.

Notes to the Financial Statements

1a 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 F&HE SORP), the College Accounts Direction for 2021 to 2022, Regulatory Advice 9: Accounts Direction issued by the Office for Students 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 £15.7m outstanding in loan due to Kirklees Council on terms negotiated in 2010. This loan is due to be repaid in March 2036. The college also has an 'overage' liability of £1.4m due to be repaid to West Yorkshire Combined Authority in February 2026.

The college has prepared a going concern assessment being a financial forecast covering the period from August 2022 to July 2024. This forecast has been based upon a financial plan approved by the Corporation in July 2022, adjusted to reflect subsequent changes in the timing of capital expenditure, and actual 2021/22 performance.

The forecast has been further underpinned by a sensitivity analysis, which has considered 2022/23 enrolment as at October 2022, and models the financial plan and cashflow implications of no further enrolments against fee paying programmes, a reassessment of the 2023/24 contract for 16-18 activity, a material increase to the cost of energy beyond our existing contract terms but no cost mitigations in either the pay or non-pay budgets.

Whilst uncertainties remain in respect of future enrolments and resultant funding, the College believes that there is an adequate level of flexibility within the 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 July 2024) and accordingly the going concern basis has been adopted in the preparation of these financial statements.

Notes (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 funding is not 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 financial statements 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.

Donations

Income from donations is recognised as follows:

- Land and buildings is recognised at market value as assessed by an independent valuer.
- 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)

Accounting for post-employment 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.

Notes (continued)

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 F&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.

Donation of tangible fixed assets

Where donated goods are a tangible fixed asset, it is measured at fair value.

The gain is recognised as income in the statement of comprehensive income and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the college accounting policies.

Notes (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.

Impairments of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. All impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Financial Instruments

The College has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the College becomes a party to the contractual provisions of the instrument.

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

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable within one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention is to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes (continued)

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

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.

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 typically less than 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.

Notes (continued)

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.

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 learner support funds, bursary funds and employer apprenticeship incentives. 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 financial statements 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.

1b 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.
- The College signed a 125 year lease at a peppercorn rent with Kirklees Council for Pioneer House in Dewsbury in June 2019 and refurbished the building throughout 2019/20 and 2020/21. Management have determined that there is 'right to use' asset that should be recorded in the financial statements to reflect the benefit to the College of holding this lease.

Notes (continued)

Estimation Uncertainties

- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.
- The 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 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.

1c Prior period adjustment

The value of Pioneer House, a building occupied by the College on a 125 year peppercorn lease from Kirklees Council, was previously based on cost of works plus an assessment of a 'right to use' valuation basis of the benefit over the lease term, rather than valuing at fair value and recognising the asset as a gift on the basis of Depreciated Replacement Cost (DRC) as required as a best estimate of fair value in accordance with FRS 102.

The College was given the right to use the land and fabric of the building and undertook a significant refurbishment with the right to use lease benefit being accounted for as a deferred capital grant rather than reflecting the substance of the transaction being a gift in 2019. This resulted in an over-statement of the value of land and buildings and the incorrect recognition of a deferred capital grant rather than recognition of the gift as income. These errors have required a prior period adjustment affecting the financial statements for the years ended 31 July 2019, 31 July 2020 and 31 July 2021.

The details of the prior period adjustment are shown in note 28.

Notes (continued)

2 Funding council grants

	2022 £'000	2021 £'000
Recurrent Grants		
Education and Skills Funding Agency 16-18	18,859	18,408
Education and Skills Funding Agency 16-18 high needs	3,000	2,700
Education and Skills Funding Agency – Adults	148	6,008
Education and Skills Funding Agency – Apprenticeships	5,218	4,976
Education and Skills Funding Agency – Other	179	43
West Yorkshire Combined Authority – Adults	7,001	-
West Yorkshire Combined Authority – National Skills Offer	102	-
Office for Students	127	153
Specific Grants		
Education and Skills Funding Agency – Teacher Pension Scheme Grant	642	645
Education and Skills Funding Agency – Capacity Funds	304	345
Education and Skills Funding Agency – Tuition Fund	1,081	247
Education and Skills Funding Agency – Covid support	23	25
Education and Skills Funding Agency – Other	15	-
Releases of government capital grants	1,784	1,721
Total	38,483	35,271

Higher Education – Grant and Fee Income

	2022 £'000	2021 £'000
Grant income from Office for Students	137	167
Grant income from other bodies	38,346	35,104
Fee income for taught awards	4,476	4,615
Total grant and fee income	42,959	39,886

3 Tuition Fees and Education Contracts

	2022 £'000	2021 £'000
Adult education fees	688	600
Apprenticeship fees and contracts	94	82
Fees for FE loan supported courses	543	594
Fees for HE loan supported courses	454	536
Total tuition fees	1,779	1,812
Education contracts	2,697	2,803
Total	4,476	4,615

Notes (continued)

4 Other grants and contracts

	2022 £'000	2021 £'000
Other grants and contracts	318	237
Coronavirus Job Retention Scheme Grant	-	48
Total	318	285

The corporation furloughed some of the catering and conferencing staff under the government's Coronavirus Job Retention Scheme in 2020/21. The funding received in 2020/21 of £47,962 relates to staff costs which are included within the staff costs note below as appropriate.

5 Other income

	2022 £'000	As restated 2021 £'000
Catering and residences	597	206
Non-government capital grants	630	594
Miscellaneous income	396	221
	1,623	1,021

6 Investment income

	2022 £'000	2021 £'000
Interest receivable	1	1
	1	1

7 Donations

	2022 £'000	2021 £'000
Donations	150	-
	150	-

Fixed asset additions during the year include land and buildings transferred to College ownership as a donation from Kirklees Council with a fair value of £150,000.

Notes (continued)

8 Staff costs and Key Management Personnel remuneration

The average headcount number of persons (including key management personnel) employed by College during the year was:

	2022 No.	2021 No.
Teaching staff	357	380
Non-teaching staff	494	488
	851	868

Previously staff numbers have been disclosed as full time equivalents. In accordance with the Accounts Direction, staff numbers are disclosed on an average headcount basis. Comparatives have been restated to reflect this change.

Staff costs for the above persons

	2022 £'000	2021 £'000
Wages and salaries	20,347	19,349
Social security costs	1,766	1,653
Other pension costs	7,241	7,137
Subtotal staff costs	29,354	28,139
Contractual restructuring costs	94	115
Non-contractual restructuring costs	23	-
Total staff costs	29,471	28,254

Key management personnel compensation

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

	2022 No.	2021 No.
The number of key management personnel including the Accounting officer was:	11	13

Notes (continued)

8 Staff costs and Key Management Personnel remuneration (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	
	2022 No.	2021 No.
£60,001 to £65,000	3	3
£65,001 to £70,000	1	1
£70,001 to £75,000	-	1
£75,001 to £80,000	2	2
£85,001 to £90,000	2	1
£90,001 to £95,000	1	1
£140,001 to £145,000	1	-
£145,001 to £150,000	-	1
	10	10

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

One member of key management personnel left the college in 2021/22. This member is not reflected in the above bandings. Had they been employed for the full year, they would have fallen into the £60,001 to £65,000 band.

Key management personnel emoluments are made up as follows:

	2022 £'000	2021 £'000
Salaries gross of salary sacrifice	840	907
Employers National Insurance	106	112
Benefits in kind	1	2
	947	1,021
Pension contributions	174	186
Total key management personnel emoluments	1,121	1,207

Notes (continued)

8 Staff costs and Key Management Personnel remuneration (continued)

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

	2022	2021	
		Postholder 1	Postholder 2
	£000's	£000's	£000's
Salaries	140	146	21
Benefits in Kind	1	2	-
	<hr/>	<hr/>	<hr/>
	141	148	21
Pension Contributions	33	35	5
	<hr/>	<hr/>	<hr/>
Total emoluments	174	183	26

The governing body adopted AoC's Senior Staff Remuneration Code in July 2019. It has assessed pay in line with its principles and will continue to do so 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 reports to the Chair of Governing Body, who undertakes an annual review of his performance against the College's overall objectives using both qualitative and quantitative measures of performance.

The members of the Corporation 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:

	2022	2021
Principal's basic salary as a multiple of the median of all staff	5.5	6.0
Principal's total remuneration as a multiple of the median of all staff	5.7	6.0

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

There has been no compensation for loss of office to former key management personnel in either of the years to July 2021 or July 2022.

The total expenses paid to or on behalf of the Governors during the year was £70, 2 governors (2020/21 £202, 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from the College during the year.

Notes (continued)

9 Other operating expenses

	2022 £'000	2021 £'000
Teaching costs	4,802	4,441
Non-teaching costs	4,367	3,099
Premises costs	2,871	3,206
Total	12,040	10,746

Deficit before taxation is stated after charging:

Auditors' remuneration:

Financial statements audit (excluding VAT)	49	35
Other services provided by the financial statements auditors	1	1
Internal audit (excluding VAT)	9	11
Hire of land and buildings under operating leases	8	6
Repayment of Restructuring Fund grant	188	-

10 Interest payable

	2022 £'000	2021 £'000
On loans and overdrafts:	816	889
	816	889
Pension finance costs (note 25)	677	708
Total	1,493	1,597

11 Taxation

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

Notes (continued)

12 Tangible fixed assets

	Land and buildings		Equipment	Total
	Freehold £000	Long Leasehold £000	£000	£000
Cost or valuation				
At 1 August 2021 (as restated)	105,384	8,000	11,698	125,082
Additions	564	-	727	1,291
Disposals	-	-	(451)	(451)
At 31 July 2022	105,948	8,000	11,974	125,922
Depreciation				
At 1 August 2021 (as restated)	18,545	135	8,916	27,596
Charge for year	2,998	231	1,284	4,513
Elimination in disposals	-	-	(451)	(451)
At 31 July 2022	21,543	366	9,749	31,658
Carrying amount at 31 July 2022	84,405	7,634	2,225	94,264
Carrying amount at 31 July 2021	86,839	7,865	2,782	97,486

The College signed a 125-year lease at a peppercorn rent with Kirklees Council for Pioneer House in Dewsbury in June 2019 and undertook works to substantially refurbish the building. The previous value of the asset in the financial statements totalled £15.33m, comprising building refurbishment costs of £5.66m plus a further £9.67m value attributed to a 'right to use' benefit over the lease term. However, a full valuation on the basis of Depreciated Replacement Cost (DRC) is required as a best estimate of fair value in accordance with FRS 102.

A professional valuation of Pioneer House has been undertaken on a DRC basis and has provided a valuation of £8.0m, comprising £7.4m for the leasehold property and £0.6m for the land. This has required a prior period adjustment that affects the financial statements for the years ended 31 July 2019, 31 July 2020 and 31 July 2021.

Fixed asset additions during the year include land and buildings transferred to College ownership as a donation from Kirklees Council with a fair value of £150,000.

Notes (continued)

13 Investments

	2022 £'000	2021 £'000
Listed Investments	41	39
	<u>41</u>	<u>39</u>

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

14 Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year		
Trade receivables	1,280	257
Other debtors	111	138
Prepayments and accrued income	491	248
Amounts owed by the Education and Skills Funding Agency	549	569
	<u>2,431</u>	<u>1,212</u>
Total	2,431	1,212

15 Creditors: Amounts falling due within one year

	2022 £'000	As restated 2021 £'000
Local authority loans	833	792
ESFA loans	-	500
Trade payables	396	327
Other taxation and social security	434	416
Other creditors	1,793	721
Accruals and deferred income	4,004	4,520
Government capital grants	2,368	2,345
Government revenue grants	309	793
	<u>10,137</u>	<u>10,414</u>
Total	10,137	10,414

Notes (continued)

16 Creditors: Amounts falling after one year

	2022 £'000	As restated 2021 £'000
Local authority loans	15,652	16,484
ESFA loans	-	-
LEP overage liability	1,209	1,155
Other creditors	271	312
Government capital grants	49,094	51,156
Total	66,226	69,107

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 of 4.56% applied is one considered to be reflective of commercial market rate at the time the grant was received.

17 Debt

Local Authority, Restructuring Fund loans and LEP overage liability

Local Authority loans, ESFA loans and overage obligations are repayable as follows:

	2022 £'000	2021 £'000
In one year or less	833	1,292
Between one and two years	876	833
Between two and five years	4,115	2,764
In five years or more	11,870	14,042
Total	17,694	18,931

The Local Authority loan is a fixed rate 25 year term loan with an outstanding principal sum at 31 July 2022 of £16,484,436 at 5.08%. The Restructuring Fund loan was a variable rate loan of £3,800,000 at 0.25% margin above the PWLB standard rate, of which nil was outstanding at the July 2022 year end. Both loans are secured on freehold land and buildings of the College. The carrying value of secured assets at 31 July 2022 is £84.2m.

Notes (continued)

18 Provisions for liabilities and charges

	Defined benefit Obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2021	40,764	1,708	42,472
Utilised in the period	(1,863)	(139)	(2,002)
Reversed in the year	(34,679)	(145)	(34,824)
At 31 July 2022	4,222	1,424	5,646

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:

	2022	2021
Price Inflation	2.90%	2.60%
Discount Rate	3.30%	1.60%

19 Cash and cash equivalents

	At 1 August 2021 £'000	Cash Flows £'000	Other changes £'000	At 31 July 2022 £'000
Cash and cash equivalents	9,965	307	-	10,272
Total	9,965	307	-	10,272

Notes (continued)

20 Reconciliation of Net Debt

	At 1 August 2021 £'000	Cash Flows £'000	Non- cash changes £'000	At 31 July 2022 £'000
Cash and cash equivalents	9,965	307	-	10,272
Borrowings: secured loans due under one year	(1,292)	459	-	(833)
Borrowings: secured loans due over one year	(17,639)	833	(55)	(16,861)
Total	(8,966)	1,599	(55)	(7,422)

21 Capital commitments

	2022 £'000	2021 £'000
Commitments contracted for at 31 July	-	238

22 Lease Obligations

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

	2022 £'000	2021 £'000
Payments due:		
Land and buildings		
Not later than one year	-	8
Later than one year and not later than five years	-	1
	-	9

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. The fit-out costs incurred by the College have been capitalised and are part of land and buildings assets in note 12. The College holds the responsibility for the maintenance, security and insurance on the building.

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. The total maximum repayable under the terms of the agreement is £1.3m, however provision has been made in these accounts for a repayment of £0.2m relating to the period to July 2021. As the occurrence and timing of future conditions is not known, no provision has been made for any further repayment in these financial statements.

Notes (continued)

24 Events after the reporting period

On 29 November 2022, the Office for National Statistics reclassified all college corporations as public sector institutions with immediate effect. Following this reclassification, colleges and their subsidiaries are now considered part of central government. They continue to be self-governing charities regulated by the Secretary of State for Education, but are now subject to the framework for financial management set out in the document 'Managing Public Money' (MPM).

Whilst the Department for Education (DfE) have committed to publishing detailed guidance on implications of MPM on colleges over the coming months, an immediate change has been made to borrowing arrangements. A DfE consent process has been introduced to ensure MPM compliance where a college wishes to make any amendments to existing borrowing or enter into new borrowing, (including overdrafts or revolving credit facilities but not finance lease arrangements).

As Kirklees College is not planning any changes to existing borrowing or new borrowing in the foreseeable future, this change does not impact on the college reported financial position or current going concern assessment.

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		2022 £'000	2021 £'000
Teachers' Pension Scheme: contributions paid		2,003	1,945
Local Government Pension Scheme:			
Contributions paid (including enhancements on redundancy)	1,863	1,685	
FRS 102 (28) charge	3,520	3,518	
		5,383	5,203
Charge to the Statement of Comprehensive Income		7,386	7,148
Enhanced pension credit to Statement of Comprehensive Income		(145)	(13)
Total Pension Cost for Year		7,241	7,135

Contributions amounting to £440,530 (2021 £420,337) were payable to the schemes at 31 July and are included within creditors.

Notes (continued)

25 Defined benefit obligations (continued)

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for 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.

Valuation of the Teachers' Pension Scheme

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196 billion giving a notional past service deficit of £22 billion. The discount rate is 2.4% in excess of CPI.

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 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021-22 academic year and currently through to July 2023.

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

The next valuation (2020) result is due to be implemented from 1 April 2024.

The pension costs paid to TPS in the year amounted to £2,002,915 (2021: £1,945,019).

Notes (continued)

25 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the West Yorkshire Pension Fund. The total contribution made for the year ended 31 July 2022 was £2,442,276 of which employees contributions deducted through payroll totalled £621,154 and employer's contributions totalled £1,821,122. The agreed contribution rate for the period to March 2023 is 19%. Contribution rates after that time are not known. Employee contributions range from 5.5% to 12.5% 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 2022 by Aon, a qualified actuary.

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.85%	3.85%
Future pensions increases	2.60%	2.60%
Discount rate for scheme liabilities	3.50%	1.70%
Inflation assumption (CPI - base)	2.60%	2.60%
Inflation assumption (CPI – additional experience)	4.90%	-
Commutation of pensions to lump sums	75%	75%

Additional allowance for forecast CPI Inflation

A gain or loss is recognised in the defined benefit obligation (DBO) when actual pension increases are lower (or higher) than those assumed. The policy to date has been to recognise the pension increase order laid during the relevant accounting period. The last pension increase order was 3.1% in April 2022, and this has been allowed for in the base figures. However, due to current high levels of inflation, an allowance has been made in the DBO for the expected impact of CPI inflation on the pension increase order for April 2023. This is a change in accounting policy from previous years. It is expected that the April 2023 pension increase order will reflect CPI inflation for the year ending September 2022.

An allowance for actual total CPI inflation of 7.5% has been provided for in the figures presented in these financial statements. This is considered to reflect the current experience of the CPI movement on future obligations.

Notes (continued)

25 Defined benefit obligations (continued)

Mortality Assumptions

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 2022 Years	At 31 July 2020 Years
<i>Retiring today</i>		
Males	21.8	21.9
Females	24.6	24.7
<i>Retiring in 20 years</i>		
Males	22.5	22.6
Females	25.7	25.8

Asset Allocation:

	Asset Allocation 31 July 2022	Fair Value at 31 July 2022 £'000	Asset Allocation 31 July 2021	Fair Value at 31 July 2021 £'000
Equities	79.3%	68,430	80.2%	66,678
Property	4.0%	3,452	3.7%	3,076
Government Bonds	6.9%	5,954	8.2%	6,817
Corporate Bonds	4.3%	3,711	4.4%	3,658
Cash	4.0%	3,452	2.2%	1,829
Other	1.5%	1,294	1.3%	1,081
Total	100%	86,293	100%	83,139

	£'000	£'000
Actual return on plan assets	3,175	13,948

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

	2022 £'000	2021 £'000
Fair value of plan assets	86,293	83,139
Present value of plan liabilities	(90,515)	(123,903)
Net pensions liability (Note 18)	(4,222)	(40,764)

Notes (continued)

25 Defined benefit obligations (continued)

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

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current service cost	5,342	5,194
Past service cost	41	-
Curtailment cost	-	9
Total	5,383	5,203
	2022 £'000	2021 £'000
Amounts included in interest and finance costs		
Net interest charge	677	708
	2022 £'000	2021 £'000
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	1,761	12,980
Experience gains arising on defined benefit obligations	38,978	1,904
Amount recognised in Other Comprehensive Income	40,739	14,884
Movement in net defined benefit liability during the year		
	2022 £'000	2021 £'000
Deficit in scheme at 1 August	(40,764)	(51,422)
Movement in year:		
Current service cost	(5,342)	(5,194)
Past service cost	(41)	-
Curtailment cost	-	(9)
Employer contributions	1,863	1,685
Net interest on the defined liability	(677)	(708)
Actuarial gain/(loss)	40,739	14,884
Net defined benefit liability at 31 July	(4,222)	(40,764)

Notes (continued)

25 Defined benefit obligations (continued)

	2022 £'000	2021 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	123,903	120,498
Current service cost	5,342	5,194
Past service cost	41	-
Curtailment cost	-	9
Interest cost	2,091	1,676
Contributions by Scheme participants	622	609
Actuarial gain	(38,978)	(1,904)
Estimated benefits paid	(2,506)	(2,179)
Defined benefit obligations at end of period	90,515	123,903
Reconciliation of Assets		
	2022 £'000	2021 £'000
Fair value of plan assets at start of period	83,139	69,076
Interest income	1,414	968
Return on plan assets (excluding net interest on the net defined benefit liability)		
Actuarial gain	1,761	12,980
Employer contributions	1,863	1,685
Contributions by Scheme participants	622	609
Estimated benefits paid	(2,506)	(2,179)
Assets at end of period	86,293	83,139

26 Related Party Transactions

Kirklees College is one of seven equal college partners in the West Yorkshire College's Consortium. In the year to 31 July 2022, the college paid a subscription of £5,500 to the Consortium. Income of £12,900 has been reflected in these financial statements for college activity on a Consortium ESIF project.

Key management compensation disclosure is given in note 8.

Notes (continued)

27 Access and Participation

	2022 £'000	2021 £'000
Access Investment	222	293
Financial Support	14	10
Disability Support	-	-
Research and Evaluation	-	-
Total	<u>236</u>	<u>303</u>

The College Access and Participation plan can be found on the College website under policies and reports.

The sum disclosed for Access Investment includes £92,872 (2020/21 £123,009) which is included within staff costs disclosed at Note 8 of these financial statements.

28 Prior period adjustment

The value of Pioneer House, a building occupied by the College on a 125 year peppercorn lease from Kirklees Council, was previously based on cost of works plus an assessment of a 'right to use' valuation basis of the benefit over the lease term, rather than valuing at fair value and recognising the asset as a gift on the basis of Depreciated Replacement Cost (DRC) as required as a best estimate of fair value in accordance with FRS 102.

The College was given the right to use the land and fabric of the building and undertook a significant refurbishment with the right to use lease benefit being accounted for as a deferred capital grant rather than reflecting the substance of the transaction being a gift in 2019. This resulted in an over-statement of the value of land and buildings and the incorrect recognition of a deferred capital grant rather than recognition of the gift as income. These errors have required a prior period adjustment affecting the financial statements for the years ended 31 July 2019, 31 July 2020 and 31 July 2021.

The previous value of the asset in the financial statements totalled £15.33m, comprising building refurbishment costs of £5.66m plus a further £9.67m value attributed to a 'right to use' benefit over the lease term.

A professional valuation of Pioneer House has been undertaken on a DRC basis and has provided a valuation of £8.0m, comprising £7.4m for the leasehold property and £0.6m for the land. This has required a prior period adjustment that affects the financial statements for the years ended 31 July 2019, 31 July 2020 and 31 July 2021.

The effect of the adjustment is to increase the value of long leasehold land and buildings by £2,336,776 being the recognition of the gift (with a corresponding amount to income in year ended 31 July 2019) and remove the long leasehold with the carrying value of £9,347,240 (with a corresponding removal of deferred capital grant creditor).

Notes (continued)

28 Prior period adjustment (continued)

Reconciliation of income and expenditure unrestricted reserve:

	2021 £'000	2020 £'000	2019 £'000
Income and expenditure unrestricted reserve as previously reported	(15,650)	(27,483)	(5,711)
Adjustments arising:			
Recognition of gift of asset	-	-	2,337
Prior year adjustment	2,337	2,337	-
Correction of depreciation	129	-	-
Correction of deferred capital grant release	(129)	-	-
Income and expenditure reserve as restated	(13,313)	(25,146)	(3,374)

Reconciliation of deficit for the year:

	2021 £'000	2020 £'000	2019 £'000
(Deficit)/surplus for the year as previously reported	(3,089)	(3,440)	3,825
Adjustments arising:			
Recognition of gift of asset	-	-	2,337
Correction of depreciation	129	-	-
Correction of deferred capital grant release	(129)	-	-
Deficit for year as restated	(3,089)	(3,440)	6,162

Reconciliation of tangible fixed assets

	2021 £'000	2020 £'000	2019 £'000
Net book value as previously reported	104,690	105,655	95,789
Adjustments arising:			
Correction to the recognition of gift of asset	-	(9,670)	-
Recognition of gift of asset	-	-	2,337
Prior year adjustment	(7,333)	2,337	-
Correction of depreciation	129	-	-
Net book value as restated	97,486	98,322	98,126

Notes (continued)

28 Prior period adjustment (continued)

Reconciliation of creditors amounts falling due within one year

	2021	2020	2019
	£'000	£'000	£'000
As previously reported	10,607	8,435	9,134
Correction of deferred capital grant	(193)	(129)	-
Creditors: Amounts falling due within one year as restated	10,414	8,306	9,134

Reconciliation of creditors amounts falling due after one year

	2021	2020	2019
	£'000	£'000	£'000
As previously reported	78,455	79,724	70,824
Correction of deferred capital grant	(9,348)	(9,541)	-
Creditors: Amounts falling due after one year as restated	69,107	70,183	70,824

Independent reporting accountant's report on regularity to the corporation of Kirklees College and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA')

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 10 May 2022 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA") or any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by Kirklees College during the period 1 August 2021 to 31 July 2022 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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 2021 to 31 July 2022 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.

We are independent of the Kirklees College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

Responsibilities of Corporation of Kirklees College for regularity

The Corporation of Kirklees College is responsible, under the grant funding agreements and contracts with the ESFA and the requirements of the Further & 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. The Corporation of Kirklees College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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 2021 to 31 July 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Independent reporting accountant's report on regularity to the corporation of Kirklees College and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA') (Continued)

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report

This report is made solely to the Corporation of Kirklees College and the Secretary of State for Education acting through 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 Secretary of State for Education acting through the ESFA those matters we are required to state in a 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 and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
First Floor
Two Humber Quays
Wellington Street West
Hull
HU1 2BN

Date 3 April 2023