



**North Kent College**

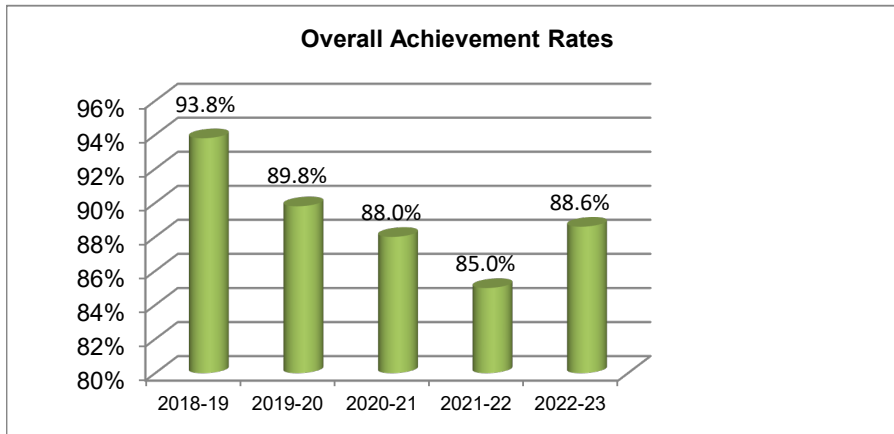
**Annual Report and Financial Statements**

**For the year ended 31 July 2023**

## Key Performance Indicators from 2022-2023

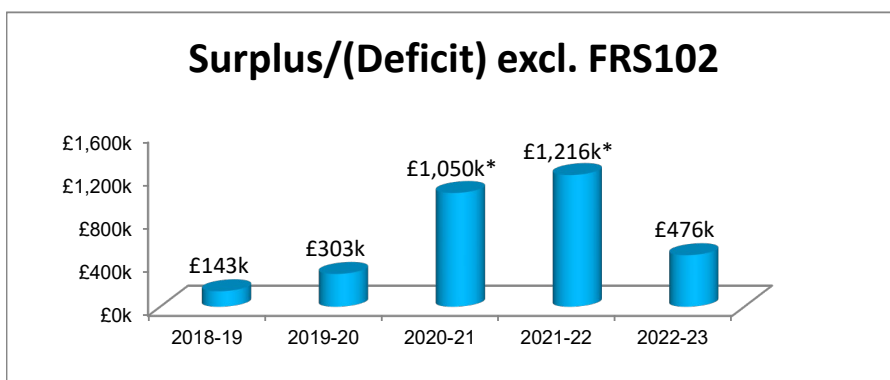
### Positive success across the board

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



### Underlying operating surplus

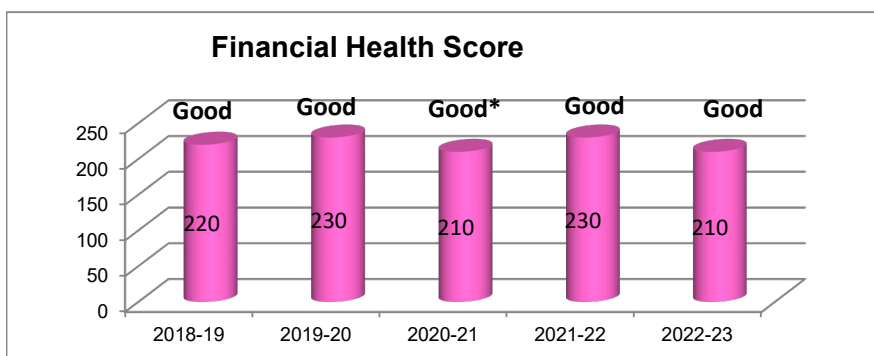
Positive operating result before restructuring and FRS102 delivering financial security.



\*Includes deficit grant paid / recovered

### Solid financial health

The health score as set by the Education Skills Funding Agency



\* 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 excluding the impact of the accounting of the grant funding agreement.

The accounts have been prepared in 2022/23 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 and West Kent, ideally situated across the county in Dartford, Gravesend, Tonbridge and Hadlow which is an area of economic and social regeneration. The College successfully delivers training and education to around 5,500 students from South East London and Kent.

The members present their report and the audited financial statements for the year ended 31 July 2023.

#### **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:

Provide high quality learning experiences that, through partnership working, enables young people and adults 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 four main sites in Dartford, Gravesend, Tonbridge and Hadlow 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 £120.1 million of net assets (after long term loans of £5.9 million).

##### **-People**

The College employs 628 people, of whom 292 are teaching staff.

##### **-Reputation**

When national statistics were available the College ranked 2nd place nationally (out of 169 General FE Colleges) for Level 3 (A Level equivalent) achievement rates in 2019. This was an outstanding set of results across the board in terms of student achievement across curriculum departments. Since the pandemic, due to predicted grades, there are no updated statistics on this.

The College has a good reputation locally and regionally, and nationally for its specialist maritime provision. It was last inspected in February 2014 when it was graded "Good" overall with outstanding features (reconfirmed in November 2017). The College had an Ofsted monitoring visit in November 2021 and this confirmed Good Progress is being made post take over of the additional campuses at Hadlow and Tonbridge.

### **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.
- South East Local Enterprise Partnership

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 2022/23 were to:

- Achieve an underlying surplus in its operating result - Achieved
- Have an adjusted current ratio of at least 2.0 - Achieved
- Staff costs as % of income less than 65% - Achieved
- Achieve a Financial Health grade of Good - Achieved
- Maintain cash days of 100 or more at all times - Achieved
- Meet the College's loan covenants - Achieved

#### Performance Indicators

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

- Achievement 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 an operating surplus of £476,000 (2021/22: £1,520,000), before the effect of non cash adjustments of £779,000 for the local government pension scheme under FRS102. When taking account of this the college reported a deficit (excluding the accounting impact of taking on the colleges in educational administration) of £303,000 with total comprehensive income (excluding the accounting impact of taking on the colleges in educational administration) of £476,000 surplus (2021/22: £45,158,000 surplus).

The significant movement is due to the FRS102 non-cash accounting adjustment for the local government pension scheme.

The College has delivered a financial operating surplus since 2012.

The College has accumulated reserves and net assets of £120,145 (2021/22 : £121,611,000) and cash balances of £23,025,000 (2021/22: £16,118,000).

Tangible fixed asset additions during the year amounted to £3,662,000 to provide for high quality learning environments and infrastructure across all the college campuses.

The College has a strong reliance on funding from its main funding bodies for its principal funding source, largely from recurrent grants. For 2022/23, the funding bodies provided over 84% of the College's total income.

### **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.

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

The College has actively placed funds in deposit accounts to maximise returns as interest rates have increased throughout the year.

### **Cash Flows**

For 2022/23 the College had a cash inflow from operating activities of £605,000 which is lower than last year by £6,235,000 due to the finalisation of the Grant Funded projects at Hadlow and Tonbridge.

### **Liquidity**

The College's liquidity increased in the year, with an increase in the cash balance at £23.0m (2021/22: £16.1m). £1.3m of the cash inflow relates to amounts due to be repaid to the funding bodies in relation to AEB clawback and Residential bursary funds. £2.7m of capital grants have been received but not spent at the end of July 2023. The college monitors liquidity closely due to the number and size of investments currently under way. The loan balance at the end of the year is £6.7m and the interest rate is fixed for the full term to July 2032.

### **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 2023 the College has accumulated assets of £120,145,000 of which £97,000 are restricted for specific purposes, and £2,263,000 generated via past revaluation of assets. The College's income and expenditure reserve stands at assets of £117,785,000. This represents a net decrease of £1,322,000 as the product of a £1,942,000 decrease relating to the annual impact of the (Hadlow and West Kent College's) education administration offset by the £476,000 operating surplus and £144,000 transfer from revaluation reserve. Excluding the pension reserve and educational administration impacts therefore, 'general reserves' total £18,857,000, representing approximately 40% (2021/22: 41%) of annual income for the year ended 31 July 2023.

### **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.

The financial health return and cashflow forecast submitted to the ESFA in July 2023 updated the forecasts for 2022/23 and 2023/24 taking account of the budget for 2023/24 approved by the Governing Body. The plan indicated the College will remain in 'Good' financial health in 2023/24.

## **Report of the Governing Body (continued)**

### **Current and Future Development and Performance (continued)**

The College took over 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. This included the Tonbridge Campus and Hadlow Campus sites and an equine facility in the London Borough of Greenwich.

As part of the complex transaction, whereby the College acquired certain activities, premises and staff of Hadlow and West Kent and Ashford Colleges in Education Administration, the College has secured additional funding under a Grant Funding Agreement with the Department of Education, this support runs to 31 March 2023.

### **Student numbers and Achievement**

When national statistics were available the College ranked 2nd place nationally (out of 169 General FE Colleges) for Level 3 (A Level equivalent) achievement rates in 2019. This was an outstanding set of results across the board in terms of student achievement across curriculum departments. Since the pandemic, due to predicted grades, there are no updated statistics on this.

In 2022/23 16-18 recruitment was lower than planned due to the effects of the continued teacher assisted grades process introduced by the government due to the pandemic and the cancellation of exams.

Students continue to succeed at the College. In 2022/23 the College success rate was 88.6%, with the college on an improvement journey with its newly acquired sites. For the prior year it was 85%.

### **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 Strategic Plan has been updated and the focus over the next three years is centred around the ambition of One College, One Future:

- Consistent achievement rates across all college
- Raise student engagement
- Raise quality of teaching and learning
- Improve outcomes for progression and employability

There are a number of IT improvement projects which run alongside the Strategic Plan and support the drive for improvements.

The College operates from four main sites at Dartford, Gravesend, Tonbridge and Hadlow. Further to the take over of parts of Hadlow College and West Kent and Ashford College in 2020, these have now been fully integrated into the wider curriculum strategy for the College.

The new Miskin building, a creative arts area at Dartford, opened for use in September 2022. Significant improvement works were completed over the year at the Hadlow Campus covering all areas including teaching facilities and residential accommodation.

2022/23 saw the introduction of new T Level Occupational Specialism in 2 areas, Design, Surveying and Planning for Construction and, Design and Development for Engineering and Manufacturing

### **Taxation**

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

### **Future Developments**

The College continues to develop the curriculum in line with Government policy and a further two T Level Occupational Specialisms are being implemented in 2023/24 in Accounting and, Early Years. Further areas will be developed as Government policy evolves.

There will be further investment in maintaining the College estate over the next 3 years in line with the estates plan.

### **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.

## 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 2022/23, 84% 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,

- Future announcements on Government funding
- Increasing inflationary cost pressures across the College as a whole
- Effect of Covid 19 Pandemic including predicted grades and staff recruitment. Impacts on companies recruiting apprentices and the resultant reduction in opportunities for students.
- The importance of GCSE English and Mathematics as a key component for study programmes going forward.
- The continued uncertainty over government funding will continue to create a difficult market place to encourage growth in the sector including cost pressures for unfunded national minimum wage and additional National Insurance contributions.
- The effects of Brexit and underlying economic conditions with additional inflation and supply chain issues.
- 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 (i.e. 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 which is recovered via the revised employer contribution rates.

### **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 |
| 8   | 6.47                |

|                    |                     |
|--------------------|---------------------|
| Percentage of time | Number of employees |
| 0%                 | -                   |
| 1-50%              | 8                   |
| 51-99%             | -                   |
| 100%               | -                   |

|   |             |
|---|-------------|
| Total cost of facility time                     | £7,601      |
| Total pay bill                                  | £22,515,419 |
| Percentage of total bill spent on facility time | 0.034%      |

|   |      |
|---|------|
| Time spent on paid trade union activities as a percentage of total paid | 100% |
|---|------|

### 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 14 December 2023 and signed on its behalf by:

  
Mr K Norman  
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 2022/23:

|                  |   |
|------------------|---|
| David Glead      | 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<br>130 Wood Street<br>London<br>EC2V 6DL  |
| Internal auditors:                                      | Scrutton Bland<br>Fitzroy House<br>Crown Street<br>Ipswich<br>IP1 3LG                                   |
| Bankers:  | Lloyds Bank Plc<br>High Street<br>Dartford<br>Kent<br>DA1 1BY   |
| Solicitors:   | Thomson, Snell & Passmore<br>Heathervale House<br>2-4 Vale Avenue<br>Tunbridge Wells<br>Kent<br>TN1 1DJ |

# 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 2022/23

| Name           | Date of Appointment/<br>re-appointment | Term of Office  | Date of Resignation                      | Status of Appointment               | Committees   | Attendance |      |                             |                                     |       |
|----------------|--|---|--|-------------------------------------|--|------------|------|-----------------------------|-------------------------------------|-------|
|                |  |   |  |                                     |  | Board      | SG&R | Q & S<br>(effective Nov 22) | Estates Strategy & Capital Projects | Audit |
| Mr K Norman    | May-20                                 | 4 Years   |  | External Governor                   | Appointed as Chair of Corporation as of 1 August 2021, Member of Search, Governance & Remuneration Committee, Quality & Standards Committee & Estates Strategy & Capital Projects Committee                                    | 100%       | 100% | 100%                        | 100%                                | n/a   |
| Mr D Martin    | Dec-18                                 | 4 years   |  | External Governor                   | Vice Chair of Corporation as of 1 August 2021, Chair of Quality & Standards Committee & Member of Search, Governance & Remuneration Committee, Lead Safeguarding Governor  | 94%        | 100% | 100%                        | n/a                                 | n/a   |
| Mr D Gleed     | Apr-10                                 | Ex-officio  |  | Chief Executive/Executive Principal | Member of Search, Governance & Remuneration Committee (not a member of Remuneration D Gleed only attends in his capacity as CEO/Exec Principal), Quality & Standards Committee & Estates Strategy & Capital Projects Committee | 100%       | 100% | 100%                        | 100%                                | n/a   |
| Mr T Biring    | Reappointed Jul 21                     | 4 Years   |  | External Governor                   | Chair of the Estates Strategy & Capital Projects Committee & Member of Audit Committee   | 100%       | n/a  | n/a                         | 100%                                | 100%  |
| Mr J Gurney    | Reappointed May 20                     | 4 Years   |  | External Governor                   | Chair of Audit Committee & Member of the Estates Strategy & Capital Projects Committee   | 100%       | n/a  | n/a                         | 100%                                | 50%   |
| Dr R Longman   | Reappointed May 20                     | 4 Years   |  | External Governor                   | Member of Estates Strategy & Capital Projects Committee & Member of Search Governance & Remuneration Committee (ended) Member of Quality & Standards Committee   | 100%       | 100% | 100%                        | 100%                                | n/a   |
| Ms S Henwood   | Sep-21                                 | 4 years   |  | External Governor                   | Chair of Search, Governance & Remuneration Committee   | 100%       | 100% | n/a                         | n/a                                 | n/a   |
| Ms M Sahota    | Sep-21                                 | 4 years   |  | External Governor                   | Audit Committee  | 100%       | n/a  | n/a                         | n/a                                 | 100%  |
| Mr L Jones     | Sep-21                                 | 4 years   |  | External Governor                   | Member of Audit Committee & Estates Strategy & Capital Projects Committee as of May 2023   | 67%        | n/a  | n/a                         | 100%                                | 67%   |
| Dr S Hubble    | Dec-21                                 | 4 years   |  | External Governor                   | Member of Audit Committee & Quality & Standards Committee as of Nov 2022   | 100%       | n/a  | 100%                        | n/a                                 | 100%  |
| Mrs S Davies   | Sep-21                                 | 4 years - 26.1.23 Board agreed to a requested 6 month sabbatical effective 1.2.23 to 1.8.23 |  | External Governor                   | Audit Committee  | 100%       | n/a  | n/a                         | n/a                                 | 67%   |
| Ms K O'Brien   | Nov-22                                 | 4 years   |  | External Governor                   | Member of the Search, Governance & Remuneration Committee  | 88%        | 100% | n/a                         | n/a                                 | n/a   |
| Mr M Jenkins   | May-23                                 | 4 years   |  | External Governor                   | Member of the Audit Committee as of Sept 2023  | 100%       | n/a  | n/a                         | n/a                                 | n/a   |
| Mr R Nithsdale | Oct-22                                 | 4 years   | Apr-23                                   | External Governor                   | Member of the Quality & Standards Committee from Nov 22  | 60%        | n/a  | 66%                         | n/a                                 | n/a   |
| Mrs I Redman   | Nov-23                                 | 4 years   |  | External Governor                   | Member of Estates Strategy & Capital Projects Committee from Nov 23  | n/a        | n/a  | n/a                         | n/a                                 | n/a   |
| Mrs E Cosby    | Nov-23                                 | 4 years   |  | External Governor                   | Member of Quality & Standards Committee from Nov 23  | n/a        | n/a  | n/a                         | n/a                                 | n/a   |
| Ms H King      | Nov-23                                 | 4 years   |  | External Governor                   | Member of Quality & Standards Committee from Nov 23  | n/a        | n/a  | n/a                         | n/a                                 | n/a   |
| Mr N Smith     | Dec-20                                 | 4 years   |  | Staff Governor                      | Member of Quality & Standards Committee  | 88%        | n/a  | 100%                        | n/a                                 | n/a   |
| Ms N Moore     | Mar-23                                 | 2 years   |  | Staff Governor                      | None   | 100%       | n/a  | n/a                         | n/a                                 | n/a   |
| Miss E Codling | Jan-23                                 | 1 year  | 31.7.23 Completed studies at the College | Student Governor                    | None   | 50%        | n/a  | n/a                         | n/a                                 | n/a   |
| Miss N Langan  | Jan-23                                 | 1 year  |  | Student Governor                    | None   | 40%        | n/a  | n/a                         | n/a                                 | n/a   |

Corporation Board meetings (total of 9 meetings) – 88%

Audit Committee meetings (total of 4 meetings) – 90%

Search & Governance Committee meetings (total of 4 meetings held) – 100%

Estates Strategy & Capital Projects Committee - (total of 4 meetings held) - 100%

Quality & Standards Committee (Q&S) - (total of 4 meetings) - 96%

Special Purposes Committee - no meetings held.

## 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 2022 to 31st July 2023 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 2023. 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. During the 2021/22 period the Corporation Board formally approved the Revised AoC English Code of Good Governance and will be adopting the revised English Code of Good Governance as published on the 27 September 2023.

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 2022/2023 Academic Period the Corporation met on the following dates:

22nd September 2022  
20th October 2022  
17th November 2022  
15th December 2022  
26th January 2023  
23rd February 2023  
23rd March 2023  
18th May 2023  
6th July 2023

The Corporation conducts its business through a number of committees, each with their own terms of reference, which have been approved by the Corporation. These are the Audit Committee, Search, Governance & Remuneration Committee, Estates Strategy & Capital Projects Committee and the newly implemented Quality & Standards Committee as of November 2022.

The Corporation Board 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 Chief 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 & Corporation Board Improvement Plan for 2023/24**

In July 2023 the North Kent College Corporation Board commissioned Stone King to undertake an external governance review as required by the Department for Education - Skills for Jobs: Lifelong Learning for Opportunity and Growth. FE Corporation Boards are required to undertake an external review of governance every 3 years.

The methodology adopted for this review, undertaken between August 2023 and November 2023, was as follows:

- Observation of the Governing Board (28 September 2023);
- Observation of Audit Committee (14 September 2023), Search, Governance Remuneration Committee (14 September 2023), Quality & Standards Committee (10 October 2023);
- Interviews with the Chair of the Corporation of North Kent College, the Chair of the Audit Committee, the Chief Executive and Principal, the Clerk and Governance Advisor to the Corporation Board (the Clerk), the Deputy Chief Executive and the Deputy Executive Principal;
- Core governance documentation supplied by the Clerk to support a desk review.

The Final External Governance Review report by Stone King will be formally presented to the Corporation Board on the 14 December 2023 and the recommendations will then be drawn into a Governance Improvement Action Plan for implementation. The summary findings of the report and recommendations will be published on the College website.

### **Governor Training & Development 2022/23**

Corporation Board members have undertaken and attended a number of AoC 'Association of College's' training and development sessions over the course of the 2022/23 academic period as well as mandatory training as set out by the Corporation Board.

#### **Governor Induction Training and Briefing Sessions**

The Corporation Board have a dedicated budget for training and development and governors are provided with regular updates and opportunities to enrol on external development sessions. All newly appointed governors including Staff and Student Governors undergo an induction programme which includes various elements of getting to know the College and the FE sector. The two newly appointed Student Governors undertook their training with the Clerk & Governance Advisor and were then mentored through the academic period. The four newly appointed governors attended arranged meetings with key members of the SLT for initial briefings on the Curriculum provision and financial aspects of the College and actively participated in external Governor Induction Training Modules run by ETF 'Education Training Foundation and AoC 'Association of Colleges'.

The following internal/external developmental sessions were attended by governors:

KFE Governance Conference - Maidstone  
AoC South East Chairs Conference  
Data Protection UK  
Avoiding Bribery Risks for Business  
Immersive Curriculum Experience visit - Gravesend  
Immersive Curriculum Experience visit - Hadlow

Student Induction – AoC x 2 Student Governors  
Student Governor Induction – Clerk & Governance Advisor  
Safeguarding & Vulnerable Adults Online Training Modules - all governors  
Prevent & Radicalisation Certificate

The Clerk & Governance Advisor to the Corporation Board undertook all mandatory training within the College and in addition attended external briefing sessions run by ETF and the AoC which included the following:

Award for Further Education Governance Professionals (Award FEPG) completed October 2023  
Eversheds Briefing – FE Legal update March 2023  
Safeguarding & Vulnerable Adults

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

### Search, Governance & Remuneration Committee (SG&R)

Throughout the year ended 31 July 2023, the College's Search, Governance & Remuneration Committee comprised of Mr David Martin (Chair as of December 2019 to December 2022), Dr Richard Longman (up to October 2022), Ms Sarah Henwood (appointed March 2022 and then Chair of Search, Governance & Remuneration Committee from December 2022), Ms Karen O'Brien (appointed November 2022) and Mr Keith Norman (appointed October 2020). Mr David Gleed (Chief Executive/Executive Principal) is not a member of Remuneration Committee.

The Committee's objectives and purpose is to make recommendations to the Board on the nomination of candidates for appointment as governors and co-options on to committees, in accordance with the Instrument & Articles of Government.

To monitor the performance of governors and to advise the Board on procedures to promote effective governance. To review and determine the remuneration package of the Senior Postholder(s) and Clerk & Governance Advisor to the Corporation and to advise the Chief Executive/Executive Principal on the structure of the Senior Leadership Team (those designated as 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 SG&R Committee are the Chief Executive & Accounting Officer, Deputy Executive Principal, Teaching, Learning & Improvement, Deputy Chief Executive and Clerk & Governance Advisor to the Corporation.

Following the reclassification of FE Colleges and their subsidiaries on the 29th November 2022 the Corporation Board updated the SG&R Committee terms of reference to reflect the fact that the Board must demonstrate how the level of remuneration of the principal and other senior staff is:

- in the interests of your college's students
- a good use of resources
- proportionate and reasonable
- good value for money

The Corporation Board should keep remuneration under review and ensure that it can be justified in the light of agreed performance outcomes.

The Search, Governance & Remuneration Committee had four meetings during the academic period and again during formal interview processes. The Committee successfully conducted a recruitment campaign and made recommendation to the Corporation Board to appoint 5 new external governors based on the experience and skills required on the Board.

Details of remuneration for the year ended 31st July 2023 are set out in note 6 to the financial statements.

### Audit Committee

The Audit Committee as at 31 July 2023 comprised of five independent governors of the Corporation. Mr Jonathan Gurney - Chair of the Audit Committee, Dr Sue Hubble (appointed Nov 22), Ms Mandeep Sahota, Mr Louis Jones and Mr Martin Jenkins appointed as of July 2023. Mrs Suzanne Davies was granted a 6 month sabbatical by the Board from the 1 March 2023 to 1 September 2023.

The core role of audit committee is to scrutinise the robustness of the control framework and to assess its application in practice. The corporation entrusts this control framework to management; it is their executive role to maintain and act within it. It is the governing body's role through its delegation to the audit committee to ensure this happens.

All college corporations are required by their funding agreement with ESFA to have an audit committee. ESFA does not limit the scope of work of a corporation's audit committee, but it does set out certain requirements in the Post 16 Audit Code of Practice.

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.

The Audit Committee undertake an annual self-evaluation exercise and identify areas for development.

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 Strategy & Capital Projects Committee

The Estates Strategy & Capital Projects Committee was formally established in August 2020 following the successful significant part acquisition of Hadlow College in Education Administration & West Kent and Ashford College in Education Administration in August 2020 to oversee the capital projects and estate works to be undertaken at the four college campuses. Membership comprises of five governors of the Corporation including the Chief Executive/Executive Principal. The committee consists of Mr Teja Biring (Chair of the ES&CP Committee as of 1 August 2021), Mr Keith Norman, Mr Jonathan Gurney, Dr Richard Longman, Mr Louis Jones (appointed May 2023) and Mr David Gleed. The Estates Strategy & Capital Projects Committee oversee and consider key capital projects and act within their determined delegated authority and report all findings and recommendations to the Corporation Board.

### 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 Chief Executive/Executive 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 to the Corporation Board

### Clerk & Governance Advisor to the Corporation Board

North Kent College Corporation Board has an independent Clerk & Governance Advisor to the Corporation the current incumbent is employed on a full time contract. The Clerk has 20+ years experience within the FE&HE governance sector and has continued to increase her expertise through continued professional development.

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

### Internal Control (continued)

#### The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and 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 2023 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 2023 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 2022/23 and up to the date of the approval of the financial statements were as follows:

- Governance by IAS
- Capital projects by IAS
- Curriculum Planning and Student Destinations by IAS
- Strategic Planning Report by IAS
- Cash and Electronic Payments by IAS
- Fixed Assets by IAS
- High Needs Learner Support - by IAS
- Human Resources - Staff Recruitment by IAS
- Funding Assurance - by IAS
- Safeguarding by IAS
- Apprenticeship Recruitment by IAS
- Cyber Security by IAS
- Follow up previous recommendations - update by IAS
- GFA Audit Report by FSA
- Teachers' Pension Annual Assurance Audit - by FSA
- IAS Assurance & Strategy for 2022/23
- Termly Report on Outstanding Audit Recommendations
- Termly Reports on College Risk Register
- Updates on sector developments and changes to Post 16 Audit Code of Practice
- Disclosure Reports

The Internal Audit Services (IAS) completed twelve assignment reports during the 2022/23 academic year, raising 4 Medium Risk, and 15 Low Risk recommendations. They also reviewed outstanding recommendations (2 Medium Risk, 10 Low Risk) from prior years in a follow up report where a Good progress assessment was derived by the IAS.

The medium risk recommendations raised in Apprenticeship recruitment relate to strategic plans and recruitment. The medium risks raised in Cyber security relate to staff completion of cyber security training and regular scenario testing against the IT disaster recovery plan.

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 2022/23 audit report and in their opinion, Management have taken or have planned appropriate and timely action to implement the 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 CEO/Executive 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"*.

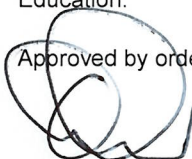

### Going Concern

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 College in Education Administration & West Kent and Ashford College in Education Administration on 15 August 2020, the College has secured additional funding under a Grant Funding Agreement with the Department of Education.

Approved by order of the members of the Corporation on 14 December 2023 and signed on its behalf by:

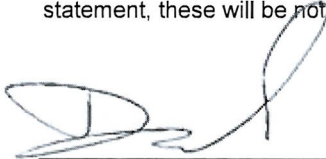
  
\_\_\_\_\_  
Mr K Norman  
Chairman  
\_\_\_\_\_  
Mr D Gleed  
Accounting Officer

### **Statement of Regularity, Propriety and Compliance**

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

I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the corporation's grant funding agreements and contracts with ESFA, or any other public funder. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

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



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Mr D Gleed  
Accounting Officer

14 December 2023

### **Statement of the chair of governors**

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



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Mr K Norman  
Chairman

14 December 2023

## 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 and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the corporation on 14 December 2023 and signed on its behalf by:



.....  
Mr K Norman  
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 2023 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. 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 2023 and of its deficit of income over expenditure for the year then ended;
- 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 to those purposes 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**

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

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

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

### **Other information**

The other information comprises the information included in the Annual report and financial statements other than the financial statements and our auditor's report thereon. The members of the Corporation are responsible for the other information contained within the annual report. 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.

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

We have nothing to report in this regard.



## **Independent Auditor's Report to the Members of the Corporation of North Kent College (continued)**

### **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;
- the financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for our audit were not received.

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 the notes to the financial statements has been materially misstated.

### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the College through discussions with management, and from our knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the College, including the Further and Higher Education Act 1992, funding agreements with the ESFA and associated funding rules, ESFA regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

## Independent Auditor's Report to the Members of the Corporation of North Kent College (continued)

We assessed the susceptibility of the College's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected financial relationships;
- tested journal entries to identify unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias;

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of Corporation meetings;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing any available correspondence with HMRC and the College's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the members of the Corporation and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://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

19 December 2023

.....  
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 7 June 2021 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 2022 to 31 July 2023 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 2022 to 31 July 2023 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 2022 to 31 July 2023 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



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

19 December 2023

Date

**Statement of Comprehensive Income**  
for the year ended 31 July 2023

Note

|  |    | Operating<br>Surplus<br>£'000 | FRS102 Pension<br>Adjustments<br>£'000 | Impact of<br>Hadlow and<br>Tonbridge<br>Takeover*<br>£'000 | 2023 Total<br>£'000 | Operating<br>Surplus<br>£'000 | FRS102 Pension<br>Adjustments<br>£'000 | Impact of Hadlow<br>and Tonbridge<br>Takeover*<br>£'000 | 2022 Total<br>£'000 |
|--|----|-------------------------------|--|--|---------------------|-------------------------------|--|---|---------------------|
| <b>Income</b>  |    |                               |  |  |                     |                               |  |   |                     |
| Funding body grants  | 2  | 38,382                        | -                                      | -  | 38,382              | 35,645                        | -                                      | -   | 35,645              |
| Tuition fees and education contracts                         | 3  | 2,048                         | -                                      | -  | 2,048               | 3,257                         | -                                      | -   | 3,257               |
| Other income   | 4  | 5,035                         | -                                      | -  | 5,035               | 5,472                         | -                                      | -   | 5,472               |
| Investment income  | 5  | 103                           | 130                                    | -  | 233                 | -                             | -                                      | -   | -                   |
| <b>Total income</b>  |    | <b>45,568</b>                 | <b>130</b>                             | <b>-</b>   | <b>45,698</b>       | <b>44,374</b>                 | <b>-</b>                               | <b>-</b>  | <b>44,374</b>       |
| <b>Expenditure</b>   |    |                               |  |  |                     |                               |  |   |                     |
| Staff costs  | 6  | 23,303                        | 909                                    | -  | 24,212              | 26,527                        | 2,559                                  | 18  | 29,104              |
| Other operating expenses                                     | 7  | 15,224                        | -                                      | -  | 15,224              | 13,190                        | -                                      | -   | 13,190              |
| Depreciation and amortisation                                | 10 | 6,352                         | -                                      | 1,942  | 8,294               | 2,904                         | -                                      | 1,942   | 4,846               |
| Interest and other finance costs                             | 8  | 213                           | -                                      | -  | 213                 | 233                           | 687                                    | -   | 920                 |
| <b>Total expenditure</b>                                     |    | <b>45,092</b>                 | <b>909</b>                             | <b>1,942</b>   | <b>47,943</b>       | <b>42,854</b>                 | <b>3,246</b>                           | <b>1,960</b>  | <b>48,060</b>       |
| <b>Surplus / (Deficit) before exceptional items</b>          |    | <b>476</b>                    | <b>(779)</b>                           | <b>(1,942)</b>   | <b>(2,245)</b>      | <b>1,520</b>                  | <b>(3,246)</b>                         | <b>(1,960)</b>  | <b>(3,686)</b>      |
| <b>Exceptional Items:</b>                                    |    |                               |  |  |                     |                               |  |   |                     |
| Deficit Recovery Grant                                       |    | -                             | -                                      | -  | -                   | -                             | -                                      | (304)   | (304)               |
| ESFA Restructuring Recovery Grant                            |    | -                             | -                                      | -  | -                   | -                             | -                                      | 18  | 18                  |
| <b>Total Exceptional Items</b>                               |    | <b>-</b>                      | <b>-</b>                               | <b>-</b>   | <b>-</b>            | <b>-</b>                      | <b>-</b>                               | <b>(286)</b>  | <b>(286)</b>        |
| <b>Surplus/(Deficit) before tax</b>                          |    | <b>476</b>                    | <b>(779)</b>                           | <b>(1,942)</b>   | <b>(2,245)</b>      | <b>1,520</b>                  | <b>(3,246)</b>                         | <b>(2,246)</b>  | <b>(3,972)</b>      |
| Taxation   | 9  | -                             | -                                      | -  | -                   | -                             | -                                      | -   | -                   |
| <b>Surplus/(Deficit) for the year</b>                        |    | <b>476</b>                    | <b>(779)</b>                           | <b>(1,942)</b>   | <b>(2,245)</b>      | <b>1,520</b>                  | <b>(3,246)</b>                         | <b>(2,246)</b>  | <b>(3,972)</b>      |
| Actuarial gains in respect of pension scheme                 | 20 | -                             | 779                                    | -  | 779                 | -                             | 46,884                                 | -   | 46,884              |
| <b>Total Comprehensive Income/(Expenditure) for the year</b> |    | <b>476</b>                    | <b>-</b>                               | <b>(1,942)</b>   | <b>(1,466)</b>      | <b>1,520</b>                  | <b>43,638</b>                          | <b>(2,246)</b>  | <b>42,912</b>       |

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

\*The College took over substantial parts of Hadlow College in Education Administration & West Kent and Ashford College in Education Administration sites in the Tonbridge and Malling local area on 15th August 2020. This included the Tonbridge Campus and Hadlow Campus sites. The analysis includes depreciation on fixed assets inherited by North Kent College on the transfer as well as staff costs relating to consequent restructuring and the associated restructuring grant funding received by the College.



**Statement of Changes in Reserves  
for the year ended 31 July 2023**

|   | Income and<br>Expenditure<br>Reserve before<br>Exceptional<br>Items<br>£'000 | FRS102<br>Pension<br>Adjustments<br>£'000 | Impact of<br>Hadlow and<br>Tonbridge<br>Takeover*<br>£'000 | Total Income<br>and<br>Expenditure<br>Reserve<br>£'000 | Revaluation<br>reserve<br>£'000 | Restricted<br>reserve<br>£'000 | Total<br>£'000 |
|---|--|---|--|--|---------------------------------|--------------------------------|----------------|
| <b>Balance at 1st August 2021</b>                                 | 16,573   | (43,638)                                  | 103,116  | 76,051   | 2,551                           | 97                             | 78,699         |
| Surplus/(Deficit) for the year                                    | 1,520  | (3,246)                                   | (304)  | (2,030)  | -                               | -                              | (2,030)        |
| Exceptional Depreciation due to Educational Administration        | -  | -   | (1,942)  | (1,942)  | -                               | -                              | (1,942)        |
| Other comprehensive income  | -  | 46,884                                    | -  | 46,884   | -                               | -                              | 46,884         |
| Transfers between revaluation and income and expenditure reserves | 144  | -   | -  | 144  | (144)                           | -                              | -              |
| Total comprehensive income/(expenditure) for this year            | 1,664  | 43,638                                    | (2,246)  | 43,056   | (144)                           | -                              | 42,912         |
| <b>Balance at 31st July/1 August 2022</b>                         | 18,237   | -   | 100,870  | 119,107  | 2,407                           | 97                             | 121,611        |
| Surplus/(Deficit) for the year                                    | 476  | (779)                                     | -  | (303)  | -                               | -                              | (303)          |
| Exceptional Depreciation due to Educational Administration        | -  | -   | (1,942)  | (1,942)  | -                               | -                              | (1,942)        |
| Other comprehensive income  | -  | 779                                       | -  | 779  | -                               | -                              | 779            |
| Transfers between revaluation and income and expenditure reserves | 144  | -   | -  | 144  | (144)                           | -                              | -              |
| Total comprehensive income/(expenditure) for this year            | 620  | -   | (1,942)  | (1,322)  | (144)                           | -                              | (1,466)        |
| <b>Balance at 31st July 2023</b>                                  | 18,857   | -   | 98,928   | 117,785  | 2,263                           | 97                             | 120,145        |

\*The College took over substantial parts of Hadlow College in Education Administration & West Kent and Ashford College in Education Administration sites in the Tonbridge and Malling local area on 15th August 2020. This included the Tonbridge Campus and Hadlow Campus sites. The analysis includes depreciation on fixed assets inherited by North Kent College on the transfer as well as staff costs relating to consequent restructuring and the associated restructuring grant funding received by the College.

**Balance Sheet**  
**at 31 July 2023**

|   | Note | Balance Sheet<br>before Exceptional<br>Items<br>£'000 | Impact of Hadlow<br>and Tonbridge<br>Takeover*<br>£'000 | 2023 Total<br>£'000 | Balance<br>Sheet before<br>Exceptional<br>Items<br>£'000 | Impact of<br>Hadlow and<br>Tonbridge<br>Takeover*<br>£'000 | 2022 Total<br>£'000 |
|---|------|---|---|---------------------|--|--|---------------------|
| <b>Non-current assets</b>   |      |   |   |                     |  |  |                     |
| Tangible fixed assets   | 10   | 201,560   | -   | 201,560             | 206,190  | -  | 206,190             |
| Investments   | 11   | 1   | -   | 1                   | 1  | -  | 1                   |
|   |      | <u>201,561</u>  | <u>-</u>  | <u>201,561</u>      | <u>206,191</u>   | <u>-</u>   | <u>206,191</u>      |
| <b>Current assets</b>   |      |   |   |                     |  |  |                     |
| Stocks  |      | 260   | -   | 260                 | 309  | -  | 309                 |
| Trade and other receivables   | 12   | 1,613   | -   | 1,613               | 7,106  | -  | 7,106               |
| Cash and cash equivalents   |      | <u>23,025</u>   | <u>-</u>  | <u>23,025</u>       | <u>16,118</u>  | <u>-</u>   | <u>16,118</u>       |
| <b>Total current assets</b>   |      | <u>24,898</u>   | <u>-</u>  | <u>24,898</u>       | <u>23,533</u>  | <u>-</u>   | <u>23,533</u>       |
| <b>Less creditors: Amounts falling due within one year</b>          | 13   | <u>(16,353)</u>                                       | <u>-</u>  | <u>(16,353)</u>     | <u>(15,619)</u>  | <u>-</u>   | <u>(15,619)</u>     |
| <b>Net current assets</b>   |      | <u>8,545</u>  | <u>-</u>  | <u>8,545</u>        | <u>7,914</u>   | <u>-</u>   | <u>7,914</u>        |
| <b>Total assets less current liabilities</b>                        |      | <u>210,106</u>  | <u>-</u>  | <u>210,106</u>      | <u>214,105</u>   | <u>-</u>   | <u>214,105</u>      |
| <b>Less creditors: Amounts falling due after more than one year</b> | 14   | <u>(86,473)</u>                                       | <u>-</u>  | <u>(86,473)</u>     | <u>(88,914)</u>  | <u>-</u>   | <u>(88,914)</u>     |
| <b>Provisions</b>   |      |   |   |                     |  |  |                     |
| Other provisions  | 16   | <u>(3,488)</u>  | <u>-</u>  | <u>(3,488)</u>      | <u>(3,580)</u>   | <u>-</u>   | <u>(3,580)</u>      |
| <b>Total net assets</b>   |      | <u>120,145</u>  | <u>-</u>  | <u>120,145</u>      | <u>121,611</u>   | <u>-</u>   | <u>121,611</u>      |
| <b>Restricted Reserves</b>  |      |   |   |                     |  |  |                     |
| Restricted Reserves   | 23   | <u>97</u>   | <u>-</u>  | <u>97</u>           | <u>97</u>  | <u>-</u>   | <u>97</u>           |
| <b>Unrestricted Reserves</b>  |      |   |   |                     |  |  |                     |
| Revaluation reserve   |      | 2,263   | -   | 2,263               | 2,407  | -  | 2,407               |
| Income and expenditure account                                      |      | <u>18,857</u>   | <u>98,928</u>   | <u>117,785</u>      | <u>18,237</u>  | <u>100,870</u>   | <u>119,107</u>      |
| <b>Total unrestricted reserves</b>                                  |      | <u>21,120</u>   | <u>98,928</u>   | <u>120,048</u>      | <u>20,644</u>  | <u>100,870</u>   | <u>121,514</u>      |
| <b>Total reserves</b>   |      | <u>21,217</u>   | <u>98,928</u>   | <u>120,145</u>      | <u>20,741</u>  | <u>100,870</u>   | <u>121,611</u>      |

\*The College took over substantial parts of Hadlow College in Education Administration & West Kent and Ashford College in Education Administration sites in the Tonbridge and Malling local area on 15th August 2020. This included the Tonbridge Campus and Hadlow Campus sites.

The financial statements on pages 21 to 40 were approved by the Corporation on 14 December 2023 and were signed on its behalf by:

Mr K Norman  
Chairman

Mr D Gleed  
Accounting Officer

# Statement of Cash Flows for the year ended 31 July 2023

|   | 2023<br>£'000 | 2022<br>£'000  |
|---|---------------|----------------|
| <b>Cash inflow from operating activities</b>                        |               |                |
| Surplus/(Deficit) for the year                                      | (2,245)       | (3,972)        |
| <b>Adjustment for non cash items</b>                                |               |                |
| Depreciation  | 8,294         | 4,846          |
| (Increase)/Decrease in stocks                                       | 49            | 189            |
| (Increase)/Decrease in debtors                                      | (388)         | 3,313          |
| Increase/(Decrease) in creditors due within one year                | (488)         | 1,237          |
| Increase/(Decrease) in creditors due after one year                 | 3             | (8)            |
| Decrease in provisions  | (92)          | (319)          |
| Pensions costs less contributions payable                           | 779           | 2,559          |
| Release of deferred capital grants                                  | (5,287)       | (1,925)        |
| <b>Adjustment for investing or financing activities</b>             |               |                |
| Investment income   | (233)         | -              |
| Interest payable  | 213           | 920            |
|   | <hr/>         | <hr/>          |
| <b>Net cash flow from operating activities</b>                      | <u>605</u>    | <u>6,840</u>   |
| <b>Cash flows from investing activities</b>                         |               |                |
| Capital funding received  | 11,209        | 13,645         |
| Investment income   | 233           | -              |
| Payments made to acquire fixed assets                               | (4,186)       | (19,596)       |
|   | <u>7,256</u>  | <u>(5,951)</u> |
| <b>Cash flows from financing activities</b>                         |               |                |
| Interest paid   | (213)         | (233)          |
| Repayments of amounts borrowed                                      | (741)         | (744)          |
|   | <u>(954)</u>  | <u>(977)</u>   |
| <b>Increase/(Decrease) in cash and cash equivalents in the year</b> | 6,907         | (88)           |
| Cash and cash equivalents at beginning of the year                  | <u>16,118</u> | <u>16,206</u>  |
| Cash and cash equivalents at end of the year                        | <u>23,025</u> | <u>16,118</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 2019 (the 2019 FE HE SORP), the Accounts Direction for 2022-23 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.

For greater transparency, the Statement of Comprehensive income shows separate analysis of adjustments relating to the LGPS pension liability. Furthermore due to the transfer of net assets of Hadlow College in Education Administration and West Kent and Ashford College in Education Administration during the year ended 31 July 2021, the impact of administering these have been shown separately from the main operating activities of the College. The latter includes depreciation on fixed assets inherited by North Kent College on the transfer as well as staff costs relating to consequent restructuring and the associated restructuring grant funding received by the College.

#### **Going Concern**

The activities of the College, together with the factors likely to affect its future development and performance are set out in the 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 £6.684m of loans outstanding with its bankers with terms that were renegotiated in August 2020, when a legal charge was taken over the Gravesend Campus with a fixed rate of interest until 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.

## 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 Statement of Comprehensive Income. 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 Statement of Comprehensive Income 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 20, 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 assets 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.

Land and buildings acquired from Hadlow College in Education Administration and West Kent and Ashford College in Education Administration were included at fair value on the date of acquisition of 15 August 2020 and then treated as deemed cost.

##### **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.

#### ***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 Statement of Comprehensive Income 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 of money is material the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period it arises.

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

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.



## 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 22, 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 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 20, 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 2022 has been used by the actuary in valuing the pensions liability at 31 July 2023. 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.

- Transfer value of assets acquired from Hadlow College in Education Administration and West Kent and Ashford College in Education Administration

These were valued on a fair value basis at date of transfer of 15 August 2020.

## Notes to the Accounts

### 2 Funding body grants

|   | 2023<br>£'000 | 2022<br>£'000 |
|---|---------------|---------------|
| <b>Recurrent grants:</b>                              |               |               |
| Education and Skills Funding Agency - adult           | 1,162         | 1,325         |
| Education and Skills Funding Agency - 16 - 18         | 29,215        | 29,188        |
| Education and Skills Funding Agency - apprenticeships | 1,042         | 1,552         |
| Greater London Authority - adult                      | 74            | 71            |
| Higher Education Funding Council                      | 60            | 64            |
| Work Placement Pilot                                  | 429           | 453           |
| <b>Specific grants:</b>                               |               |               |
| Teacher Pension Scheme Contribution Grant             | 1,010         | 977           |
| 16-19 Tuition Fund                                    | 103           | 90            |
| Releases of deferred capital grants                   | 5,287         | 1,925         |
| <b>Total</b>  | <b>38,382</b> | <b>35,645</b> |

Income relating to students studying Higher Education courses at Level 4 and above is as follows:

|  | 2023<br>£'000 | 2022<br>£'000 |
|--|---------------|---------------|
| Grant income from the Office for Students (included in note 2) | 60            | 64            |
| Fee income for taught awards (included in note 3 below)        | 1,358         | 2,070         |

### 3 Tuition fees and education contracts

|                      | 2023<br>£'000 | 2022<br>£'000 |
|----------------------|---------------|---------------|
| Tuition fees         | 473           | 781           |
| Education contracts  | 394           | 659           |
| HE Franchised Income | 1,181         | 1,817         |
|                      | <b>2,048</b>  | <b>3,257</b>  |

### 4 Other income

|                                      | 2023<br>£'000 | 2022<br>£'000 |
|--------------------------------------|---------------|---------------|
| Residences, catering and conferences | 1,748         | 1,996         |
| Other income generating activities   | 565           | 864           |
| Other income (see below)             | 2,722         | 2,612         |
|                                      | <b>5,035</b>  | <b>5,472</b>  |

|                                   | 2023<br>£'000 | 2022<br>£'000 |
|-----------------------------------|---------------|---------------|
| Other income includes:            |               |               |
| Other grants                      | 172           | 203           |
| Nursery income                    | 1,424         | 1,323         |
| Examination and registration fees | 83            | 82            |

### 5 Investment income

|   | 2023<br>£'000 | 2022<br>£'000 |
|---|---------------|---------------|
| Other interest receivable                           | 103           | -             |
| Net interest on defined pension liability (note 20) | 130           | -             |
|   | <b>233</b>    | <b>-</b>      |

## 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:

|                    | 2023<br>Number | 2022<br>Number |
|--------------------|----------------|----------------|
| Teaching staff     | 292            | 331            |
| Non-teaching staff | 336            | 369            |
|                    | 628            | 700            |

Staff costs for the above persons were as follows:

|   | 2023<br>£'000 | 2022<br>£'000 |
|---|---------------|---------------|
| Wages and salaries  | 16,969        | 19,323        |
| Social security costs   | 1,780         | 2,687         |
| Other pension costs (including LGPS adjustments of £909,000, 2022:£2,559,000) | 4,295         | 6,146         |
| <b>Payroll sub-total</b>  | <b>23,044</b> | <b>28,156</b> |
| Contracted out staffing services  | 799           | 800           |
| <b>Total Staff Costs</b>  | <b>23,843</b> | <b>28,956</b> |
| Fundamental restructuring costs - Contractual                                 | 369           | 148           |
|   | 24,212        | 29,104        |

In 2022/23 the College paid a non-consolidated bonus ranging from 3.5% to 7% dependent on salary (2021/22: 6%).

#### 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 Chief Executive and Executive Principal, Deputy Chief Executive, Deputy Executive Principal - Teaching, Learning and Improvement and the Clerk to the Corporation.

|  | 2023<br>Number | 2022<br>Number |
|--|----------------|----------------|
| The number of key management personnel including the Accounting Officer was: | 4              | 4              |

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:

|                          | 2023                               |                       | 2022                               |                       |
|--------------------------|------------------------------------|-----------------------|------------------------------------|-----------------------|
|                          | Number of key management personnel | Number of other staff | Number of key management personnel | Number of other staff |
| £55,001 - £60,000 p.a.   | 1                                  | -                     | 1                                  | -                     |
| £60,001 - £65,000 p.a.   | -                                  | -                     | -                                  | 1                     |
| £65,001 - £70,000 p.a.   | -                                  | 1                     | -                                  | 1                     |
| £75,001 - £80,000 p.a.   | -                                  | 1                     | -                                  | 1                     |
| £80,001 - £85,000 p.a.   | -                                  | -                     | -                                  | 1                     |
| £85,001 - £90,000 p.a.   | -                                  | 3                     | -                                  | 2                     |
| £90,001-£95,000 p.a.     | -                                  | 1                     | -                                  | -                     |
| £95,001 - £100,000 p.a.  | -                                  | -                     | -                                  | 1                     |
| £115,001 - £120,000 p.a. | 2                                  | -                     | -                                  | -                     |
| £120,001 - £125,000 p.a. | -                                  | -                     | 2                                  | -                     |
| £180,001 - £185,000 p.a. | 1                                  | -                     | -                                  | -                     |
| £185,001 - £190,000 p.a. | -                                  | -                     | 1                                  | -                     |
|                          | 4                                  | 6                     | 4                                  | 7                     |

## Notes to the Accounts

### Emoluments of key management personnel including Accounting Officer

Key management personnel emoluments are made up as follows:

|                              | 2023<br>£'000 | 2022<br>£'000 |
|------------------------------|---------------|---------------|
| Salaries                     | 461           | 472           |
| Employers National Insurance | 62            | 64            |
| Benefits in kind             | 13            | 13            |
| Pension contributions        | 56            | 55            |
|                              | <u>592</u>    | <u>604</u>    |

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

|                        | 2023<br>£'000 | 2022<br>£'000 |
|------------------------|---------------|---------------|
| Salaries               | 170           | 170           |
| Non-Consolidated bonus | 6             | 10            |
| Benefits in kind       | 6             | 6             |
| Pension contributions  | -             | -             |
|                        | <u>182</u>    | <u>186</u>    |

The Accounting Officer's emoluments in 2023 included a non-consolidated bonus of £5,950 which reflects the non-consolidated bonus paid to all staff in that year (2022: £10,200).

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 principles.

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

|   | 2023<br>£'000 | 2022<br>£'000 |
|---|---------------|---------------|
| Principal's basic salary as a multiple of the median of all staff       | 6.5           | 6.5           |
| Principal's total remuneration as a multiple of the median of all staff | 5.3           | 5.6           |

### 7 Other operating expenses

|                    | 2023<br>£'000 | 2022<br>£'000 |
|--------------------|---------------|---------------|
| Teaching costs     | 2,063         | 2,207         |
| Non-teaching costs | 4,687         | 4,752         |
| Premises costs     | 8,474         | 6,231         |
|                    | <u>15,224</u> | <u>13,190</u> |

Other operating expenses

|   |    |    |
|---|----|----|
| Auditor's remuneration:                                     |    |    |
| Internal audit  | 35 | 24 |
| Financial statements audit                                  | 46 | 39 |
| Other services provided by the financial statements auditor | 32 | 26 |
| Hire of other assets – operating leases                     | 45 | 37 |

## Notes to the Accounts

### 8 Interest and other finance costs

|   | 2023<br>£'000 | 2022<br>£'000 |
|---|---------------|---------------|
| On bank loans, overdrafts and other loans:          |               |               |
| Repayable wholly or partly in less than 5 years     | 213           | 233           |
| Net interest on defined pension liability (note 20) | -             | 687           |
|   | <b>213</b>    | <b>920</b>    |

### 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 2023 (2022 - £Nil).

### 10 Tangible fixed assets

|   | Land & Buildings<br>Freehold<br>£'000 | Assets<br>under<br>Construction<br>£'000 | Plant and<br>Equipment<br>£'000 | Total<br>£'000 |
|---|---------------------------------------|--|---------------------------------|----------------|
| <b>Cost or valuation</b>                |                                       |  |                                 |                |
| At 1 August 2022                        | 198,988                               | 15,284                                   | 49,293                          | 263,565        |
| Additions                               | -                                     | 2,502                                    | 1,160                           | 3,662          |
| Transfers                               | 120                                   | (16,696)                                 | 16,576                          | -              |
| <b>At 31 July 2023</b>                  | <b>199,108</b>                        | <b>1,090</b>                             | <b>67,029</b>                   | <b>267,227</b> |
| <b>Accumulated depreciation</b>         |                                       |  |                                 |                |
| At 1 August 2022                        | 35,175                                | -  | 22,198                          | 57,373         |
| Charge for year on assets acquired (EA) | 1,942                                 | -  | -                               | 1,942          |
| Charge for year                         | 2,072                                 | -  | 4,280                           | 6,352          |
| <b>At 31 July 2023</b>                  | <b>39,189</b>                         | <b>-</b>                                 | <b>26,478</b>                   | <b>65,667</b>  |
| <b>Net book value</b>                   |                                       |  |                                 |                |
| <b>At 31 July 2023</b>                  | <b>159,919</b>                        | <b>1,090</b>                             | <b>40,551</b>                   | <b>201,560</b> |
| At 31 July 2022                         | 163,813                               | 15,284                                   | 27,095                          | 206,192        |

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.

Land and Buildings acquired during the 2020/21 in relation to the Hadlow and Tonbridge sites were valued at the date of acquisition by Gerald Eve LLP

The Department for Education (DfE) hold a charge over the Land and Property assets acquired from Hadlow College in Education Administration and West Kent and Ashford College in Education Administration for a period of 40 years from 15 August 2020 and in the event of any being sold proceeds must be passed back to the DfE.

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

### 11 Investments

|                                  | 2023<br>£'000 | 2022<br>£'000 |
|----------------------------------|---------------|---------------|
| Investment in The Retail Academy | 1             | 1             |
| <b>Total</b>                     | <b>1</b>      | <b>1</b>      |

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

|                                      | 2023<br>£'000 | 2022<br>£'000 |
|--------------------------------------|---------------|---------------|
| Amounts falling due within one year: |               |               |
| Trade receivables                    | 479           | 290           |
| Prepayments and accrued income       | 1,134         | 6,816         |
|                                      | <b>1,613</b>  | <b>7,106</b>  |

## Notes to the Accounts

### 13 Creditors: Amounts falling due within one year

|   | 2023<br>£'000 | 2022<br>£'000 |
|---|---------------|---------------|
| Bank loans and overdrafts (note 15)         | 743           | 743           |
| Trade creditors                             | 1,648         | 1,938         |
| Other taxation and social security          | 558           | 1,161         |
| Accruals and deferred income                | 7,028         | 7,373         |
| Other creditors                             | 1,314         | 1,288         |
| Deferred income - government capital grants | 4,112         | 2,370         |
| Amounts owed to the ESFA                    | 950           | 746           |
|   | <b>16,353</b> | <b>15,619</b> |

### 14 Creditors: Amounts falling due after more than one year

|   | 2023<br>£'000 | 2022<br>£'000 |
|---|---------------|---------------|
| Bank loans (note 15)                        | 5,941         | 6,682         |
| Other creditors                             | 3             | -             |
| Deferred income - government capital grants | 80,529        | 82,232        |
|   | <b>86,473</b> | <b>88,914</b> |

### 15 Analysis of borrowings

#### *Bank loans and overdrafts*

|   | 2023<br>£'000 | 2022<br>£'000 |
|---|---------------|---------------|
| Bank loans and overdrafts are repayable as follows: |               |               |
| In one year or less                                 | 743           | 743           |
| Between one and two years                           | 743           | 743           |
| Between two and five years                          | 2,228         | 2,228         |
| Over five years                                     | 2,970         | 3,711         |
|   | <b>6,684</b>  | <b>7,425</b>  |

A new single fixed facility started on 31 January 2019 to 30 July 2032 which was agreed at a fixed interest rate of 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<br>Pensions<br>£'000 | Building<br>Dilapidations<br>£'000 | Other<br>£'000 | Total<br>£'000 |
|---------------------------|-------------------------------|------------------------------------|----------------|----------------|
| At 1 August 2022          | 1,028                         | 2,466                              | 86             | 3,580          |
| Provision in the period   | (12)                          | -                                  | 7              | (5)            |
| Expenditure in the period | (87)                          | -                                  | -              | (87)           |
|                           | <hr/>                         | <hr/>                              | <hr/>          | <hr/>          |
| <b>At 31 July 2023</b>    | <b>929</b>                    | <b>2,466</b>                       | <b>93</b>      | <b>3,488</b>   |
|                           | <hr/>                         | <hr/>                              | <hr/>          | <hr/>          |

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 reorganisation costs from which the college cannot reasonably withdraw at the balance sheet date.

The principal assumptions for this calculation are:

|                 | 2023 | 2022 |
|-----------------|------|------|
| Price inflation | 2.8% | 2.9% |
| Discount rate   | 5.0% | 3.3% |

### 17 Cash and cash equivalents

|                           | At 1 August<br>2022<br>£'000 | Cash flows<br>£'000      | At 31 July<br>2023<br>£'000 |
|---------------------------|------------------------------|--------------------------|-----------------------------|
| Cash and cash equivalents | 16,118                       | 6,907                    | 23,025                      |
| <b>Total</b>              | <hr/> <b>16,118</b> <hr/>    | <hr/> <b>6,907</b> <hr/> | <hr/> <b>23,025</b> <hr/>   |

### 18 Lease obligations

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

|   | 2023<br>£'000 | 2022<br>£'000 |
|---|---------------|---------------|
| <b>Payable:</b>                                   |               |               |
| Not later than one year                           | 53            | 14            |
| Later than one year and not later than five years | 114           | 10            |
|   | <hr/>         | <hr/>         |
| Total lease payments due                          | 167           | 24            |
|   | <hr/>         | <hr/>         |

### 19 Capital and other commitments

|                                       | 2023<br>£'000 | 2022<br>£'000 |
|---------------------------------------|---------------|---------------|
| Commitments contracted for at 31 July | 339           | 789           |
|                                       | <hr/>         | <hr/>         |

## Notes to the Accounts

### 20 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 2022.

|  | 2023<br>£'000 | 2022<br>£'000 |
|--|---------------|---------------|
| <b>Total pension cost for the year</b>                       |               |               |
| Teachers Pension Scheme: contributions paid                  | 2,159         | 2,315         |
| Local Government Pension Scheme:                             |               |               |
| Contributions paid   | 1,239         | 1,487         |
| FRS 102 (28) adjustment                                      | 909           | 2,559         |
| Enhanced pension charge to Statement of Comprehensive Income | (12)          | (215)         |
| <b>Total Pension Cost for Year</b>                           | <b>4,295</b>  | <b>6,146</b>  |

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.

On 26 October 2023, the latest actuarial valuation of the TPS was published, this confirms that employer contribution rates will increase from 1 April 2024 to 28.6%.

The Department for Education will provide additional funding to cover the increase in the employer contribution rate for directly funded scheme employers for the year ending 31 March 2025, with funding for future years to be considered as part of subsequent spending round reviews.

<https://www.teacherspensions.co.uk/news/public-news/2023/10/valuation-result.aspx>

The previous 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 that valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards. The Department for Education agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021-22 and 2022-23 academic years.

The pension costs paid to TPS in the year amounted to £2,159,000 (2022: £2,315,000)



## Notes to the Accounts

### 20 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 2023 was £1,640,000 (31 July 2022 £1,904,000) of which employer's contributions totalled £1,239,000 (2022: £1,487,000) and employees' contributions totalled £401,000 (2022: £417,000). The agreed contribution rate for future years is 18.4% for employers (which represents a discount of 2.1% from the underlying rate of 20.5% due to the pension fund surplus). Employee contribution rates are between 5.5% and 12.5%, 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 2022 updated to 31 July 2023 by a qualified independent actuary.

|                                      | 31 July 2023 | 31 July 2022 |
|--------------------------------------|--------------|--------------|
| Inflation assumption (CPI)           | 2.85%        | 2.75%        |
| Rate of increase in salaries         | 1.00%        | 1.00%        |
| Rate of increase in pensions         | 2.85%        | 2.75%        |
| Discount rate for scheme liabilities | 5.15%        | 3.40%        |

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

The assumed life expectations on retirement age 65 are:

|                     | 31 July 2023 | 31 July 2022 |
|---------------------|--------------|--------------|
| Retiring today      |              |              |
| Males               | 20.7         | 21.0         |
| Females             | 23.2         | 23.5         |
| Retiring in 20 yrs. |              |              |
| Males               | 22.0         | 22.3         |
| Females             | 24.6         | 24.9         |

#### Sensitivity analysis - present value of plan liabilities

|  | 31 July 2023<br>£'000 | 31 July 2022<br>£'000 |
|--|-----------------------|-----------------------|
| As included in financial statements              | 82,509                | 96,887                |
| Discount rate +0.1%                              | 81,197                | 94,820                |
| Discount rate -0.1%                              | 83,854                | 99,001                |
| Mortality assumption - 1 year increase           | 85,505                | 100,596               |
| Mortality assumption - 1 year decrease           | 79,625                | 93,319                |
| Long term salary increases +0.1%                 | 82,546                | 96,982                |
| Long term salary increases -0.1%                 | 82,472                | 96,793                |
| Pension increases and deferred revaluation +0.1% | 83,846                | 98,917                |
| Pension increases and deferred revaluation -0.1% | 81,204                | 94,899                |

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

|                                     | Value at<br>31 July 2023<br>£'000 | Value at<br>31 July 2022<br>£'000 |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Equities                            | 63,678                            | 65,007                            |
| Bonds                               | 13,668                            | 13,317                            |
| Property                            | 10,020                            | 12,052                            |
| Cash                                | 1,145                             | 1,865                             |
| Gilts                               | 554                               | 574                               |
| Target Return on Portfolio          | 7,151                             | 7,304                             |
| Infrastructure                      | 3,685                             | -                                 |
| <b>Total market value of assets</b> | <b>99,901</b>                     | <b>100,119</b>                    |
| <b>Actual return on plan assets</b> | <b>1,030</b>                      | <b>(1,375)</b>                    |

## Notes to the Accounts

### 20 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:

|                                    | 2023<br>£'000 | 2022<br>£'000 |
|------------------------------------|---------------|---------------|
| Fair value of plan assets          | 99,901        | 100,119       |
| Present value of plan liabilities  | (82,509)      | (96,887)      |
| Asset restriction (see note below) | (17,392)      | (3,232)       |
| <b>Net pensions liability</b>      | <b>-</b>      | <b>-</b>      |

As the LGPS surplus is irrecoverable, recognition of the surplus on the balance sheet has been restricted to nil by adjusting the actuarial gain.

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

|  | 2023<br>£'000 | 2022<br>£'000 |
|--|---------------|---------------|
| <b>Amounts included in staff costs</b> |               |               |
| Current service cost                   | 2,031         | 3,970         |
| Past service cost                      | 56            | 17            |
| Administration expenses                | 61            | 59            |
| <b>Total</b>                           | <b>2,148</b>  | <b>4,046</b>  |

#### Amounts included in interest cost

|                               |              |            |
|-------------------------------|--------------|------------|
| Net interest (income)/expense | (130)        | 687        |
|                               | <b>(130)</b> | <b>687</b> |

#### Amounts recognised in Other Comprehensive Income

|   |            |               |
|---|------------|---------------|
| Return on pension plan assets   | (2,353)    | (3,013)       |
| Other actuarial gains on assets   | 85         | -             |
| Changes in assumptions underlying the present value of plan liabilities | 32,857     | 48,914        |
| Changes in demographic assumptions                                      | 1,710      | 4,609         |
| Experience gain/loss on defined benefit obligation                      | (17,360)   | (394)         |
| Asset restriction (see note above)                                      | (14,160)   | (3,232)       |
| Amount recognised in Other Comprehensive Income                         | <b>779</b> | <b>46,884</b> |

#### Movement in net defined benefit liability during the year

|   | 2023<br>£'000 | 2022<br>£'000 |
|---|---------------|---------------|
| Net defined benefit liability in scheme at 1 August | -             | (43,638)      |
| Movement in year:                                   |               |               |
| Current service cost                                | (2,031)       | (3,970)       |
| Past service cost                                   | (56)          | (17)          |
| Employer contributions                              | 1,239         | 1,487         |
| Net interest on the defined benefit liability       | 130           | (687)         |
| Administration expenses                             | (61)          | (59)          |
| Actuarial gain                                      | 779           | 46,884        |

#### Net defined benefit liability at 31 July

|   |   |
|---|---|
| - | - |
|---|---|

#### Asset and Liability Reconciliation

#### Changes in the present value of defined benefit obligations

|   | 2023<br>£'000 | 2022<br>£'000  |
|---|---------------|----------------|
| <b>Defined benefit obligations at start of period</b>                   | <b>96,887</b> | <b>146,863</b> |
| Current Service cost  | 2,031         | 3,970          |
| Interest cost   | 3,253         | 2,325          |
| Contributions by Scheme participants                                    | 401           | 417            |
| Changes in assumptions underlying the present value of plan liabilities | (34,567)      | (53,523)       |
| Estimated benefits paid   | (2,912)       | (3,576)        |
| Experience loss on defined benefit obligation                           | 17,360        | 394            |
| Past service costs including curtailments                               | 56            | 17             |
| <b>Defined benefit obligations at end of period</b>                     | <b>82,509</b> | <b>96,887</b>  |

## Notes to the Accounts

### 20 Defined benefit obligations (continued)

#### Reconciliation of Assets

|   | 2023<br>£'000  | 2022<br>£'000 |
|---|----------------|---------------|
| <b>Fair value of plan assets at start of period</b> | <b>100,119</b> | 103,225       |
| Interest on plan assets                             | 3,383          | 1,638         |
| Return on plan assets                               | (2,353)        | (3,013)       |
| Employer contributions                              | 1,239          | 1,487         |
| Contributions by Scheme participants                | 401            | 417           |
| Other actuarial gains                               | 85             | -             |
| Estimated benefits paid                             | (2,912)        | (3,576)       |
| Administration Expenses                             | (61)           | (59)          |
| <b>Assets at end of period</b>                      | <b>99,901</b>  | 100,119       |

### 21 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 external Governing Body Member has received any remuneration or waived payments from the College or its subsidiaries during the year (2022: None). There are two staff Governing Body Members who are not paid for their role as a Governor but are remunerated for their role as College employees.

External Governing Body Member, Mr J Gurney, is an employee of Handelsbanken. During the year the College opened a bank account with Handelsbanken and deposited funds into an instant access account, managed by a different branch from Mr J Gurney.

External Governing Body Member, Mrs S Henwood, is CEO of Thomson, Snell and Passmore (TSP). During the year the College paid TSP £54,790 (2022:£33,460) for legal advice.

External Governing Body Member, Mr R Longman, is a Director of Greater North Kent (via Dartford Borough Council (DBC)). During the year the College paid DBC £167,762 (2022:£164,812k) primarily in relation to business rates.

No other transactions were identified which should be disclosed under UK Accounting Standards.

### 22 Amounts Disbursed as agent

#### Learner Support Funds

|  | 2023<br>£'000 | 2022<br>£'000 |
|--|---------------|---------------|
| Balance brought forward                                  | 598           | 501           |
| Grants   | 710           | 766           |
| Disbursed to students                                    | (645)         | (647)         |
| Administration costs                                     | (32)          | (22)          |
| Balance under spent as at 31 July, included in creditors | <b>631</b>    | 598           |

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.

### 23 Restricted Reserves

At the balance sheet date the College held £97,000 (2022: £97,000) of North West Kent College Training Trust monies in a restricted reserve.

### 24 Post Balance Sheet Event

There are no events after the reporting period.