



North Kent College

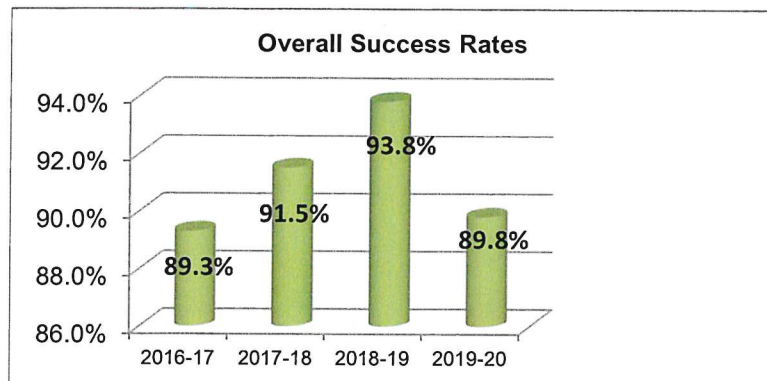
Annual Report and Financial Statements

For the year ended 31 July 2020

Key Performance Indicators from 2019-2020

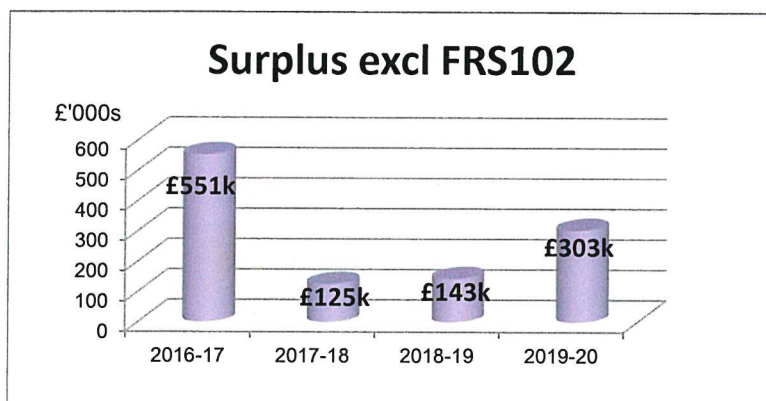
Positive success across the board

Student achievement is the key to the College's success.



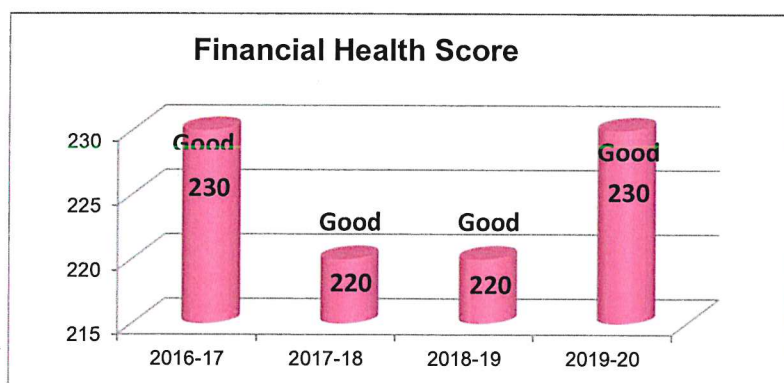
Underlying operating surplus

Positive operating result before restructuring and FRS102 delivering financial security.



Solid financial health

The health score as set by the Education Skills Funding Agency



The accounts have been prepared in 2019/20 on an FRS102 basis.
FRS102 takes account of the non cash adjustments for Local Government Pension Scheme.

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Report of the Governing body

OBJECTIVES AND STRATEGY

North Kent College is one of the leading education providers to the Thames Gateway, ideally situated in both Dartford and Gravesend which is an area of economic and social regeneration. The College successfully delivers training and education to around 6,000 students from South East London and Kent.

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

Legal status

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

Mission

The College's mission as approved by its members is:

To provide high quality education, learning and training which, through partnership working, offers young people and adults the opportunity to achieve their potential and contribute to the success of the community.

Resources

The College has various resources that it deploys in pursuits of its Strategic Aims.

-Tangible

North Kent College has two main sites in Dartford and Gravesend, with three additional specialist sites; a Maritime and Fire Fighting facility on the bank of the River Thames in Gravesend, the Learning Shop at Bluewater, and SusCon at The Bridge, Dartford.

-Financial

The College has £2 million of net liabilities (after £20.1 million of pension liability and long term loans of £8.2 million).

-People

The College employs 392 people, of whom 167 are teaching staff.

-Reputation

The College ranked 2nd place nationally (out of 169 General FE Colleges) for Level 3 (A Level equivalent) achievement rates in 2019. This is an outstanding set of results across the board in terms of student achievement across curriculum departments.

The College has a good reputation locally and regionally, and nationally for its specialist maritime provision. The Principal, Mr Glead, was appointed a National Leader of Further Education. It was last inspected in February 2014 when it was graded "Good" overall with outstanding features (reconfirmed in November 2017).

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, North Kent College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/Regional Development
- The local community;
- Other FE institutions;
- Trade Unions - University and College Unions (UCU) and Unison;
- Professional bodies.

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

Report of the Governing Body (continued)

DEVELOPMENT AND PERFORMANCE

Implementation of Strategic Plan

The Strategic Vision for the College is to Excel and Inspire, and is underpinned by 5 aims and 10 objectives used to measure its progress. The Corporation monitors the College's performance against these plans, and are updated on its progress. These are set out below:

Aim 1 - Excellent Outcomes

- Objective - Our success rates maintain our position in the top 10% of Colleges nationally year after year.
- Objective - Our students will be equipped with the skills and experiences they need to progress and succeed in their chosen career path.

Aim 2 - Inspirational Teaching and Learning

- Objective - Our expectation is that all teaching and learning will be good or outstanding.
- Objective - Our culture will support innovation and experimentation to provide a unique and exciting learning experience.

Aim 3 - Excellent Engagement

- Objective - Our courses will constantly evolve to reflect the needs of local, regional and national employers to ensure our students have the best opportunity to secure employment.
- Objective - Our quality and reputation will be such that we will be seen as the first choice for the local community and regional stakeholders requiring a vocational training solution.

Aim 4 - Inspirational Staff

- Objective - Our people will constantly demonstrate that they are outstanding in their aspirations and commitment.
- Objective - Our people will be experts in their field and be supported to achieve their maximum potential.

Aim 5 - Excellent Resources

- Objective - Our courses are delivered in high quality accommodation and use equipment and facilities that are equivalent to national industry standards.
- Objective - Our financial position remains secure.

The College is on track to achieving this vision.

Financial Objectives

The College's financial objectives for 2019/20 were to:

- Achieve an underlying surplus in its operating result - Achieved
- To increase incrementally the percentage of alternative funding - Reduced due to effect of Covid 19 Pandemic.
- Maintain cash days of 10 or more at all times - Achieved
- Have a current ratio of more than 1.0 - Achieved
- Meet the College's loan covenants - Achieved
- Maintain general reserves (excluding pension reserve) of at least 25% of income during the period - Achieved

Performance Indicators

FE Choices (formerly the "Framework for Excellence") has four key performance indicators:

- Success rates
- Learner destinations
- Satisfaction survey (formerly "learner views")
- Satisfaction survey (formerly "employer views")

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices website which looks at measures such as success rates.

The College is required to complete the annual Finance Record for the Education Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having a "Good" financial health grading. The current rating of Good is considered above standard.

Report of the Governing Body (continued)

Financial Results

The College achieved a surplus of £303,000 (2018/19: £143,000) before the effect of non cash adjustments of £1,093,000 for the local government pension scheme under FRS102. When taking account of this the college reported a deficit of £790,000, with total comprehensive income of £11,131,000 deficit (2018/19: £2,956,000 deficit). When non cash FRS102 items are excluded the College made a surplus of £303,000 (2018/19 £143,000). The College has delivered a financial surplus since 2012.

The College has accumulated reserves and net liabilities of £1,958,000 (2018/19: £9,173,000 assets) and cash balances of £10,475,000 (2018/19: £10,933,000). The 2-year development plan underlying the College vision is to generate reserves which will be available for on-going re-investment in the organisation, as well as providing a safeguard in the continued economic climate.

Tangible fixed asset additions during the year amounted to £455,000 to provide for high quality learning environments and infrastructure, building on the significant investment in the Dartford and Gravesend campus re-developments.

The College has a strong reliance on funding from its main funding bodies for its principal funding source, largely from recurrent grants. For 2019/20, the funding bodies provided over 84% of the College's total income. The College continues in its pursuit to increase the percentage of alternative funding to provide a balanced income portfolio.

Covid 19 impacted all educational establishments. North Kent College was able to mitigate its effects during the lockdown by moving to online teaching and working arrangements alongside a clear college wide management process to address changes to the way everyone worked during this period. This was managed by a college wide management group looking at all aspects and effects of Covid 19 on its business continuity.

Treasury Management

The College has a treasury management policy in place to effectively manage the College's cashflows, its banking, money markets and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

The College has a number of borrowings related to the sites and developments, details of which are contained in the main body of the statutory accounts.

Cash Flows

For 2019/20 the College had a cash inflow from operating activities of £928,000.

Liquidity

The College's liquidity decreased slightly in the year, with a reduction in the cash balance at £10.48m (2018/19: £10.93m) reflecting ongoing investment within the Dartford New Build Scheme. The College received planning approval for its scheme in February 2019 and is currently seeking approval for funding at this time.

Reserves Policy

The College's policy is to maintain general reserves (excluding pension reserve) of at least 25% of income during the period. When determining the appropriate level of reserves to hold the Governing Body considers the financial needs of the day-to-day running of the college along with the College's future plans and strategic objectives.

As at 31 July 2020 the College has accumulated liabilities of £1,958,000 of which £97,000 are restricted for specific purposes, and £2,695,000 generated via past revaluation of assets. The College's income and expenditure reserve stands at liabilities of £4,750,000. Excluding the pension reserve therefore, 'general reserves' total £15,379,000, representing approximately 64% (2018/19: 61%) of annual income for the year ended 31 July 2020.

Current and Future Development and Performance

Financial health

The College's financial health remains very positive with a high rating in the good category. Long term banking facilities are in place and the college continues to have significant headroom within its covenants as a result of its financial position. This is reinforced with the commitment in year of a renegotiated long term loan at a preferable rate.

The financial health return and cashflow forecast submitted to the ESFA in July 2020 updated the forecasts for 2019/20 and 2020/21 taking account of the budget for 2020/21 approved by the Governing Body as well as the impact of the Covid19 pandemic on both financial years. The plan indicated the Group will remain in 'Good' financial health in 2020/21.

In recognition of the financial impact of the pandemic the College modified its working arrangements during 2019/20 and this has continued to be closely monitored by the management group to adjust the delivery due to local impacts of Covid 19 on its working abilities.

Report of the Governing Body (continued)

Current and Future Development and Performance (continued)

Student numbers and Achievement

The College ranked 2nd place nationally (out of 169 General FE Colleges) for Level 3 (A Level equivalent) achievement rates in 2019. This is an outstanding set of results across the board in terms of student achievement across curriculum departments.

In 2019/20 16-18 recruitment has been in line with the ESFA contract and is expected to rise in future years as demographic growth feeds through.

Students continue to succeed at the College. In 2019/20 the College success rate was 89.8%, a slight decrease against 2018/19 of 93.8%.

Curriculum developments

The College was inspected by Ofsted in February 2014 (reconfirmed in November 2017) and achieved a rating of good with some outstanding features.

The College identified in its Curriculum Strategy the following key strands in its offer:

- Vocational Qualifications
- Apprenticeships
- Functional Skills and GCSEs
- Study programmes
- Higher Education including Level 4 and 5 courses

In October 2014, the College's Higher Education Provision was inspected by the Quality Assurance Agency for Higher Education ("QAA") and assessed as meeting its requirements.

The College operates from two main sites at Dartford and Gravesend. Major investment in facilities was completed in 2009 and 2011 for Gravesend and Dartford respectively. Continued re-investment to improve the campuses is ongoing with a new build at Dartford being planned to further enhance the quality of our provision. Planning approval was received in February 2019.

On-going enhancements to the Maths and English Strategy continues to be embedded in the curriculum to improve its effectiveness.

Taxation

The College is an exempt charity and not liable to corporation tax.

Future Developments

The College is working to complete a campus change on the Dartford campus, which was left outstanding from the demise of the central funding to complete the Estates Strategy. The College is seeking grant funding to take forward the full development and a full business case has been submitted, which has been approved subject to contract and is expected to be built by March 2022.

Curriculum continues its focus on improved delivery to learners to allow them to prosper long term in all areas of its provision, which is borne out by the colleges continued improvement in student success rates.

The College continues to adapt to an ever more challenging curriculum and educational landscape and has been successful in both its curriculum and financial aspirations.

The College took on substantial parts of Hadlow College and West Kent and Ashford College sites in the Tonbridge and Malling local area under Education Administration on 15th August 2020.

Going concern

After making appropriate enquiries, the Governing Body considers that the College has adequate resources to continue in existence for the foreseeable future. In making this assessment, the Governing Body has taken into account the College's current and projected position and principal risk, with reference to a period in excess of 12 months from the date of approval of these financial statements and the impact of Covid19 and the acquisitions made since the year end.

As part of the complex transaction, whereby the College acquired certain of the activities, premises and staff of Hadlow and West Kent Colleges on 15 August 2020, the College has secured additional funding under a Grant Funding Agreement with the Department of Education, of up to £25 million in the period to 31 March 2023.

Report of the Governing Body (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

The College has embedded a system of internal controls, which include financial, operational and risk management which is designed to protect the College's assets and reputation.

A risk register is maintained at the College level which is reviewed regularly by the Audit Committee. 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 using a consistent scoring system.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding body and through the Office for Students (formerly Higher Education Funding Council for England ["HEFCE"]). In 2019/20, 81% of the College's revenue was ultimately sector funded and this level of dependency is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding,

- Effect of Covid 19 Pandemic
- The importance of GCSE English and Mathematics as a key component for study programmes going forward.
- The current economic conditions and continued uncertainty over government funding will continue to create a difficult market place to encourage growth in the sector. Only a drive for increased quality will it is hoped bring additional work through increased reputation.
- On-going reductions in adult recruitment due to funding changes.
- Continued Apprenticeship regime funding upheaval.
- Reduction in HE recruitment across the sector, with lowering of university entrance requirements.

This risk is mitigated in a number of ways:

- Business Continuity Planning
- By ensuring the College is rigorous in delivering high quality education and training as can be seen in the College's year on year increase in success rates.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
- Continued review of curriculum planning to adapt to demand from and opportunity for positive student destination outcomes.
- Development of Level 4 ESFA notional HE pathways to provide additional destination routes for students.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- College is responsive to changes within the Apprenticeship regime landscape.

Report of the Governing Body (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

2. Tuition fee policy

In line with the majority of other colleges, the College continues to review its tuition fees in accordance with the fee assumptions, which remains at 50% for Adult non loanable learners. This will impact on the growth strategy of the College.

Loans for Adults (ie Age 19 or over) for Further Education ("FE") and Higher Education ("HE") now make up the bulk of fees, which are regulated and fixed for FE. With existing competition in the HE market, rises in this area are not possible.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus by ensuring value for money for student.
- Close monitoring of the demand for courses as prices changes

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

This risk is mitigated by an agreed deficit recovery plan with Kent County Council Pension Fund.

OTHER INFORMATION

Public Benefit

North Kent College is an exempt charity under the 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 9.

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

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce
- Links with Local Enterprise Partnerships (LEPs)

Equality

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, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy, including its Race Relations Policy and Transgender Policies, is published on the College's Internet site.

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

Report of the Governing Body (continued)

Disability statement

North Kent College seeks to achieve the objectives set down in the Equality Act 2010:

- a In 2006/07 the College secured a substantial grant from the Learning Skills Council ("LSC") to undertake works at both Dartford and Gravesend campus which enabled us to comply with the Act and the capital redevelopment on both sites were designed to comply with the Act;
- b there is a list of specialist equipment, lighting for audio facilities, etc, which the College can make available for use by students;
- c the admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;
- d the College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- e specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format; and
- f counselling and welfare services are available and are detailed in the College charter and the College's published Policy on Disability and Discrimination.

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

Numbers of employees who were relevant union officials in the relevant period	FTE employee number
1	1

Percentage of time	Number of employees
0%	-
1-50%	1
51-99%	-
100%	-

Total cost of facility time	£3,400
Total pay bill	£13,622,000
Percentage of total bill spent on facility time	0.025%

Time spent on paid trade union activities as a percentage of total paid	100%
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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 auditor is 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 auditor is aware of that information.

Approved by order of the members of the Governing Body/Corporation on 3 December 2020 and signed on its behalf by:



Mr A Lewsley
Chairman

Report of the Governing Body (continued)

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2019/20:

David Gleed	Chief Executive and Executive Principal; Accounting Officer
Rhiannon Hughes	Deputy Executive Principal
Lawrence Jenkins	Deputy Chief Executive
Yolanda Hughes	Clerk to the Corporation

Professional advisers

Financial statements auditors and reporting accountants	Buzzacott LLP 130 Wood Street London EC2V 6DL
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Internal auditors:	Scrutton Bland Fitzroy House Crown Street Ipswich IP1 3LG
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Bankers:	Lloyds Bank Plc High Street Dartford Kent DA1 1BY
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Solicitors:	Thomson, Snell & Passmore Heathervale House 2-4 Vale Avenue Tunbridge Wells Kent TN1 1DJ
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Statement of Corporate Governance and Internal Control

The Corporation

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

Table 1: Governors serving on the College board during 2019/20

Name	Date of Appointment/ re-appointment	Term of Office	Date of Resignation	Status of Appointment	Committees
Mr A Lewsley - Chair of Corporation reappointed July 2019 for a further 2 years	01/12/2016 reappointed in December 2019 for a further two year term office	4 years		External	Chair of Corporation, Member of Search, Governance & Remuneration Committee, Chair of the Estates Working Group
Mr D Martin	Dec-18	4 years		External	Chair of the Search, Governance & Remuneration Committee
Mr D Gleed	Apr-10	Ex-officio		Chief Executive	Member of Search, Governance & Remuneration Committee (not a member of Remuneration D Gleed only attends in his capacity as Principal); Estates Working Group; Project Red Steering Group
Mr T Biring	Jul-17	4 Years		External	Member of the Estates Working Group
Mr T Cardy	May-17	4 Years	Resigned Nov 2019	Staff	None
Mr P Hatton	May-20	4 Years		External	Member Search, Governance & Remuneration Committee & Audit Committee, Lead Safeguarding Governor
Mr J Gurney	May-20	4 Years		External	Member of Audit Committee Project Red Steering Group & Estates Working Group
Dr R Longman	May-20	4 Years		External	Vice Chair of Corporation as of July 2019; Member of Estates Working Group & Chair of Project Red Steering Group & Member of Search Governance & Remuneration Committee
Mr P Manning	Mar-20	4 years		External	None
Mr S Matthews	Mar-20	4 Years		External	None
Mr K Norman	May-20	4 Years		External	Chair of Audit Committee (from March 2017), Member of Search, Governance & Remuneration Committee and Project Red Steering Group
Ms D Franks	Reappointed July 2020 for 6 months	6 months		Staff	None
Ms D Halpern- Matthews	Oct-17	4 Years		External	Member of Project Red Steering Group & Audit Committee

Attendance of meetings is as follows:

Corporation Board meetings (total of 6 meetings) – 91.2%
 Audit Committee meetings (total of 4 meetings) – 100%
 Search & Governance Committee meetings (total of 2 meetings held) – 100%
 Special Purposes Committee - no meetings held
 Estates Working Group - No meetings held
 Project Red Steering Group (total of 2 Meetings) - 98%

Statement of Corporate Governance and Internal Control (continued)

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period 1st August 2019 to 31st July 2020 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness; integrity; objectivity; accountability; openness; honesty and leadership).
- ii. In full accordance with the guidance to colleges from the Association of Colleges in the Code of Good Governance for English Colleges ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code 2016 ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2020. 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 of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in 2016.

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

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 Key Performance Indicators, proposed capital expenditure, quality matters and personnel related matters such as health and safety and safeguarding.

During the year 2019/20 the Corporation met on the following dates:

10 October 2019
14 October 2019
5 December 2019
16 January 2020 – SAR Validation
3 March 2020 – Governor Strategy and Development Day
26 March 2019
21 May 2020
2 July 2020
30 July 2020

The Corporation conducts its business through a number of committees and working groups, each with their own terms of reference, which have been approved by the Corporation. These are the Audit Committee, Search, Governance & Remuneration Committee, Remuneration Committee, Estates Working Group and the in 2019/20 a Project Red Steering Group was implemented to oversee and review all aspects of the Hadlow College & West Kent College Acquisition. The Project Red Steering Group reported all findings for consideration and approval to the Corporation Board.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College website or on request from the Clerk and Governance Advisor to the Corporation.

The Clerk and Governance Advisor to the Corporation maintains a register of financial and personal interests of Corporation Members. The register is available for inspection at North Kent College, Oakfield Lane, Dartford, DA1 2JT.

All members are able to take independent professional advice in furtherance of their duties at the Colleges expense and it has access to the Clerk and Governance Advisor to the Corporation, who is responsible to the Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members to be 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 of the Corporation and Accounting Officer are separate.

Statement of Corporate Governance and Internal Control (continued)

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search, Governance & Remuneration Committee, consisting of five members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration.

Members of the Corporation are appointed for a term of office not exceeding four years and may serve up to two terms of office, a maximum of eight years. This may be extended in exceptional circumstances.

Corporation Performance

The extract from North Kent College Self-Assessment Report 2019/20, which relates to governance is as follows:

- Governors bring a breadth of skills to support the College to achieve its ambitions. The Governing Body's continuing focus on refreshing the QIP and the Strategic Plan and tracking results against key performance indicators is a strength. They show clear ownership of the vision of the College and the Plans are under constant review in light of the reduction to public funding.
- Governors support the College well with a very broad range of relevant experience and expertise, including two ex-HM Inspectors. In 2017 the Corporation Board adopted a Competency Based skills audit which clearly set out the skills and expertise currently on the Board.
- The Carver-type Model meetings structure was introduced in 2015/16 and has been effective in facilitating timelier governor monitoring of performance and strategic direction. The Board gets the right balance of challenge and being informed on the 'for information' agenda items. Meetings have now included presentations from other senior leaders to ensure Governors have an understanding of the roles of the full SLT team.
- Governance is good. There is clear accountability established between Governors and the senior leadership team and an extremely strong culture of openness, transparency and honest communication.
- Governors use performance management systems very effectively and, as a result, ask pertinent and thoughtful questions which identify key areas for improvement. Their support for the College's activities is strong and this includes excellent attendance at Governors' Meetings (91.2%).

(Extract) Areas that governors have identified to develop in 2019/20 include:

The Corporation Board identified areas of their governance processes for further development. These objectives were in 2019/20 incorporated into the College Quality Improvement Plan under Governance. This enables the Corporation to regularly termly reviews of progress against the areas for development.

- Well-informed and expert governors are equipped with the knowledge and support to effectively discharge all aspects of the Board's accountabilities; ensuring that the Board are able to demonstrate that assurances and decisions made in respect of the overall strategy, performance and that the financial solvency of the College is maintained.
- Governance continues to be highly effective and resilient to all challenges and governors lead and fully participate in the self-review process, well supported by purposeful training and development.
- The Board rigorously and systematically reviews key strategic decisions annually, assessing the impact of their decisions on key stakeholders. Appropriate and up to date documentation guides the Board in understanding its role, the parameters of its authority and mitigates the risk of financial and reputational loss, regulatory breach and the Board liabilities.
- The better reflection of the local community the College serves and of the skills sets required by the Board to discharge their duties; promoting better understanding of community and student needs, and priorities for development.
- Review the current recruitment process and appoint student governors to the Board and conduct effective induction programmes in order to give the students the confidence and skills to actively engagement at Board level.
- Consistently highly effective governance, through improved understanding by Board members of the role of the Board and the SLT in an FES and wider external environment, including better-informed decision making by committees of the Board.
- An Internal Audit on Governance & Risk Management was undertaken by the College Internal Audit Service Providers in April 2020 and in the opinion of the auditors Significant Assurance given.

Statement of Corporate Governance and Internal Control (continued)

Search, Governance & Remuneration Committee

Throughout the year ended 31 July 2020, the College's Remuneration Committee comprised of Mr D Martin (Chair as of December 2019), Mr A Lewsley, Mr P Hatton, Mr Gurney (stepped down as member in December 2019) and Mr Keith Norman (in attendance). Mr D Gleed (Chief Executive) is not a member of Remuneration Committee. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other Senior Post holders.

The Corporation adopted the AoC's Senior Post Holder Remuneration Code in December 2019 and complies with the main principles of the Code. The Senior Post Holders within the remit of the Search, Governance & Remuneration Committee are the Chief Executive & Accounting Officer, Deputy Executive Principal, Teaching, Learning & Improvement, Deputy Chief Executive and Clerk & Governance Advisor to the Corporation.

Details of remuneration for the year ended 31st July 2020 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises of four independent governors of the Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on at least a termly basis and provides a forum for reporting by the College's internal 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.

In the Autumn of 2019, the Audit Committee undertook a self-evaluation exercise and identified areas for development. The improvements included the recruitment of additional members and further training on audit and risk matters. The Internal Audit Service Providers conducted a briefing session for the committee in March 2020 and governors monitor the key improvements through the Governance QIP.

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

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

Estates Working Group

The Estates Working Group comprises five governors of the Corporation including the Chief Executive. The Estates Working Group was established in 2017 to review and scrutinise matters related to the College Estates Strategy. The group report all findings and recommendations to the Corporation Board for formal resolution. This group did not meet during 2019/20.

Project Red Steering Group

In 2019 the Corporation Board implemented Project Red Steering Group comprising of six governors of the Corporation including the Chief Executive. The Project Red Steering Group had the remit to consider and review the legal and financial due diligence process in relation to the Hadlow College and West Kent College acquisition.

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 and not absolute assurance, against material misstatement or loss.

The Corporation has delegated the day to day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding 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 breakdowns in internal financial control.

Statement of Corporate Governance and Internal Control (continued)

Internal Control (continued)

The Purpose of the System of Internal

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 objects; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in North Kent College for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

Risk and Control Framework

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

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Governing Body;
- regular reviews by the Governing Body 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;
- the adoption of formal project management disciplines where appropriate.

The 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. At a minimum, annually, the Head of Internal Audit (HIA) provides the Governing Body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

The audit committee has advised the board of governors that the College has an effective framework for governance and risk management in place. The audit committee believes the College has effective internal controls in place.

Statement from the audit committee

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

- Procurement Health Checks (Contracts and Tendering) – Strong Assurance with no recommendations
- Risk Management - Significant Assurance with two low level risk recommendations
- Governance – Significant Assurance with one low level risk recommendation
- Data Management and Cyber Security – Significant Assurance with one medium risk and one low risk
- Health and Safety – Significant Assurance provided with 5 low risk recommendations

The Internal Audit Services completed five assignment reports during the 2019/20 academic year and a follow-up report. Overall, one strong and four significant assurance opinions were provided and one medium and nine low risk recommendations during 2019/20 reviews

The medium risk recommendation was raised in Data Management and Cyber Security and related to the completion of the online Data Protection training modules by all members of staff throughout the College.

The Internal Audit Service Providers did not raise any high-risk recommendations during the year and did not assign any 'limited' or 'none' assurance levels.

Statement of Corporate Governance and Internal Control (continued)

Where low and medium risk recommendations have been made these have been followed up by management within the Outstanding Audit Recommendations tracker and reported to the Audit Committee on a termly basis.

Management Actions on Previous Recommendations:

The Internal Audit Services also reviewed the progress made with implementing the recommendations made by them in their 2018/19 audit report and in their opinion, Management have taken or have planned appropriate and timely action to implement our recommendations.

No significant control weaknesses were identified by internal audit.

Review of Effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Accounting Officer's 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 auditors and the reporting accountants for regularity assurance 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 a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management 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 departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, 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 management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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


Going Concern

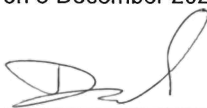
After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

In making this assessment, the Governing Body has taken into account the College's current & projected position and principal risk, with reference to a period in excess of 12 months from the date of approval of these financial statements.

As part of the complex transaction, whereby the College acquired certain of the activities, premises and staff of Hadlow and West Kent Colleges on 15 August 2020, the College has secured additional funding under a Grant Funding Agreement with the Department of Education, of up to £25 million in the period to 31 March 2022.

Approved by order of the members of the Corporation on 3 December 2020 and signed on its behalf by:


Mr A Lewsley
Chairman

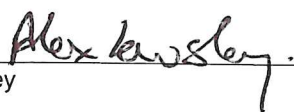

Mr D Gleed
Accounting Officer

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


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

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

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



Mr A Lewsley
Chairman



Mr D Gleed
Accounting Officer

Statement of the Responsibilities of the Members of the Corporation

The members of the Corporation of the College, as charity trustees, 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 and any other relevant funding bodies, the Corporation – through its Accounting Officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and its surplus / deficit of income over expenditure for that period.

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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate;
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Corporation will continue in operation.

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

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

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

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

Approved by order of the members of the corporation on 3 December 2020 and signed on its behalf by:


.....
Mr A Lewsley
Chairman

Independent Auditor's Report to the Members of the Corporation of North Kent College

Opinion

We have audited the financial statements of North Kent College (the "College") for the year ended 31 July 2020 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements including the principal accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the College's affairs as at 31 July 2020 and of its deficit of income over expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- in all material aspects, funds from whatever source administered by the College for specific purposes have been properly applied only for those purposes for which they were received, and managed in accordance with relevant legislation; and
- in all material respects funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' Accounts Direction have been met.

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.

Conclusion relating to going concern

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

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

Other information

The members of the Corporation are responsible for the other information. The other information comprises the information included in the Annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of the following matters in relation to which the Office for Students requires us to report to you, if in our opinion:

- The College's grant and fee income, as disclosed in notes 2 and 3 to these financial statements has been materially mistated.

Responsibilities of the members of the Corporation of North Kent College

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

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

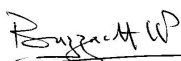
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the members of the Corporation, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the members of the Corporation, those matters we are required to state to 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 College and the members of the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.



Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

8 January 2021

Date

Reporting Accountant's Assurance Report on Regularity

To: The Corporation of North Kent College and Secretary of State for Education acting through Education and Skills Funding Agency("the ESFA")

In accordance with the terms of our engagement letter dated 13 July 2018 and further to the requirements of the ESFA's grant funding agreements and contracts, or those of any other public funder we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by North Kent College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Corporation of North Kent College and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of North Kent College and 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 North Kent College and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective Responsibilities of the Corporation of North Kent College and the reporting accountant

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

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

Approach

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

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

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

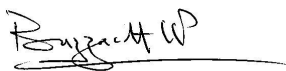
Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the College's income and expenditure.

The work undertaken to draw our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities.
- Further testing and review of self-assessment questionnaire including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

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



8 January 2021

Buzzacott LLP
Chartered Accountants and
Registered Auditors
130 Wood Street
London
EC2V 6DL

Date

**Statement of Comprehensive Income
for the year ended 31 July 2020**

	<i>Note</i>	2020 £'000	2019 £'000
Income			
Funding body grants	2	20,109	19,616
Tuition fees and education contracts	3	922	1,427
Other income	4	2,789	3,261
Investment income	5	71	101
		<hr/>	<hr/>
Total income		23,891	24,405
		<hr/>	<hr/>
Expenditure			
Staff costs	6	14,530	14,391
Other operating expenses	7	6,328	6,781
Depreciation and amortisation	10	3,379	3,487
Interest and other finance costs	8	444	506
		<hr/>	<hr/>
Total expenditure		24,681	25,165
		<hr/>	<hr/>
Deficit before tax		(790)	(760)
Taxation	9	-	-
		<hr/>	<hr/>
Deficit for the year		(790)	(760)
		<hr/>	<hr/>
Actuarial loss in respect of pensions schemes	21	(10,341)	(2,196)
		<hr/>	<hr/>
Total Comprehensive Expenditure for the year		(11,131)	(2,956)
		<hr/>	<hr/>

The income and expenditure account is in respect of continuing activities.

Reconciliation between Total Comprehensive Expenditure for the year and the underlying operating surplus:

Total comprehensive expenditure for the year	(11,131)	(2,956)
Add: LGPS actuarial loss	10,341	2,196
Add: Non Cash LGPS cost adjustments		
LGPS service cost adjustment (within staff costs)	908	755
LGPS interest cost adjustment (within interest and other finance costs)	185	148
	<hr/>	<hr/>
Operational surplus for the year	303	143
	<hr/>	<hr/>

**Statement of Changes in Reserves
for the year ended 31 July 2020**


	Income and Expenditure account	Revaluation reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1st August 2018	9,049	2,983	97	12,129
Deficit for the year	(760)	-	-	(760)
Other comprehensive expenditure	(2,196)	-	-	(2,196)
Transfers between revaluation and income and expenditure reserves	144	(144)	-	-
Total comprehensive expenditure for this year	(2,812)	(144)	-	(2,956)
Balance at 31st July/1 August 2019	6,237	2,839	97	9,173
Deficit for the year	(790)	-	-	(790)
Other comprehensive expenditure	(10,341)	-	-	(10,341)
Transfers between revaluation and income and expenditure reserves	144	(144)	-	-
Total comprehensive expenditure for this year	(10,987)	(144)	-	(11,131)
Balance at 31st July 2020	(4,750)	2,695	97	(1,958)

**Balance Sheet
at 31 July 2020**

	Note	2020 £'000	2019 £'000
Non-current assets			
Tangible fixed assets	10	80,525	83,449
Investments	11	1	1
		<u>80,526</u>	<u>83,450</u>
Current assets			
Stocks		14	18
Trade and other receivables	12	1,385	1,341
Cash and cash equivalents		10,475	10,933
Total current assets		<u>11,874</u>	<u>12,292</u>
Less creditors: Amounts falling due within one year	13	(5,546)	(6,556)
Net current assets		<u>6,328</u>	<u>5,736</u>
Total assets less current liabilities		<u>86,854</u>	<u>89,186</u>
Less creditors: Amounts falling due after more than one year	14	(65,735)	(68,423)
Provisions			
Defined benefit obligations	21	(20,129)	(8,695)
Other provisions	16	(2,948)	(2,895)
Total net assets		<u>(1,958)</u>	<u>9,173</u>
Restricted Reserves			
Restricted Reserves	24	97	97
Unrestricted Reserves			
Revaluation reserve		2,695	2,839
Income and expenditure account		(4,750)	6,237
Total unrestricted reserves		<u>(2,055)</u>	<u>9,076</u>
Total reserves		<u>(1,958)</u>	<u>9,173</u>

The financial statements on pages 20 to 39 were approved by the Corporation on 3 December 2020 and were signed on its behalf by:


Mr A Lewsley
Chairman


Mr D Gleed
Accounting Officer

Statement of Cash Flows for the year ended 31 July 2020

	2020 £'000	2019 £'000
Cash inflow from operating activities		
Deficit for the year	(790)	(760)
Adjustment for non cash items		
Depreciation	3,379	3,487
Decrease/(Increase) in stocks	4	(2)
(Increase)/Decrease in debtors	(44)	32
Decrease in creditors due within one year	(1,010)	(1,248)
Decrease in creditors due after one year	(1,944)	(1,859)
Increase/(Decrease) in provisions	53	(7)
Pensions costs less contributions payable	908	755
Adjustment for investing or financing activities		
Investment income	(71)	(101)
Interest payable	444	506
Net cash flow from operating activities	<u>929</u>	<u>803</u>
Cash flows from investing activities		
Investment income	71	101
Payments made to acquire fixed assets	<u>(455)</u>	<u>(1,530)</u>
	<u>(384)</u>	<u>(1,429)</u>
Cash flows from financing activities		
Interest paid	(259)	(358)
Repayments of amounts borrowed	(744)	(561)
	<u>(1,003)</u>	<u>(919)</u>
Decrease in cash and cash equivalents in the year	(458)	(1,545)
Cash and cash equivalents at beginning of the year	<u>10,933</u>	<u>12,478</u>
Cash and cash equivalents at end of the year	<u>10,475</u>	<u>10,933</u>

Notes to the Accounts

1 Accounting policies

Statement of accounting policies and estimation techniques

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

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the Accounts Direction for 2019-20 financial statements and in accordance with Financial Reporting Standard 102 - "The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland" (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirement of FRS102.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting principles.

Basis of accounting

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

Basis of consolidation

In accordance with Financial Reporting Standard (FRS) 102, the activities of the student union have not been consolidated because the College does not control those activities.

Going Concern

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

The College currently has £8.912m of loans outstanding with its bankers with terms that were renegotiated in Spring 2018. An option was taken on this exposure to convert to a fixed rate of interest starting from 31st January 2019 to its maturity date in July 2032. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

As part of the complex transaction, whereby the College acquired certain of the activities, premises and staff of Hadlow and West Kent Colleges on 15 August 2020, the College has secured additional funding under a Grant Funding Agreement with the Department of Education, of up to £25 million in the period to 31 March 2022.

Notes to the Accounts

1 Accounting policies (*continued*)

Recognition of income

Revenue grant funding

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

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

Capital grant funding

Government capital grants 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. 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 related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Tuition fee income

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

Investment income

All income from short-term deposits is credited to the Income and Expenditure Account in the period in which it is earned.

Accounting for post employment benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P).

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. As stated in Note 21, 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 scheme and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Kent County Council 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 liability. 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 actuarial gains and losses.

Notes to the Accounts

1 Accounting policies (*continued*)

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 ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement of the ongoing pension of a former member of staff is charged in full to the college's Statement of Comprehensive Income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the Statement of Comprehensive Income on an annual basis. Building improvements made since incorporation are included in the Balance Sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the College. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 2 and 50 years. On adoption of FRS102, the College followed the transitional provision to retain the book value of land and buildings, but not to adopt a policy of revaluations of these properties in the future.

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 capital grant account and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs which 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(s) may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were re-valued in 1996, as deemed cost but not to adopt a policy of re-valuations 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.

Notes to the Accounts

1 Accounting policies (continued)

Tangible fixed assets (continued)

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the Statement of Comprehensive Income in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

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

Such expenditure termed short life accommodation will have an expected useful life of 10 years.

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit.

These assets are then depreciated over their expected useful economic life.

Equipment

Individual equipment costing £1,000 and above is capitalised.

Equipment is depreciated over its useful economic life as follows:

Plant	15-25 years
Motor vehicles and general equipment	10 years
Computer equipment	4 years
Furniture and fittings	10 years

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

Borrowing Costs

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

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Stocks

Stocks are stated at the lower of their cost (using the first in first out method) and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Notes to the Accounts

1 Accounting policies (*continued*)

Cash and cash equivalents

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

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

Financial liabilities and equity

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

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the Income and Expenditure Account in the period in which they arise.

Taxation

The College is considered to pass the test 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 a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when

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

Where the effect of the time value money is material the amount expected to be required to settle the obligation is recognised at present value using 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.

Notes to the Accounts

1 Accounting policies (*continued*)

Agency Arrangements

The College acts as an agent in the collection and payment of certain Bursary and Learner Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Statement of Comprehensive Income and are shown separately in Note 23, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determined whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty are:

- Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Local Government Pension Scheme

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 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- Dilapidations provision

The provision is an estimate of the College's liabilities in respect of certain properties used by the College.

Notes to the Accounts

2 Funding body grants

	2020 £'000	2019 £'000
Recurrent grants:		
Education and Skills Funding Agency - adult	682	790
Education and Skills Funding Agency - 16 - 18	15,355	14,739
Education and Skills Funding Agency - apprenticeships	1,267	1,752
Greater London Authority - adult	103	-
Higher Education Funding Council	83	121
Work Placement Pilot	300	351
Specific grants:		
Teacher Pension Scheme Contribution Grant	453	-
Releases of deferred capital grants	1,866	1,863
Total	20,109	19,616

3 Tuition fees and education contracts

	2020 £'000	2019 £'000
Tuition fees	922	1,394
Education contracts	-	33
	922	1,427

4 Other income

	2020 £'000	2019 £'000
Residences, catering and conferences	722	844
Other income generating activities	17	33
Other income (see below)	2,050	2,384
	2,789	3,261
Other income includes:		
Other grants	83	7
Nursery income	1,061	1,217
Examination and registration fees	67	77

5 Investment income

	2020 £'000	2019 £'000
Other interest receivable	71	101

Notes to the Accounts

6 Staff numbers and costs

The average number of persons employed by the group (including key management personnel) during the year was as follows:

	2020 Number	2019 Number
Teaching staff	167	173
Non-teaching staff	225	225
	<u>392</u>	<u>398</u>

Staff costs for the above persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries	10,507	10,878
Social security costs	1,036	1,044
Other pension costs (including LGPS adjustments of £908,000, 2019: £755,000)	2,753	2,274
	<u>14,296</u>	<u>14,196</u>
Payroll sub-total	14,296	14,196
Contracted out staffing services	234	195
	<u>14,530</u>	<u>14,391</u>
Total Staff Costs	14,530	14,391

The College furloughed some of the catering, nursery, full cost engineering and sports lettings staff under the government's Coronavirus Job Retention Scheme. The funding received of £61k relates to staff costs included above.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal, Deputy Principal Curriculum, Deputy Principal Finance and Resources and the Clerk to the Corporation.

	2020 Number	2019 Number
The number of key management personnel including the Accounting Officer was:	<u>4</u>	<u>4</u>

The number of key management personnel and other staff, who received annual emoluments (excluding pension contributions and employer's national insurance but including benefits in kind) in the following ranges was:

	2020		2019	
	Number of key management personnel	Number of other staff	Number of key management personnel	Number of other staff
£20,001 - £25,000 p.a.	-	N/A	1	N/A
£35,001 - £40,000 p.a.	1	N/A	-	N/A
£60,001 - £65,000 p.a.	-	3	-	2
£70,001 - £75,000 p.a.	-	1	-	1
£75,001 - £80,000 p.a.	-	1	-	1
£85,001 - £90,000 p.a.	-	-	-	1
£95,001 - £100,000 p.a.	-	-	1	-
£100,001 - £105,000 p.a.	2	-	1	-
£165,001 - £170,000 p.a.	-	-	1	-
£170,001 - £175,000 p.a.	1	-	-	-
	<u>4</u>	<u>5</u>	<u>4</u>	<u>5</u>

A college wide bonus of 2% was paid for financial and curriculum performance in July 2020.

Notes to the Accounts

Emoluments of key management personnel including Accounting Officer

Key management personnel emoluments are made up as follows:

	2020 £'000	2019 £'000
Salaries	404	378
Employers National Insurance	53	49
Benefits in kind	13	13
Pension contributions	42	33
	<u>512</u>	<u>473</u>

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid key management personnel)

	2020 £'000	2019 £'000
Salaries	168	164
Benefits in kind	6	6
Pension contributions	-	-
	<u>174</u>	<u>170</u>

The pension contributions in respect of Key management personnel are in respect of employer's contributions to the Teachers' Pension Scheme and Local Government Pension Scheme and are paid at the same rate as for other employees.

The governing body adopted AOC's Senior Staff Remuneration Code in July 2019 and assesses pay in line with its principals.

The remuneration package of key management staff, including the Chief Executive and Executive Principal, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance. The remuneration committee assesses the corporation's performance against KPI's and the attainment of students in the year, as well as the progress against the college's long term strategic objectives when reviewing the remuneration package of the key management personnel, including the Chief Executive and Executive Principal. Qualitative measures of success, such as level of engagement of the staff and students are also considered.

The level of pay is benchmarked against the pay of similar colleges in the prior financial year, taken from their financial statements, and the general trend within the sector is also considered.

No compensation was paid to former key management personnel or higher paid employees.

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

Relationship of Principal pay and remuneration expressed as a multiple

	2020 £'000	2019 £'000
Principal's basic salary as a multiple of the median of all staff	6.4	6.3
Principal's total remuneration as a multiple of the median of all staff	5.7	5.6

7 Other operating expenses

	2020 £'000	2019 £'000
Teaching costs	1,183	1,636
Non-teaching costs	2,601	2,626
Premises costs	2,544	2,519
Total	<u>6,328</u>	<u>6,781</u>
Other operating expenses		
Auditor's remuneration:		
Financial statements audit:	37	34
Internal audit	14	24
Other services provided by the financial statements auditor	1	15
Hire of other assets – operating leases	74	85

Notes to the Accounts

8 Interest and other finance costs

	2020 £'000	2019 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in less than 5 years	259	358
Net interest on defined pension liability (note 21)	185	148
	<u>444</u>	<u>506</u>

9 Taxation

The members of the Corporation do not believe that the College was liable for any corporation tax arising out of its activities during the year ended 31 July 2020 (2019 - £Nil).

10 Tangible fixed assets

	Land & Buildings Freehold £'000	Assets under Construction £'000	Equipment £'000	Total £'000
<i>Cost or valuation</i>				
At 1 August 2019	105,366	969	21,142	127,477
Additions	-	78	377	455
Transfers	26	(26)	-	-
At 31 July 2020	105,392	1,021	21,519	127,932
<i>Accumulated depreciation</i>				
At 1 August 2019	25,321	-	18,707	44,028
Charge for year	2,378	-	1,001	3,379
At 31 July 2020	27,699	-	19,708	47,407
<i>Net book value</i>				
At 31 July 2020	77,693	1,021	1,811	80,525
At 31 July 2019	80,045	969	2,435	83,449

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by Lawrence Hewitt Partnership, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

From August 2020, the Gravesend campus is subject to a legal charge in respect of the loan facility (see note 15).

11 Investments

	2020 £'000	2019 £'000
Investment in The Retail Academy	1	1
Total	1	1

The Retail Academy was set up to promote training within the retail sector. The shares were purchased in April 2004, the College being one of many participating training providers involved with the Retail Academy.

12 Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade receivables	341	370
Prepayments and accrued income	1,044	971
	<u>1,385</u>	<u>1,341</u>

Notes to the Accounts

13 Creditors: Amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans and overdrafts (note 15)	743	743
Trade creditors	516	1,057
Other taxation and social security	400	330
Accruals and deferred income	1,215	1,110
Other creditors	817	1,041
Deferred income - government capital grants	1,855	1,855
Amounts owed to the ESFA	-	420
	5,546	6,556

The College took over responsibility for the finances of Kent FE (formerly known as KAFEC) for the financial year 2016-17 from East Kent College. This is a rotational agreement across the 4 FE Colleges of Kent. The funds were included in other creditors as at 31 July 2019. The funds were handed over to Mid Kent College in September 2019.

14 Creditors: Amounts falling due after more than one year

	2020 £'000	2019 £'000
Bank loans (note 15)	8,168	8,912
Other creditors	24	103
Deferred income - government capital grants	57,543	59,408
	65,735	68,423

15 Analysis of borrowings

Bank loans and overdrafts

	2020 £'000	2019 £'000
Bank loans and overdrafts are repayable as follows:		
In one year or less	743	743
Between one and two years	743	742
Between two and five years	2,228	2,228
Over five years	5,198	5,942
	8,912	9,655

A new single fixed facility started on 31 January 2019 to 30 July 2032 which was agreed with the current bank at 2.759%. The College agreed in August 2020 to create a legal charge against the Gravesend campus for the facility with an agreed increase in rate to 2.779% from October 2020.

Notes to the Accounts

16 Other Provisions

	Enhanced Pensions £'000	Building Dilapidations £'000	Other £'000	Total £'000
At 1 August 2019	366	2,466	63	2,895
Provision in the period	45	-	8	53
At 31 July 2020	411	2,466	71	2,948

The buildings dilapidations relates to the Thameside campus leased by the College.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reo which the college cannot reasonably withdraw at the balance sheet date.

The principal assumptions for this calculation are:

	2020	2019
Price inflation	2.2%	2.2%
Discount rate	1.3%	2.0%

17 Cash and cash equivalents

	At 1 August 2019 £'000	Cash flows £'000	At 31 July 2020 £'000
Cash and cash equivalents	10,933	(458)	10,475
Total	10,933	(458)	10,475

18 Lease obligations

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

Payable:	2020 £'000	2019 £'000
Not later than one year	24	30
Later than one year and not later than five years	21	45
Total lease payments due	45	75

19 Events after the reporting period

On 15 August 2020, the College acquired certain of the activities, premises and staff of Hadlow and West Kent Colleges from th those colleges.

20 Capital and other commitments

There are no material capital commitments as at 31 July 2020 (2019: none).

Notes to the Accounts

21 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Kent County Council. Both are defined-benefit schemes.

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 the LGPS 31 March 2019.

	2020 £'000	2019 £'000
Total pension cost for the year		
Teachers Pension Scheme: contributions paid	1,246	922
Local Government Pension Scheme:		
Contributions paid	599	597
FRS 102 (28) adjustment	908	755
Total Pension Cost for Year	2,753	2,274

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2014. These regulations apply to teachers in schools 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 FRS102 (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 FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out below the information available on the plan and the implications for the College in terms of the anticipated contributions rates.

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

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

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

The pension costs paid to TPS in the year amounted to £1,246,000 (2019: £922,000)

Notes to the Accounts

21 Pensions and similar obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Kent County Council. The total contribution made for the year ended 31 July 2020 was £838,000 of which employer's contributions totalled £599,000 and employees' contributions totalled £239,000. The agreed contribution rates for future years are 16.2% for employers and between 5.5% and 12.5% for employees, depending on salary according to a national scale.

Principal Actuarial Assumptions:

The following information based on a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by a qualified independent actuary.

	31 July 2020	31 July 2019
Inflation assumption (CPI)	2.25%	2.40%
Rate of increase in salaries	1.00%	1.00%
Rate of increase in pensions	2.25%	2.20%
Discount rate for scheme liabilities	1.35%	2.20%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectations on retirement age 65 are:

	31 July 2020	31 July 2019
Retiring today		
Males	21.8	22.0
Females	23.8	24.0
Retiring in 20 yrs		
Males	23.2	23.7
Females	25.2	25.8

Sensitivity analysis

	31 July 2020 £'000	31 July 2019 £'000
Discount rate +0.1%	52,350	41,417
Discount rate -0.1%	54,706	43,201
Mortality assumption - 1 year increase	55,760	43,919
Mortality assumption - 1 year decrease	51,363	40,741
Long term salary increases +0.1%	53,584	42,355
Long term salary increases -0.1%	53,446	42,243
Pension increases and deferred revaluation +0.1%	54,625	43,144
Pension increases and deferred revaluation -0.1%	52,428	41,471

The College's share of the assets and liabilities in the scheme and the expected rates of return were:

	Value at 31 July 2020 £'000	Value at 31 July 2019 £'000
Equities	21,624	22,906
Bonds	4,311	3,031
Property	3,668	3,918
Cash	1,017	898
Gilts	224	240
Target Return on Portfolio	2,542	2,611
Total market value of assets	33,386	33,604
Actual return on plan assets	866	1,535

Notes to the Accounts

21 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

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

	2020 £'000	2019 £'000
Fair value of plan assets	33,386	33,604
Present value of plan liabilities	(53,515)	(42,299)
Net pensions liability	(20,129)	(8,695)

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	1,488	1,337
Total	1,488	1,337

Amounts included in interest cost

Net interest expense	185	148
	185	148

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	128	636
Changes in assumptions underlying the present value	(9,861)	(2,832)
Experience loss on defined benefit obligation	(608)	-
Amount recognised in Other Comprehensive Income	(10,341)	(2,196)

Movement in net defined benefit liability during the year

	2020 £'000	2019 £'000
Net defined benefit liability in scheme at 1 August	(8,695)	(5,596)
Movement in year:		
Current service cost	(1,488)	(1,337)
Employer contributions	599	597
Net interest on the defined benefit liability	(185)	(148)
Administration expenses	(19)	(15)
Actuarial loss	(10,341)	(2,196)
Net defined benefit liability at 31 July	(20,129)	(8,695)

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2020 £'000	2019 £'000
Defined benefit obligations at start of period	42,299	37,651
Current Service cost	1,488	1,337
Interest cost	923	1,047
Contributions by Scheme participants	239	240
Changes in assumptions underlying the present value	8,887	2,832
Estimated benefits paid	(929)	(830)
Experience loss on defined benefit obligation	608	-
Curtailments and settlements	-	22
Defined benefit obligations at end of period	53,515	42,299

Notes to the Accounts

21 Defined benefit obligations (continued)

Reconciliation of Assets

	2020 £'000	2019 £'000
Fair value of plan assets at start of period	33,604	32,055
Interest on plan assets	738	899
Return on plan assets	128	636
Employer contributions	599	597
Contributions by Scheme participants	239	240
Estimated benefits paid	(929)	(830)
Administration Expenses	(19)	(15)
Other actuarial gains/losses	(974)	-
Settlement	-	22
Assets at end of period	33,386	33,604

22 Related Party Transactions

Due to the nature of the College's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving such organisations are conducted at arms length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under UK Accounting Standards.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2019: None).

23 Amounts Disbursed as agent

Learner Support Funds

	2020 £'000	2019 £'000
Balance b/f	377	312
Grants	417	421
Disbursed to students	(367)	(341)
Administration costs	(18)	(15)
Balance under spent as at 31 July, included in creditors	409	377

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

24 Restricted Reserves

At the balance sheet date the College held £97,000 (2019: £97,000) of North West Kent College Training Trust monies in a restricted reserve.