

Calderdale College

Financial statements

For the year ended 31 July 2019

Information

Address: Francis Street
HALIFAX
West Yorkshire
HX1 3UZ

Key Management Personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2018/19.

Principal: John Rees
Deputy Principal (Finance and Resources): Denise Cheng-Carter
Deputy Principal (Curriculum, Quality and Standards): Rachael Hennigan

Members: Peter Clark (Chair)
Fiona Armer
Rachel Court
Diane Cothey
Richie Dunk
Patricia Drake
Adrian Furness
Jenny Grainger
Safia Kauser
Malcolm Rogers
Katie Walker
Ian Greenwood
Oskar Watson

Jane Taylor-Holmes acted as Clerk to the Corporation

Bankers: Lloyds TSB Bank plc
7th Floor
6/7 Park Row
LEEDS
LS1 1NX

Internal auditors: ICCA Education Training and Skills Ltd
11th Floor
The McLaren Building
46 The Priory Queensway
BIRMINGHAM
B4 7LR

Information

Financial statement auditors and reporting accountants: Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
1 Holly Street
SHEFFIELD
S1 2GT

Solicitors: Weightmans LLP
100 Old Hall St
LIVERPOOL
L3 9QJ

Chadwick Lawrence
Somerset House
Ransom Street
HALIFAX
HX1 2EF

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Report of the Members of the Corporation (including the Operating and Financial Review)

The members of the Corporation submit their report for the year ended 31 July 2019.

Legal Status

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

Mission

The mission of the College is:

“Excellence in skills training for students and employers.”

Implementation of the Colleges Strategic Priorities

In July 2019, the Board approved in principle the following strategic priorities.

1. A Thriving and Happy Workplace
2. Exceptional Student Experience and Success
3. Innovative Curriculum Design
4. Service Excellence
5. Employers as Partners
6. Dynamic, Responsive and Growing
7. Digitally Enabled
8. Committed to Calderdale

Financial objectives and Key Performance Indicators

The Corporation's financial objective is to generate and maintain surpluses sufficient to:

- Deliver the strategy.
- Re-invest in improving the teaching resources and building stock.
- Provide resilience against unforeseen changes in the Corporation's finances.

The financial objectives are to be achieved through a combination of:

- Maximising ESFA funded activity within the overall funding constraints which apply to the sector as a whole.
- The continuing development of alternative sources of income.
- A continuing process of increasing efficiency and improving value for money.
- Effective cash flow management and budgetary controls.

Report of the Members of the Corporation (including the Operating and Financial Review)

Financial Position

Financial Results

The College generated a deficit before other comprehensive income in the year of £1,405,000 (2017/18: deficit of £758,000) after pension charges calculated in accordance with FRS 102 section 28 of £1,459,000 (2017/18: £884,000).

The College's balance sheet shows net current assets of £1,588,000. The College has a significant cash balance at the end of the year and is forecast to maintain this throughout 2019/20.

The College's current ratio has fallen to 1.22 (2017/18: 1.35). Cash days in hand are 122 days (2017/18: 109 days).

The College's systems of internal financial controls and resources remain strong and effective as evidenced through both internal and external audit visits.

Tangible fixed asset additions during the year amounted to £1,034,000. This was made up of £713,000 of Land and Buildings and £321,000 on equipment purchases.

The College has significant reliance on the ESFA for its principal funding sources. In 2018/19 the ESFA provided 79.4% of the College's total income (2017/18: 79.9%).

Subsidiary Companies

All the subsidiary companies, (Calderdale Catering Limited, Calderdale Associates Limited, Halifax New College Limited and Step Training Limited) remained dormant during this financial year.

Treasury management Policies and Objectives

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

The College has a separate Treasury Management Policy in place.

Cash flows

There was a £833,000 cash inflow (2017/18: £763,000 outflow). The net cash flow resulted from the purchase of tangible fixed assets of £1,034,000, repayments of loans of £181,000 and an increase in creditors of £1,666,000.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. The College reserves include £3,000 held as restricted reserves. As at the balance sheet date total unrestricted reserves stand at a negative £2,212,000. It is the corporation's intention to increase reserves through the generation of annual operating surpluses.

Report of the Members of the Corporation (including the Operating and Financial Review)

Going Concern

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

The College currently has £4,560,000 of loans outstanding with bankers on terms negotiated in 2010. The terms of the existing agreement are for up to another 18 years. 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.

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, it continues to adopt the going concern basis in preparing the financial statements.

Current and Future Development and Performance

Financial health

The College's financial health grade is good as assessed by the ESFA. The College's 3 year financial forecast supports this view.

Learner numbers

In 2018/19 the College received £12,150,000 in ESFA allocation funding (2017/18: £11,121,000) and a further £2,134,000 for Employer Responsive funding. A total of £107,000 was received in relation to the College's Higher Education provision. The College had 4,255 ESFA funded students and 722 students funded by other sources.

Learner achievements

Overall success rates for our learner responsive learners in 2018/19 was 91.8% (2017/18: 88.3%). Apprentices overall success was at 77% (2017/18: 79%). Success for HE students was 81% in 2018/19 (2017/18: 77%).

Student achievements

Results achieved are outstanding and now exceed the approved internal targets in almost all categories. The FE 16-18 achievement rate has been sustained at 91.7% and the 19+ rate has improved again to 91.9%. Overall, FE achievement rates are extremely high and are broadly consistent across the whole of the College's diverse curriculum offer.

The timely achievement in apprenticeships is high at 77% and supports the Outstanding judgement of apprenticeship provision by Ofsted in March 2018.

Report of the Members of the Corporation (including the Operating and Financial Review)

Key performance indicators

The table below demonstrates the KPI's and the assessment against them, that the College uses internally as well as the measure assessed externally such as Financial Health, and Ofsted rating.

Key performance Indicator	Measure/Target	Actual for 2018/9
Current Ratio	1.45	1.22
Total Borrowing as a percentage of income	20.5%	21.5%
Operating surplus before FRS102	£45,000	£53,000
Staff costs as a % of total income less capital grants.	61.4%	64.2%
Financial Health	Good	Good
Ofsted rating	Good	Good

Curriculum developments

Having completed a full strategic review of its curriculum to ensure a clear fit to current and future skill and job requirements, employer partners including Lloyds Banking Group, the NHS and Covea Insurance have partnered in the delivery of new programmes. This approach has now also been extended into the construction curriculum.

The employer engagement and external funding teams provide a highly responsive service to business and employers by helping them to review their organisational training needs and providing solutions. As part of this work, the college launched its new employer services brand Rise in 2019.

Apprenticeships are successfully delivered through a mix of frameworks and an increasing number of new standards in consultation with employers. Apprenticeship delivery is of outstanding quality and achievement remains very high. In partnership with a number of larger levy employers in Calderdale, the college launched its Future Leaders Programme in 2019, a higher apprenticeship programme to develop future system leaders across the public, private and voluntary sectors in the region.

The College has continued with a significant programme of ESF funded skills projects across a number of regions and is working closely with other college partners in West Yorkshire to establish a collaborative response to the Leeds City Region Skills Plan.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. The College operates a policy of settling properly authorised invoices at the end of the month following the date of transaction. Therefore the College does not collect information on the timing of payments to suppliers on this basis.

Report of the Members of the Corporation (including the Operating and Financial Review)

Capital Redevelopment

Work to redevelop the Construction and Conservation Skills Centre was completed during August 2018 to enable students to access new facilities for the 2018/19 teaching year. The building has been redesigned and developed as a new centre for digital and creative industries (branded as DigiHub), including new IT and Mac Suites, a refurbished recording studio, motion capture and media suites and a new business centre for working with commercial and community clients.

Future developments

The College will continue to prioritise its links with employers, to support growth in the volume, range and quality of its technical education offer, including apprenticeships. Strategic employer relationships are central to the development of the College's 14-19 curriculum to ensure that it is sharply focussed on preparing learners for future employment. The College has been successful in its application to offer T-Levels from 2021 in both the Digital and Health and Science routes.

The college intends to further expand its digital offer utilising the new DigiHub centre in future years. This will include new opportunities in the FE and HE curriculum, as well as a CPD offer for employers for upskilling and/or retraining.

The Future Leaders Programme is scheduled for further expansion in 2020, with the addition of a new Aspiring Leaders Programme at level 3 to create pathway to leadership for employees working with Calderdale levy paying organisations. In 2019/20 the college will also commence its first degree level apprenticeship by offering the Chartered Manager Degree Apprenticeship, validated by the Open University.

Resources

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

Financial

The College has £2,209,000 of net liabilities (net of a £14,195,000 pension liability) and long term debt of £4,375,000.

People

The College employs 403 people (expressed as full time equivalents), of whom 185 are teaching staff.

Reputation

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

Physical

The College has physical assets in the form of land and buildings to the value of £23,936,000 and equipment with a net book value of £504,000.

Report of the Members of the Corporation (including the Operating and Financial Review)

Principal risks and uncertainties

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

The College produced its latest risk register in September 2019, in which the risks to the achievement of its strategic objectives for the period were identified and prioritised. These risks were identified from a number of sources including the College's strategic plans and self-assessment reports, key financial information, minutes of Governors' and Committee meetings and other relevant sector guidance and information.

The College's internal audit plan is risk-based and the risk register is the key document for risk management within the College.

The following risks were identified as being 'significant' to the College achieving its objectives and are accompanied by a summary of performance against the said risk.

1. Impact of reduction in public funding (Direct and Indirect)

The College is aware of several issues which may impact on future funding, including apprenticeship reforms and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform. It is recognised that the introduction of the apprenticeships levy will significantly affect the market place though the full implications are not yet known as government policy continues to develop.

This risk is to be mitigated in a number of ways:

- The College has strong financial management and planning in place.
- Forward planning to manage resources, realigning from areas where the College has anticipated funding reductions to areas where there is scope for expansion.
- The continuing good relationships between the College and the Local Authority, the ESFA and other stakeholders.
- Structure to support opportunities for future growth in HE loans, full cost, professional studies and apprenticeships.
- Formation of LEP Skills Service.
- The formation of the West Yorkshire Consortium of Colleges Joint Venture.
- Apprenticeship provision rated "Outstanding" by Ofsted.

2. Failure to achieve planned income

The College faces many challenges that could prevent it from achieving its planned income. These can be seen in both the declining 16-18 cohort and the increasing competition from both school sixth forms and other further education colleges and training providers. As such, students have many choices as to where they study. These may be influenced by factors such as quality of provision, range of provision offered, perceived value of a qualification from a set provider and even the facilities offered by an establishment. The same questions will also be raised by employers in deciding where they will invest in their staff training needs.

Report of the Members of the Corporation (including the Operating and Financial Review)

This risk is mitigated in a number of ways:

- Continued and improved curriculum planning and monitoring by the College Leadership and Management Team.
- Curriculum & Quality Forum including Engaging with Employers.
- Retention strategy with key actions.
- Financial Performance, Efficiency and Recruitment Group supported by sub-groups.
- Funding is derived through a number of direct and indirect contractual arrangements.
- Considerable focus and investment placed on efficient and effective marketing recruitment and admissions.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.

3. Failure to achieve minimum requirement achievement rates.

The College's current success rates need to be maintained and improved upon. It is vital that the College exceeds targets in Education & Training of: 16-19 80%, 19+ 86%, all ages 83% and Apprenticeships of 66% whilst maintaining the student experience. This risk is mitigated in a number of ways:

- The College Quality Strategy
- Curriculum and Quality Forums.
- Robust Admissions Policy ensuring learners are on the correct level of courses.
- Ongoing Course Review and Evaluation of progress.
- Continued reporting to the College Leadership and Management Team and also Governors.
- Quality Monitoring Meetings.
- Staff Development Strategy to equip staff to be able to deliver the required achievements.

4. Major infrastructure failure of core systems.

The College is aware that its ability to function and carry on business would be severely impacted should there be a failure of its core systems including: IT, Human Resources, Finance and Data Services. This risk is mitigated in a number of ways:

- Maintenance of procedural documentation.
- The taking and storing of regular back-ups.
- The Business Continuity and Planning Policy and Group.
- IT/ILT Strategy Group.
- IT User Policy.
- The establishment of the maintenance and compliance register.
- Network monitoring

Report of the Members of the Corporation (including the Operating and Financial Review)

Stakeholder relationships

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

- Students
- Funding bodies including the ESFA and the Office for Students
- Staff
- Local employers and employer bodies
- Calderdale Council
- The Leeds City Region LEP and The Skills Network
- LEPs and combined authorities in regions where the College holds ESF contracts
- Lloyds Banking Group (Commercial Banking)
- Barclays Bank (Loan)
- Local primary and secondary schools
- HE partners including The Open University and the University of Huddersfield
- Community and voluntary groups such as the North Halifax Partnership, Active Calderdale, the Community Foundation and Halifax Opportunities Trust
- Other FE institutions via the West Yorkshire Consortium of Colleges.
- Trade unions including UCU and UNISON
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with all stakeholders. Partnership working on specific projects or issues is a highly valued part of the College's activity.

Public Benefit

Calderdale College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1 September 2013 to 20 October 2016 was regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England, after which responsibility was transferred to the Secretary of State for Education following the Machinery of Government changes in July 2016.

The members of the Corporation, who are trustees of the charity, are disclosed on pages 10, and 11.

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

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

- High-quality teaching and learning
- Widening access and participation in education and skills development and tackling social exclusion
- Excellent employment and progression opportunities for students
- Strong student support systems
- Strong links with employers, industry and commerce
- Strong links with Local Enterprise Partnerships (LEPs) and local authorities as partners in the economy and skills agenda

Report of the Members of the Corporation (including the Operating and Financial Review)

Equality, Diversity & Inclusion and Employment of Disabled Persons

Calderdale College is committed to ensuring equality of opportunity for all who learn and work here. It respects and values positively differences in race, gender, sexual orientation, gender reassignment, disability, religion or belief, marriage or civil partnership, pregnancy and maternity, economic and social background, and age. The College strives vigorously to remove conditions which place people at a disadvantage and will actively combat discrimination. This policy is resourced, implemented and monitored on a planned basis.

The College considers all applications for employment from disabled persons. Where an existing employee becomes disabled, every effort is made to ensure that their employment continues. We are a disability confident employer and have been for a number of years. The College's policy is to provide training, career development and opportunities for promotion for all, ensuring reasonable adjustments are in place for staff with disabilities.

Disability Statement

The College seeks to achieve the objectives set down in the Equality Act 2010 and in particular makes the following commitments:

- As part of its accommodation strategy the College continues to ensure all students can access its buildings and facilities.
- To provide access to specialist equipment and technology to enable all students to succeed and remove any barriers to learning wherever possible.
- The College has a fair and transparent admissions policy for all students. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- The College has an Equality, Diversity and Inclusion Co-ordinator whose role is to raise awareness and inclusivity throughout the College.
- Significant investment has been made in appointing specialist lecturers and learning support assistants to support students with learning difficulties and/or disabilities.
- Continuing programme of staff development to a high level of appropriate support for students who have learning difficulties and/or disabilities. Assistive Technology is available in specific classrooms, the Learning Centre Learning Pod and Skillzone where there is an Assistive Technology Support Officer to support and guide staff and students.
- Specialist programmes are described in programme information guides.
- Achievements and destinations are recorded and published in the standard College format.
- Counselling and welfare services are described in the College Student Guide which is issued to students together with the complaints and disciplinary procedures.
- The College complies fully with the Special Educational Needs and Disability (SEND) reforms.

Report of the Members of the Corporation (including the Operating and Financial Review)

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 in the period	FTE employee number
6	5.5

Percentage of time	Number of employees
0%	0
1-50%	6
51-99%	0
100%	0

Total cost of facility time	£9,235
Total pay bill	£14,645,000
Percentage of total bill spent on facility time	0.06%

Time spent on paid trade union activities as a percentage of total paid facility time	0%
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Staff and Student Involvement

The College considers good communication with its staff to be very important. There is an effective communication strategy, which includes whole College and departmental staff meetings, a new online staff news blog, regular corporate emails (with a weekly newsletter from the Principal/CEO), use of social media posts, regular staff conference and development events. Staff are encouraged to express their views and ideas through the College Intranet.

Formal representation of staff is undertaken through the recognised trade unions. Two staff and two student governors are elected by their peers. Each year students are invited to give feedback to the College through learner satisfaction surveys, the course representative system and focus groups. There is also the facility for learner feedback to be left on Moodle. The Learner Voice strategy is supported and facilitated through the Learner Involvement Officer who work closely with representatives from the elected Student Union.

Creditor Payment Policy

The College recognises the importance to all businesses and organisations of the prompt payment of sums due. The College seeks to negotiate appropriate settlement terms which take account of suppliers' requirements where appropriate. The College operates a policy of settling properly authorised invoices at the end of the month following the date of transaction.

Report of the Members of the Corporation (including the Operating and Financial Review)

Corporation Tax

The Corporation is an exempt charity and is not liable to corporation tax except on certain non-charitable activities.

Disclosure of Information to Auditors

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

Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditor.

Approved by order of the members of the Corporation on 4 March 2020 and signed on its behalf by:



Peter Clark
Chair of the Corporation

Corporate governance statement incorporating the statement of internal control

Governance Statement

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2018 to 31st July 2019 and up to the date of approval of the annual report and financial statements.

As a recipient of public funding, the College endeavours to conduct its business to the highest standards of corporate governance:

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

In the opinion of the Governors, the College complies with all the provisions of the Code and it has complied throughout the year ended 31st July 2019. 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.

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.

The Corporation

The members who served on the Board during the year and up to the date of signature of this report were as follows:

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2018/19*	Attendance overall in 2018/19**
Fiona Armer	20.12.2012 13.02.2014 01.08.2016	To 31.07.2020 4 years		External	Audit from 20.12.2012 to 31.07.2017 (Chair from 8.10.2015 to 31.07.2017); Finance & Resources (from 01.08.2017)	100%	75%
Peter Clark	28.03.2013 01.08.2015 08.08.2018	To 31.07.2020 3 years		External	Audit (from 01.08.2013 to 22.10.2015); Curriculum, Quality & Standards (Chair from 03.04.2014 to 31.07.2017); Search & Governance (from 01.08.2016); Senior Staff Employment (from 01.08.2015); Chair of the Corporation from 01.08.2016	100%	93.75%
Diane Cothey	01.08.2018	4 years		External	Curriculum, Quality & Standards	80%	75%

Corporate governance statement incorporating the statement of internal control

The Corporation (continued)

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance in 2018/19*	Attendance overall in 2018/19**
Rachel Court	22.05.2015 01.08.2017	To 31.07.2021 4 years		External	Search & Governance (Chair from 24.09.2015), Financial Performance & Efficiency (from 15.10.2015 to 31.07.2017); Audit (from 01.08.2017 – Chair from 25.09.2017)	100%	85.5%
Patricia Drake	06.04.2017	4 years		External	Finance & Resources; Search & Governance	60%	70%
Richie Dunk	20.10.2016	4 years		External	Finance & Resources, Curriculum, Quality and Standards (Chair from 20.06.2019)	100%	83.25%
Adrian Furness	08.02.2019	4 years		External	Audit	67%	83.5%
Jenny Grainger	06.04.2017	4 years		External	Audit; Curriculum, Quality & Standards, Senior Staff Employment SSE Chair from 22 November 2019)	100%	93.75%
Andrew Postlethwaite	12.07.2018	To 31.07.2019	20 June 2019	Student	Curriculum, Quality & Standards	100%	87.5%
John Rees	01.04.2015	In Post		Principal	Search and Governance; Curriculum, Quality & Standards, Finance & Resources	100%	87.5%
Malcolm Rogers	22.05.2015 01.08.2017	To 31.07.2021 4 years		External	Finance & Resources (from 15.10.2015; Chair from 25.02.2016); Senior Staff Employment (from 01.08.2016)	80%	78.25%
Pete Sanderson	15.12.2016	4 years	11 April 2019	External	Curriculum, Quality & Standards (Chair from 05.10.2017); Audit	83%	93%
Kate Singleton	18.10.2018	To 31.07.2019		Student	Curriculum, Quality & Standards	20%	-
Katie Walker	01.08.2017	4 years		Staff	Curriculum, Quality & Standards	83%	90%
Chris Reeve	16.2.2018	1.5 years		Co-opted	Audit	-	75%
Andrew Wright	12.02.2016 06.04.2017	3 years To 31.07.2018		External Co-opted	Financial Performance & Efficiency (from 12.02.2016 to 19.09.2016) Finance & Resources (from 06.04.2017)	-	75%
Safia Kauser	11.07.2019	4 years		External	Curriculum, Quality & Standards	100%	100%
Oskar Watson	17.10.2019	To 31.07.2020		Student	Curriculum, Quality & Standards	-	-

*attendance at Corporation meetings

**attendance at Corporation and Committee meetings overall

Corporate governance statement incorporating the statement of internal control

The Corporation (continued)

Jane Taylor-Holmes acted as Clerk to the Corporation.

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 reports on the overall performance of the College including financial information, performance against funding targets, proposed capital expenditure, quality and personnel issues, health and safety and environmental issues.

The Corporation meets at least once in each term.

The Corporation conducts its business through a number of committees. Each committee has detailed terms of reference which have been approved by the Corporation. These committees are: Audit, Finance & Resources, Curriculum, Quality & Standards, Search & Governance and Senior Staff Employment. Task and Finish Groups are formed for specific functions.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website (www.calderdale.ac.uk) or from the Clerk to the Corporation at:

Calderdale College
Francis Street
Halifax
West Yorkshire
HX1 3UZ

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

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

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

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

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

Corporate governance statement incorporating the statement of internal control

Appointments to the Corporation

Any new appointments to the Corporation are approved by the Corporation on the recommendation of the Search & Governance Committee. The latter is responsible for the selection of any new governor for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate induction and training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2019 and graded itself as good on the Ofsted scale. Each of the Committee's also carry out a self-assessment to review performance and adherence to Terms of Reference.

Senior Staff Employment Committee

Throughout the year ended 31 July 2019, the Corporation's Senior Staff Employment Committee comprised four members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders.

Details of the remuneration of senior post-holders for the year ended 31 July 2019 are set out in note 8 to the Financial Statements.

The college has adopted the Association of Colleges Senior Staff Remuneration Code.

Audit Committee

The Audit Committee comprises at least three members of the Corporation, which can include one co-opted member. The membership excludes the Accounting Officer, the Chair and staff and student Corporation members. The Committee operates in accordance with written terms of reference approved by the Corporation, which align to the requirements of the Post-16 Audit Code of Practice. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets four times a year and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the ESFA as they affect the College's business.

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

Corporate governance statement incorporating the statement of internal control

Management is responsible for the implementation of agreed audit recommendations and internal audit undertake periodic follow-up reviews to ensure that any such recommendations have been implemented. The Audit Committee receives regular reports on implementation to ensure that this is timely and effective.

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

Internal Control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Calderdale College for the year ended 31 July 2019 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation through the Audit Committee.

Corporate governance statement incorporating the statement of internal control

The risk and control framework

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

- Comprehensive budgeting systems, with an annual budget, which is agreed and reviewed by the Corporation.
- Regular review by the Corporation of periodic and annual financial reports which assess actual 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. Annual internal audit plans are based on this analysis and are approved by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity in the College including the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal/CEO has responsibility for reviewing the effectiveness of the system of internal control. This 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.
- Comments made by the College's financial statements auditors, the regularity auditors and the appointed funding auditors in their management letters and other reports.

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

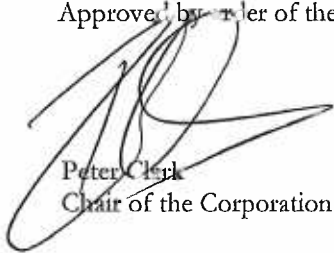
The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training.

The senior management team and the Audit Committee also receive regular reports from internal audit and from other sources of assurance which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and Audit Committee. The Corporation also receives an annual report on risk and control issues through the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events that had occurred since 31 July 2019.

Corporate governance statement incorporating the statement of internal control

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

Approved by order of the members of the Corporation on 4 March 2020 and signed on its behalf by:



Peter Clerk
Chair of the Corporation



John Rees
Accounting Officer


Corporate governance statement incorporating the statement of internal control

Statement of regularity, propriety and compliance

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

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

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



Peter Clark
Chair of the Corporation



John Rees
Accounting Officer

4 March 2020

Statement of responsibilities of the members of the Corporation

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

Within the terms and conditions of the Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education* and with the 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 for that year.

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

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

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

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the 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 the assets of the College and to prevent and detect fraud and other irregularities.

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

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

Signed on behalf of the Corporation



Peter Clark
Chair of the Corporation
4 March 2020



Independent Auditor's Report to the Corporation of Calderdale College

Opinion

We have audited the financial statements of Calderdale College (the College) for the year ended 31 July 2019, which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2019 and of the College's deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

Basis for opinion

We have been appointed as auditor under the College's Articles of Government and report in accordance with regulations made under it. 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.

The impact of uncertainties arising from the UK exiting the European Union on our audit

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

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the College's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a College associated with a course of action such as Brexit.

Conclusions relating to going concern

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



Independent Auditor's Report to the Corporation of Calderdale College

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

In our evaluation of the Governing Body's conclusions, we considered the risks associated with the College's business model, including effects arising from Brexit, and analysed how those risks might affect the College's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

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

Other information

The Governing Body is responsible for the other information. The other information comprises the information included in the annual report, set out on pages 2 to 9, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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



Grant Thornton

Independent Auditor's Report to the Corporation of Calderdale College

Responsibilities of the Corporation for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Gf Thornton UK LLP'.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
SHEFFIELD
Date: 4 March 2020



Reporting accountant's assurance report on regularity to the Corporation of Calderdale College and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA')

In accordance with the terms of our engagement letter dated 23 July 2019 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by Calderdale College during the period 1 August 2018 to 31 July 2019 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 ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which ESFA has other assurance arrangements in place.

Respective responsibilities of Calderdale College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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



Reporting accountant's assurance report on regularity to the Corporation of Calderdale College and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA')

The work undertaken to draw our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that, in all material respects, the expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Use of our report

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

Cat M... We will

Grant Thornton UK LLP
Chartered Accountants
Sheffield
Date: 4 March 2020

Statement of Comprehensive Income

	Note	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Income			
Funding body grants	2	17,321	17,154
Tuition fees and education contracts	3	2,934	2,717
Other grants and contracts	4	466	613
Other income	5	651	644
Investment income	6	39	21
Total income		21,411	21,149
Expenditure			
Staff costs	7	(14,642)	(14,287)
Other operating expenses	9	(6,627)	(6,171)
Depreciation	12	(1,123)	(1,021)
Interest and other finance costs	10	(424)	(428)
Total expenditure		(22,816)	(21,907)
Deficit for the year		(1,405)	(758)
Other Comprehensive Income			
Actuarial (loss)/gain in respect of pension schemes	20	(5,028)	1,450
Total Comprehensive Income for the year		(6,433)	692

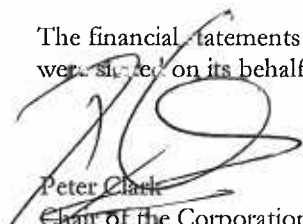
Statement of Changes in Reserves


	Income and expenditure account £'000	Revaluation reserve £'000	Total £'000	Restricted reserves £'000	Total £'000
Balance at 1 August 2017	(2,183)	5,712	3,529	3	3,532
Deficit from the income and expenditure account	(758)	-	(758)	-	(758)
Other comprehensive income	1,450	-	1,450	-	1,450
Total comprehensive income	692	-	692	-	692
Transfers between revaluation and income and expenditure reserves	110	(110)	-	-	-
Balance at 31 July 2018	(1,381)	5,602	4,221	3	4,224
Deficit from the income and expenditure account	(1,405)	-	(1,405)	-	(1,405)
Other comprehensive income	(5,028)	-	(5,028)	-	(5,028)
Total comprehensive income	(6,433)	-	(6,433)	-	(6,433)
Transfers between revaluation and income and expenditure reserves	110	(110)	-	-	-
Balance at 31 July 2019	(7,704)	5,492	(2,212)	3	(2,209)

Balance Sheet

	Note	2019 £'000	2018 £'000
Non current assets			
Tangible assets	12	<u>24,440</u>	<u>24,579</u>
Current assets			
Trade and other receivables	14	1,835	1,336
Cash and cash equivalents	15	<u>6,953</u>	<u>6,120</u>
		8,788	7,456
Creditors: amounts falling due within one year	16	<u>(7,200)</u>	<u>(5,534)</u>
Net current assets		<u>1,588</u>	<u>1,922</u>
Total assets less current liabilities		26,028	26,501
Creditors: amounts falling due after more than one year	17	<u>(14,042)</u>	<u>(14,569)</u>
Provisions			
Other provisions – defined benefit obligations	20	<u>(14,195)</u>	<u>(7,708)</u>
Total net (liabilities)/assets		<u>(2,209)</u>	<u>4,224</u>
Reserves			
Restricted reserves		<u>3</u>	<u>3</u>
Unrestricted reserves			
Income and expenditure accounts		(7,704)	(1,381)
Revaluation reserve		<u>5,492</u>	<u>5,602</u>
Total unrestricted reserves		<u>(2,212)</u>	<u>4,221</u>
Total funds		<u>(2,209)</u>	<u>4,224</u>

The financial statements were approved and authorised for issue by the Corporation on 4 March 2020 and were signed on its behalf by:


Peter Clark
Chair of the Corporation


John Rees
Accounting Officer

The accompanying accounting policies and notes on pages 28 to 51 form an integral part of these financial statements.

Statement of Cash Flows

	2019 £'000	2018 £'000
Cash inflow from operating activities		
Deficit for the year	(1,405)	(758)
Adjustment for non-cash items		
Depreciation	1,123	1,021
Increase in debtors	(499)	(500)
Increase/(decrease) in creditors due within one year	1,662	(278)
Decrease in creditors due after one year	(342)	(349)
Pension costs less contributions payable	1,459	884
Adjustment for investing or financing activities		
Investment income	(39)	(21)
Interest payable	220	224
Loss on disposal of fixed assets	50	-
Net cash inflow from operating activities	<u>2,229</u>	<u>223</u>
Cash flows from investing activities		
Payments made to acquire fixed assets	(1,034)	(609)
Investment income	39	21
	<u>(995)</u>	<u>(588)</u>
Cash flows from financing activities		
Interest paid	(220)	(224)
Repayments of amounts borrowed	(181)	(174)
	<u>(401)</u>	<u>(398)</u>
Increase/(decrease) in cash and cash equivalents in the year	833	(763)
Cash and cash equivalents at beginning of the year	<u>6,120</u>	<u>6,883</u>
Cash and cash equivalents at end of the year	<u><u>6,953</u></u>	<u><u>6,120</u></u>

The accompanying accounting policies and notes on pages 28 to 51 form an integral part of these financial statements.

Notes to the financial statements

1 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 are prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), The College Accounts Direction for 2017 to 2018 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The financial statements are presented in Sterling (£).

Basis of accounting

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

Going Concern

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

The College currently has £4,560,000 of loans outstanding with bankers on terms negotiated in 2010. The terms of the existing agreement are for up to another 18 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

The recurrent grant from OfS represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

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 recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Notes to the financial statements

1 Statement of accounting policies and estimation techniques (continued)

Income for tuition fees is recognised in the period 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. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

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

Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period, is transferred from the income and expenditure account to accumulated income within endowment funds.

Maintenance of premises

The Corporation has a ten year planned maintenance programme which is reviewed on an annual basis. The costs of carrying out planned maintenance are charged in the year in which they are incurred. The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

Accounting for post-employment benefits

Post-employment benefits for most employees of the Corporation are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (West Yorkshire Pension Fund) ("WYPF"). These are defined benefit schemes, which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives within 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 quinquennial valuations using a prospective benefit method. As stated in note 19, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as an expense in the income statement as they are paid each year.

The WYPF is a funded scheme. The assets of the WYPF are measured using closing fair values. WYPF liabilities are measured using the projected unit 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 Income Statement and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Notes to the financial statements

1 Statement of accounting policies and estimation techniques (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.

Non-current assets - Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation at the date they were inherited on the basis of deemed cost. Land and buildings acquired 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 Corporation of 50 years.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

Equipment

Equipment costing less than £500 per individual item is written off to the income and expenditure account in the period of acquisition (unless part of a larger annual replenishment, for example, computer equipment or furniture). Equipment inherited from the Local Education Authority is included in the balance sheet at valuation, but has subsequently been written down to nil value. All other equipment is capitalised at cost.

All equipment acquired since incorporation is depreciated on a straight line basis over 4 years, representing its estimated economic life.

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 income and expenditure account over the expected useful economic life of the related equipment.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Notes to the financial statements

1 Statement of accounting policies and estimation techniques (continued)

Leased assets

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Investments

Fixed assets investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective items.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 of the 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 costs of tangible fixed assets by nature.

Cash and cash equivalents

Cash including cash in hand and sums on short term deposits with recognised banks and building societies and government securities. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Provisions and contingent liabilities

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of a past event. It is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

Notes to the financial statements

1 Statement of accounting policies and estimation techniques (continued)

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposed 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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount on the pension liability.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payment received from the ESFA and subsequent disbursements to students are excluded from the Income and Expenditure account of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction and are shown separately in note 25, except for the 5% of the grant received which is available to the Corporation to cover administration costs relating to the grant.

The Corporation acts as an agent in the running of both the Skills Enhancement Fund project and the Work Place Learning project. Related payment received from the ESFA and subsequent disbursements to project partners are excluded from the Income and Expenditure account and are shown separately in note 25, except for the part of the grant received which is available to the Corporation to cover administration costs relating to the running of the project.

Notes to the financial statements

1 Statement of accounting policies and estimation techniques (continued)

Financial liabilities and equity

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

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historic 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.

2 Funding body grants

	Total 2019 £'000	Total 2018 £'000
Recurrent grants		
Skills Funding Agency	5,717	5,590
Education Funding Agency	8,759	7,600
Office for Students	107	237
Specific grants		
Skills Funding Agency	2,405	3,214
Skills Enhancement Fund	10	189
Release of government capital grants	323	324
	<u>17,321</u>	<u>17,154</u>

3 Tuition fees and education contracts

	2019 £'000	2018 £'000
Adult education fees	450	261
Apprenticeship fees and contracts	47	26
Fees for HE loan supported courses	1,351	1,291
Fees for FE loan supported courses	414	591
Total tuition fees	<u>2,262</u>	<u>2,169</u>
Education contracts	672	548
	<u>2,934</u>	<u>2,717</u>

Notes to the financial statements

4 Other grants and contracts

	2019 £'000	2018 £'000
National funds	406	613
European funds	60	0
Total funds	<u>466</u>	<u>613</u>

5 Other income

	2019 £'000	2018 £'000
Other income generating activities	276	265
Miscellaneous income	375	379
	<u>651</u>	<u>644</u>

6 Investment income

	2019 £'000	2018 £'000
Other interest receivable	<u>39</u>	<u>21</u>

7 Staff costs

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

	2019 Number	2018 Number
Teaching staff	178	185
Non-teaching staff	213	218
	<u>391</u>	<u>403</u>

The above figures include a total of 12 (2018: 30) FTE staff on fixed term contracts.

	2019 £'000	2018 £'000
Wages and salaries	10,655	10,859
Social security costs	880	919
Other pension costs	2,692	2,115
	<u>14,227</u>	<u>13,893</u>
Agency costs	373	273
Fundamental restructuring costs - contractual	42	95
-non-contractual	-	26
	<u>14,642</u>	<u>14,287</u>

Notes to the financial statements

7 Staff costs (continued)

A general pay award of 0.5% was made with effect from 1 August 2018 which was approved by the Corporation.

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 Senior Leadership Team which comprises the Principal, Deputy Principal Finance and Resources and Deputy Principal Curriculum Quality and Standards, Vice Principal Learning & Achievement and the Clerk to the Corporation. Staff costs include compensation paid to key management personnel for loss of office.

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

	2019 Number	2018 Number
The number of key management personnel including the Accounting Officer was:	<u>4</u>	<u>5</u>

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

	Key Management Personnel	
	2019 No	2018 No
£ 1 to £10,000	-	1
£10,001 to £15,000	-	1
£15,001 to £20,000	1	-
£20,001 to £25,000	-	1
£25,001 to £30,000	2	1
£30,001 to £35,000	1	1
£35,001 to £40,000	4	5
	<u>4</u>	<u>5</u>
	Other staff	
	2019 No	2018 No
£60,001 to £65,000	1	1
£65,001 to £70,000	-	1
£70,001 to £75,000	1	-
	<u>2</u>	<u>2</u>

Notes to the financial statements

8 Senior post-holders emoluments

Key management personnel emoluments are made up as follows:

	2019 £'000	2018 £'000
Salaries	307	303
Employers National Insurance	38	37
	<u>345</u>	<u>340</u>
Pension costs	50	50
Total emoluments	<u>395</u>	<u>390</u>

Emoluments include gross salaries, bonuses and employer national insurance.

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice.

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

	2019 Total £'000	2018 Total £'000
Accounting Officer		
Salary	<u>126</u>	<u>125</u>
Benefits in kind	<u>-</u>	<u>-</u>
Pension costs	<u>21</u>	<u>21</u>

The pension costs in respect of the Accounting officer and key management personnel are in respect of employer's contributions to the West Yorkshire Pension Scheme and the Teachers' Pension Scheme and are paid at the same rate as for other employees.

Members of the Board of Governors, other than the principal, and staff representatives, did not receive any payment from the College other than reimbursement of travel and subsistence expenses incurred in the course of their duties.

The total expenses paid to Governors during the year was £309; 1 Governor (2018: £324; 1 Governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and events in their official capacity.

Key management personnel had their pay reviewed from 1 January 2019. Key management personnel received increases of 0.5% (the Clerk to the Corporation received 0.5%). These increases were approved by the Corporation. No other bonuses or salary enhancements were awarded.

Notes to the financial statements

8 Senior post holders emoluments (continued)

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

	2019 £'000	2018 £'000
Principal's basic salary as a multiple of the median of all staff	5.09	4.94
Principal and CEO's total remuneration as a multiple of the median of all staff	5.17	5.09

9 Other operating expenses

	2019 £'000	2018 £'000
Teaching costs	3,906	3,728
Non-teaching costs	1,081	1,090
Premises costs	1,640	1,353
	<u>6,627</u>	<u>6,171</u>

Other operating expenses include:

	2019 £'000	2018 £'000
Auditors' remuneration:		
- Financial statements audit	23	22
- Internal audit	15	18
Other services provided by the financial statement auditor:		
- SFA subcontractor review	-	-
- Teachers pension	1	1
Losses on disposal of non-current assets	50	-
Hire of assets under operating leases	52	26

10 Interest and other finance costs

	2019 £'000	2018 £'000
On bank loans, overdrafts and other loans:	220	224
Pension finance cost (see note 19)	204	204
	<u>424</u>	<u>428</u>

11 Taxation

The members do not believe that the Corporation is liable for any corporation tax arising out of its activities during the year.

Notes to the financial statements

12 Tangible fixed assets

	Assets in the course of construction £'000	Freehold land and buildings £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 August 2018	399	29,016	5,747	35,162
Additions	-	713	321	1,034
Disposals	-	(72)	(50)	(122)
Transfer between classes	(399)	399	-	-
At 31 July 2019	-	30,056	6,018	36,074
Depreciation				
At 1 August 2018	-	5,379	5,204	10,583
Charge for the year	-	763	360	1,123
Eliminated on disposal	-	(22)	(50)	(72)
At 31 July 2019	-	6,120	5,514	11,634
Net book value at 31 July 2019	-	23,936	504	24,440
Net book value at 31 July 2018	399	23,637	543	24,579
Inherited	-	5,491	-	5,491
Financed by capital grant	-	9,869	54	9,923
Other	-	8,576	450	9,026
Net book value at 31 July 2019	-	23,936	504	24,440

Tangible fixed assets inherited from Calderdale Council at incorporation with a net book value of £5,491,000. (2018: £5,602,000) have been valued by the College and are being written off over their remaining useful economic lives.

If inherited tangible fixed assets had not been valued they would have been included at nil book value.

Land and buildings with a net book value of £5,491,000 (2018: £5,602,000) have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Agency, to surrender the proceeds.

As set out in the accounting policy note the College carries inherited assets at an inherited valuation. The assets were valued on incorporation and not updated since. The historic cost of the assets is nil.

Notes to the financial statements

13 Investments

	Total £'000
Cost	
At 1 August 2018 and 31 July 2019	<u>450</u>
Amounts written off	
At 1 August 2018 and 31 July 2019	<u>(418)</u>
Amounts owed to dormant subsidiary transferred to investment	<u>(32)</u>
Net book amount at 31 July 2019 and at 31 July 2018	<u>0</u>

The College owns 100% of the issued ordinary shares of Calderdale Associates Limited and Calderdale Catering Limited. Both companies have been dormant from 1 August 2002. In addition the College owns 100% of the issued ordinary shares of Step Training Limited which has remained dormant since its creation in January 2007. The College also owns 100% of the shares of the dormant company Halifax New College Limited. All four companies are incorporated in England and Wales.

14 Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	1,070	411
Prepayments and accrued income	<u>765</u>	<u>925</u>
	<u>1,835</u>	<u>1,336</u>

15 Cash

	At 1 August 2018 £'000	Cashflows £'000	At 31 July 2019 £'000
Cash and cash equivalents	<u>6,120</u>	<u>833</u>	<u>6,953</u>

Notes to the financial statements

16 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loan	185	181
Payments received in advance	3,291	1,164
Trade payables	277	489
Other taxation and social security	292	299
Pension creditor	168	163
Other creditors	52	59
Accruals	2,568	2,813
Deferred income – government capital grants	367	366
	<u>7,200</u>	<u>5,534</u>

17 Creditors: amounts falling due after one year

	2019 £'000	2018 £'000
Bank loans	4,375	4,560
Deferred income – government capital grants	9,667	10,009
	<u>14,042</u>	<u>14,569</u>

18 Maturity of debt

Bank and Other Loans

Bank and other loans are repayable as follows:

	2019 £'000	2018 £'000
In one year or less	185	181
Between one and two years	194	185
Between two and five years	628	604
In five years or more	3,553	3,771
	<u>4,560</u>	<u>4,741</u>

The bank loan with an arrangement principal of £4,560,000 is repayable by instalments falling due between 1 August 2019 and 30 September 2036 at an interest rate of 5.5% per annum on £3,518,000 and 3 month LIBOR plus 1.3% on £1,043,000.

Notes to the financial statements

19 Provisions

	Defined Benefit obligations £'000
At 1 August 2018	7,708
Increase in year	6,487
At 31 July 2019	<u>14,195</u>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension scheme. Further details are given in note 20.

20 Pension and similar obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pensions 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 the West Yorkshire Pension Fund (WYPF). Both are multi-employer defined-benefit pension schemes.

	2019 £'000	2018 £'000
Total pension cost for the year		
Teachers' Pension Scheme: contributions paid	617	592
Local Government Pension Scheme:		
Contributions paid	819	850
FRS 102 (28) Charge (current service cost)	628	
FRS 102 (28) Charge (past service cost)	627	680
Charge to the statement of comprehensive income	<u>2,074</u>	<u>1,530</u>
Total pension cost for the year within staff costs	<u>2,691</u>	<u>2,122</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal valuation of the TPS was 31 March 2012 and the WYPF 31 March 2016.

Contributions amounting to £168,000 (2018: £163,000) were payable to the scheme at 31 July 2019 and are included within creditors.

Teachers' Pension Scheme

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

Notes to the financial statements

20 Pension and similar obligations (continued)

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. 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.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

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

- new employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2.0% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of TPS is currently underway based on April 2016 data, whereupon the employer contributions rate is expected to be reassessed and will be payable from 1 April 2019.

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

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

Scheme Changes

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

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

Notes to the financial statements

20 Pension and similar obligations (continued)

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

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

The pension costs paid to TPS in the year amounted to £617,000 (2018: £592,000).

FRS 102 (28)

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

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

Local Government Pension Scheme

LGPS is a funded defined benefit plan, with the assets held in separate funds administered by West Yorkshire Pension Fund. The total contribution made for the year ended 31 July 2019 was £1,131,000 (2018: £1,216,000) of which employer's contributions totalled £819,000 (2018: £850,000) and employees' contributions totalled £312,000 (2018: £366,000). The agreed contribution rates for future years are 12.7% for employers and within a sliding scale from 5.5% to 12.5% depending on salary for employees.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2019 carried out by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018 %
Rate of increase in salaries	3.5	3.4
Rate of increase in pensions	2.2	2.1
Discount rate for scheme liabilities	2.1	2.8
Inflation assumption (CPI)	2.2	2.1

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

	At 31 July 2019	At 31 July 2018
Retiring today		
Males	22.2	22.1
Females	25.4	25.3
Retiring in 20 years		
Males	23.2	23.1
Females	27.2	27.1

Notes to the financial statements

20 Pension and similar obligations (continued)

The assets of the scheme relating to the College at the balance sheet date were:

	% of total plan assets as at 31 July 2019 %	Fair value at 31 July 2019 £'000	% of total plan assets as at 31 July 2018 %	Fair value at 31 July 2018 £'000
Equity instruments	78.6	21,163	74.6	19,281
Debt instruments	13.5	3,635	14.3	3,696
Property	4.3	1,158	4.2	1,085
Cash/liquidity	2.1	565	2.2	569
Other	1.5	404	4.7	1,215
Total fair value of plan assets		26,925		25,846

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

	2019 £'000	2018 £'000
Fair value of plan assets	26,925	25,846
Present value of plan liabilities	(41,120)	(33,554)
Net pensions liability	(14,195)	(7,708)

Amounts recognised in the Income and Expenditure account in respect of the plan are as follows:

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	1,447	1,530
Past service cost	627	-
Total	2,074	1,530

	2019 £'000	2018 £'000
Amounts included in interest payable		
Net interest payable	(204)	(204)

Amount recognised in Other Comprehensive Income

	2019 £'000	2018 £'000
Return on pension plan assets	68	989
Experience losses arising on defined benefit obligations	(5,096)	461
Amount recognised in Other Comprehensive Income	(5,028)	1,450

Notes to the financial statements

20 Pension and similar obligations (continued)

Movement in net defined benefit/(liability) during year	2019	2018
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(7,708)	(8,274)
Movement in year:		
Current service cost	(1,447)	(1,530)
Employer contributions	819	850
Past service cost	(627)	-
Net interest on the net liability	(204)	(204)
Actuarial loss	(5,028)	1,450
Net defined benefit liability at 31 July	(14,195)	(7,708)
Asset and Liability Reconciliation	2019	2018
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	33,554	31,946
Current service cost	1,447	1,530
Interest cost	932	827
Contributions by scheme participants	312	366
Experience gains and losses on defined benefit obligations	5,096	(461)
Estimated benefits paid	(848)	(654)
Past service cost	627	-
Defined benefit obligations at end of period	41,120	33,554
Changes in fair value of plan assets	2019	2018
	£'000	£'000
Fair value of plan assets at start of period	25,846	23,672
Interest on plan assets	728	623
Return on assets	68	989
Employer contributions	819	850
Contributions by scheme participants	312	366
Estimated benefits paid	(848)	(654)
Fair value of plan assets at the end of the period	26,925	25,846

These accounts show a past service cost of £0.546 million in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 0.001% of the total scheme liability as at 31 March 2019. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

Notes to the financial statements

20 Pension and similar obligations (continued)

There is also a past service cost of £0.081m in relation to GMP equalisation costs. The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI.

21 Capital commitments

	2019 £'000	2018 £'000
Land and buildings		
Commitments contracted for at 31 July 2019		667

22 Lease obligations

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

	2019 £'000	2018 £'000
Future minimum lease payments due		
Land and buildings		
No later than one year	33	32
Later than one year and not later than five years	39	77
Greater than five years	-	4
	<u>72</u>	<u>113</u>

In addition to the £72,000 disclosed in land and buildings, the College is committed to paying £4,000 per annum for insurance and management charges.

23 Contingent liabilities

The College has received grant income over a number of years. The funding bodies have clawback arrangements in place for many of the grants and the College may have to pay monies back in the event of an audit taking place.

Notes to the financial statements

24 Related party transactions

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

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2018: None).

The total expenses paid to us on behalf of the Governors during the year was £309; 1 Governor (2018: £324; 1 Governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and events in their official capacity.

25 Amounts disbursed as agent

	2019 £'000	2018 £'000
Funding Body Grants		
Balance brought forward	519	550
Funding body grants – bursary support	219	241
Funding body grants – discretionary learner support	307	271
Funding body grants – residential bursaries	-	-
Reclaim from prior year.	-	(58)
Other Funding body grants	-	-
Interest earned	3	2
	<u>1,048</u>	<u>1,006</u>
Disbursed to Students	(245)	(244)
College allocation	(25)	(24)
Paid on behalf of the student	<u>(192)</u>	<u>(219)</u>
Balance unspent at 31 July	<u>586</u>	<u>519</u>

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 grant, related disbursements and payments made on behalf of the students are therefore excluded from the Income and Expenditure Account.

Income and expenditure relating to the Skills Enhancement Fund within the College's Income and Expenditure account relates to the administration costs associated with the running of the project and any projects undertaken by the College.

Notes to the financial statements

25 Amounts disbursed as agent (continued)

	2019 £'000	2018 £'000
Skills Enhancement Fund		
Balance brought forward	-	190
ESFA	-	-
	<u>-</u>	<u>190</u>
Disbursed to Partners	-	-
Contribution to other Educational Projects	-	-
Completion of Project	-	(190)
	<u>-</u>	<u>(190)</u>
Balance unspent at 31 July	<u>-</u>	<u>-</u>

In the majority of instances, the College only acts as a paying agent. In these circumstances, the grant and related disbursement are therefore excluded from the Income and Expenditure Account.

Income and expenditure relating to the Enhancement Fund within the College's Income and Expenditure account relates to the administration costs associated with the running of the project and any projects undertaken by the College.

The completion of the Enhancement Fund project gave rise to a surplus after all required outcomes had been fulfilled. The final balance has been recognised in the Consolidated Statement of Consolidated Income.

	2019 £'000	2018 £'000
Skills Support for the Workforce		
Balance brought forward	466	56
ESFA Grants	15,536	17,624
	<u>16,002</u>	<u>17,680</u>
Disbursed to partners	(12,798)	(14,176)
College allocation	(2,461)	(3,038)
	<u>743</u>	<u>466</u>
Balance unspent at 31 July	<u>743</u>	<u>466</u>

In the majority of instances, the College only acts as a paying agent. In these circumstances, the grant and related disbursement are therefore excluded from the Income and Expenditure Account.

	2019 £'000	2018 £'000
Skills Service		
Balance brought forward	-	648
ESFA Grants	-	16
	<u>-</u>	<u>664</u>
Disbursed to partners	-	(664)
	<u>-</u>	<u>(664)</u>
Balance unspent at 31 July	<u>-</u>	<u>-</u>

In the majority of instances, the College only acts as a paying agent. In these circumstances, the grant and related disbursement are therefore excluded from the Income and Expenditure Account.