Kendal College

Annual Report and Financial Statements for the year ended 31 July 2023

CONTENTS

Reference and Administrative Details

Board of Governors

Jane Barker (appointed 26 January 2023)
Neil Boggin
Kevin Boles
Elaine Davies (appointed 29 March 2023)
Wybie Dodd
Pam Duke (resigned 28 November 2022)
Jane Harrison (resigned 7 December 2022)
Kirsty Heywood-MacDonald
Andy James (appointed 29 March 2023)
Richard Kessel
John Mansergh
Eve Martin (resigned 25 January 2023)
Ben Matthews
Evans Mtikani
Kelvin Nash
Helen Price (appointed 7 December 2022 and resigned 6 June 2023)
Ben Rockcliffe
Jon Thedham
Rachel Tyson (appointed 29 March 2023)
Michael Watts (resigned 30 June 2023)

Clerk / Company Secretary

Carole Drury	Director of Governance (resigned 31 July 2023)
Tamara Breeze	Director of Governance (commenced 1 August 2023)

Senior Leadership Team

Kelvin Nash	Principal and CEO
Richard Evans	Vice Principal – Education and Standards
Craig Owen	Vice Principal – Data, Funding and Information
Tam Breeze	Director of Learner Experience and Quality (resigned 31 July 2023)
Matt Burke	Director of Curriculum (resigned 31 October 2022)
Sinéad Kay	Director of Curriculum for Arts, Apprenticeships and Education (from 21 August 2023)
Beth Lowery	Director of Student Enterprise, Support and Services (from 21 August 2023)
Gayle Salt	Director of Curriculum for STEM, Care and Academic and Professional
Tracey Scott	Director of Finance and Corporate Services (from 2 October 2023)
Graham Wilson	Director of Finance and Resources (resigned 25 Jun 2023)
Vickie Williamson	Director of Student Enterprise, Support and Services (from 11 September 2023)

Principal and Registered Office

Milnthorpe Road, Kendal, LA9 5AY

Reference and Administrative Details (continued)

Professional Advisors

External Auditors	Armstrong Watson LLP, Kendal and Carlisle
Internal Auditors	ICCA Education, Training and Skills Ltd, Birmingham
Bankers	Natwest Bank, Kendal
Bankers	Lloyds Bank, Newcastle
Solicitors	Burnetts, Carlisle
Solicitors	Harrison Drury LLP, Preston

Strategic Report

Nature, Objective and Strategies

The Board of Governors present their report together with the financial statements and author's report for Kendal College for the year ended 31 July 2023.

Legal Status

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

The Corporation was incorporated as Kendal College.

Mission, Vision, Strategy & Objectives

Kendal College is a further education college, with three sites in the town of Kendal in South Lakeland, Cumbria, namely the Milnthorpe Road campus, the Arts and Media campus and the Westmorland Campus, which commenced housing students from September 2022.

One of four general further education colleges in Cumbria, with a wide catchment area, the College offers a broad curriculum from foundation level to higher education, to meet the needs of employers and the local community. Courses are designed to ensure students gain a full range of skills and qualifications, to enable the best possible chance of employment or progression to higher levels, and are delivered flexibly to ensure financial viability and reflect local community and employment needs and Cumbria Local Enterprise Partnership (LEP) priorities.

The College's mission statement is as follows:

Unlocking potential – Transforming lives – Creating bright futures

The vision of Kendal College is to provide outstanding education and training opportunities that are responsive to the needs of our students and our community. All our actions will help develop our students to deliver positive economic and sustainable environmental change both now and in the future.

The mission and vision are supported by our core College values:

- Excellence and ambition
- Respect and honesty
- Diversity and inclusion
- Loyalty and commitment
- A positive environment

At the start of the academic year 2022/23 Kendal College's new strategic plan 'The Kendal Ambition' was approved and is now in operation until 2025.

Strategic Report (Continued)

Following consultation with a range of stakeholders, the strategic plan 2022-2025 is supported by a series of underpinning policies and strategies including estates, quality, finance, and curriculum. The Corporation monitors the performance of the College against our strategic priorities at set points throughout the year, with our priorities as identified as:

- Our quality: consistently deliver a high-quality learning experience and environment, where we innovate, develop and improve our curriculum offer.
- Our reputation: further develop and grow our partnerships and engagement, helping to secure a reputation as the best education and training for our community.
- Our environment: develop the business to ensure we are bound by the highest level of ethical values and behaviours which develops the College's environment practices and awareness.
- Our future sustainability: develop the business to ensure we are resilient, future proof and financially sustainable.
- Our people: continually develop and invest in our people and teams. Supporting learners and staff to be active partners in our work.

The strategic plan is then further split into strategic targets achievable within the duration of the plan, underpinned by an operational plan with annual milestones and Key performance indicators to be achieved each academic year.

The success of the College against these is assessed through the College's quality processes, which reports through to SLT and the Board of Governors.

The detailed Kendal College Strategic Plan for 2022-2025 is available from the College website.

Resources

The College enrolled approximately 3,724 students in 2022/23. The College's student population includes 1,341 16-to-18-year-old students, 945 apprentices, 75 higher education students and 1,363 adult learners.

The College is well resourced to deliver a high-quality curriculum. All real working environments and workshops are equipped to a high standard and not only meet the needs of the curriculum but also of employers.

Personnel

The College employs 349 people, of whom 214 are teaching and teaching support staff. Employees include lecturers, apprenticeship facilitators, learning assistants and technicians as well as estates, finance, HR, catering and administrative personnel.

Strategic Report (Continued)

Financial

The College has £13.7million (2022: £11.5 million) of net assets including a £nil pension asset (2022: £2.2 million liability) and long-term debt of £1.9 million (2022: £2.1 million).

Tangible resources include the Milnthorpe Road campus and Castle Dairy as well as the leased Allen building, Museum and Westmorland Campus. The College continually invests in its site:

- the construction of a new building for the delivery of engineering and construction courses was completed in September 2023 and has been in use, by students and staff, since this date, and
- the purchase of the first and second floors of the Westmorland Shopping Centre (the Westmorland Campus), which will offer additional teaching space, is due to complete by the end of December 2023. A programme of capital improvement works will be required prior to the College bringing the site into full use, which is aimed for by September 2024.

During the year to 31 July 2023, the College also received £1.165 million of capital grants for the purpose of addressing areas of poor condition and improving energy efficiency, across its sites.

Reputation

Kendal College was inspected by OFSTED in October 2023, where it was graded as requires improvement. Whilst the college was disappointed with the outcome, it has fully embraced the inspection findings and believes the outcome was a fair reflection of where the college was at that moment in time. Whilst the OFSTED feedback contained a lot of strong and supportive evidence, the college have taken the positive from the outcome in that it will now use the OFSTED judgement to look at ways to develop and sees the inspection outcome as its first step in a journey of improvement.

Maintaining its quality is essential for the College's success at attracting students and external relationships and, despite the OFSTED outcome, the college continues to have positive stakeholder relationships stemming from the excellent reputation it continues to generate both locally and nationally. Kendal College has a solid foundation on which to build as they continue to improve the quality of their provision prior to a future re-inspection, and that's the message that the college are giving to its staff, students, and stakeholders.

The College engages significantly with its key stakeholders to ensure its curriculum and facilities are fit for purpose, with OFSTED reporting that college leaders work with employers and other stakeholders effectively to identify, understand, and contribute to meeting local and regional skills needs. Curriculum development links closely with current Chamber of Commerce priorities and supports local employment needs through the college's response to the local skills improvement plan. All of this enhances the reputation of the College in its community, evidenced by its standing in the local area and its relationships with Westmorland and Furness Council, FE group of Colleges, South Lakes Federation of Secondary Schools, Kendal Futures and Cumbria Careers Hub.

The College has received numerous other accolades including Beacon Status for excellence and innovation, Matrix Award for advice and guidance and at the last Higher Education Review was judged to meet all the UK expectations.

Strategic Report (Continued)

Stakeholders

The College has many stakeholders including:

- its current, future and past students;
- Education sector funding bodies;
- its staff;
- trade unions (Unison and UCU);
- the employers it works with;
- local educational institutions, including secondary schools, University of Cumbria and Lancaster University as well as the wider FE community;
- local authorities and councils including Cumbria County Council and it's successors - the unitary authorities of Westmorland and Furness Council and Cumberland Council; Lancashire County Council and North Yorkshire Council;
- Government Offices, Regional Development Agencies and Local Enterprise Partnerships; and
- professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through opportunities to be invited into the College for network meetings, open days, employer events and presentations as well as through raising the profile of the College in the media using case studies and stories about stakeholder links. It particularly values the views of its learners through the Student Council and through Student Governors on the Board.

Further information on the College's engagement with stakeholders is available in the Kendal College Accountability Statement on the college website.

Public Benefit

Kendal College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Board of Governors, who are trustees of the charity, are disclosed on page 3. In setting and reviewing the College's strategic objectives, the Board of Governors 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 identifiable public benefits through the advancement of education to approximately 3,724 students, including 78 students with high needs. The College provides a high-quality teaching experience and environment, with courses delivered without charge to young people, to those who are unemployed and adults taking English and maths courses.

Strategic Report (Continued)

The College continues to grow partnerships and engagement with local employers and the wider community to secure the best possible education and training for the community; innovation and continuous improvement to the curriculum offer ensures that the courses delivered meet the needs of local employers. The College is committed to providing information, advice and guidance to the students it enrols and to finding suitable courses for as many students as possible regardless of their educational background. The College is also committed to the development and investment in all staff, to ensure that they are active partners with the College.

Development and Performance

Financial Objectives

The College's financial objectives are to:

- Improve the financial sustainability of the College through robust and prudent practices to secure future investment and delivery of the College Mission Statement.
- Source externally funded contracts including through collaborative bidding and delivery.
- Through robust recording and monitoring processes, maximise funding to enable ongoing sustainability.
- Seek further growth opportunities with less reliance on government funding by maximising the income generation opportunities of curriculum areas and College campuses.
- Continuing to seek cost efficiencies through challenging current processes and ratios, improving procurement procedures and investing in energy efficient upgrades and IT to improve operational efficiencies.
- Generate cash and build reserves.
- Ensure financial efficiency ratios are in line with sector norms.
- Invest in resources and structures to support apprenticeship expansion in response to national reforms, including supply chain opportunities.
- Expand recruitment in all curriculum areas including new and innovative programmes.
- Maximise the take-up of Advanced Learner Loans.
- Re-purpose Kendal Museum as a commercial operation.
- Comply with relevant legislation including Managing Public Money requirements.

The College will achieve its financial objectives by:

- Implementing robust system of financial oversight and governance, which incorporates specialist input, as appropriate, including working with internal and external auditors.
- Continuing to develop a strong system of internal financial controls which is in line with best practice.
- Timely reporting of accurate and relevant financial information to Governors, which is subject to thorough review and challenge.
- Closer scrutiny of financial management and college projects through the governor appointed task and finish group – Finance and Resources Working Group (FRWG).

Strategic Report (Continued)

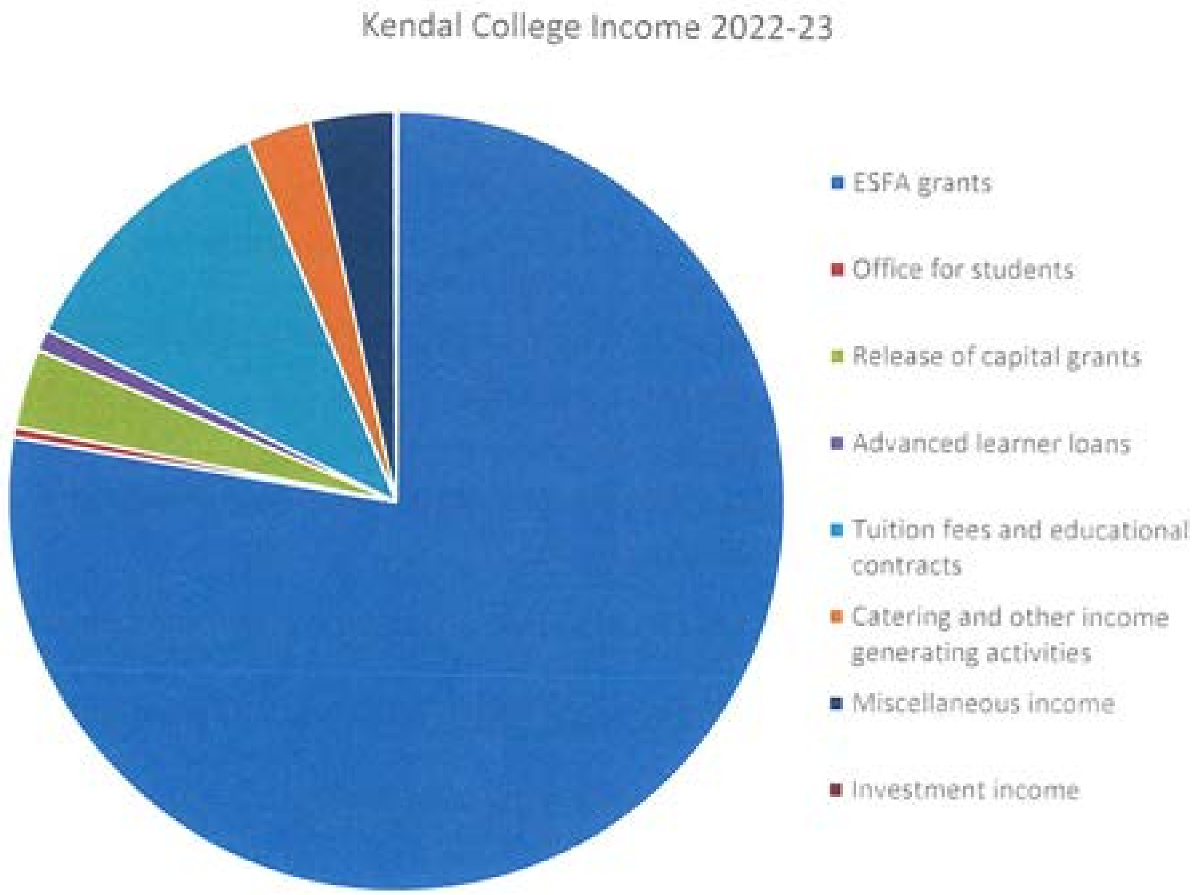
- Prudent budgeting and careful monitoring of expenditure and cashflow.
- Challenging spending and implementing procurement processes which enable the College to achieve best value, including the use of public sector procurement frameworks.
- Monitoring covenants via the risk management process.
- Ensuring that funding contract terms are met and the College tenders for new funding streams.
- Monitoring turnover and growth.

To support the Board of Governors in meeting their financial obligations, a Finance and Resources Working Group, comprising of governors, external specialists and College management, has been established to provide additional monitoring of financial resilience for the Corporation.

Financial Review

Income and Expenditure

The College received 81% of its revenue income for 2022/23 as grants from funding bodies, with 80% coming from the Education and Skills Funding Agency.



Strategic Report (Continued)

Increases in income from 16-to-18-year-olds and apprentices have been offset, in part, by reductions in income from Advanced Learner Loans and Higher Education / Higher National Diplomas. Additional funding has also been generated through grants related to the adoption of the new T Levels and delivery of Multiply and Bootcamp skills sessions, as well as successful application to the Accelerator 2 initiative, though these income streams are matched with increased costs.

The increase in income has been surpassed by increases in costs; pay-awards and increases in headcount have increased staff costs and high levels of inflation have had a direct impact on costs, particularly in relation to IT, premises and catering. Investment has also been made in the Westmorland Campus, to bring the building in line with educational standards.

The College generated an operating deficit of £296k. This surplus includes the following non-cash items:

- £176k service charge relating to the Local Government Pension Scheme (see note 23);
- £90k of net interest and administrative costs, recognised in relation to defined benefit pension schemes, in accordance with FRS102 (see note 23);
- £488k of Capital Grant releases;
- £1,029k depreciation and amortisation (see note 11);
- £3k loss on disposal of assets;

Excluding these, non-cash items, the College's operating performance was a surplus of £1,401k.

Balance Sheet Assets and Liabilities

At 31 July 2023, the College held net current liabilities of £794k (2022: £627k) and net assets of £13.7 million (2022: £11.5 million), which includes a defined pension asset of £nil (2022: £2.2 million liability).

During the year the College invested £1.7 million in tangible and intangible fixed assets, including £803k in relation to the construction of a new Engineering and Construction block at the Milnthorpe Road campus. This project was part-funded by Government grants, which are being held on the Balance Sheet and released to the Statement of Income and Expenditure in line with depreciation on the building.

The College was also granted an additional £1.074 million of funding from the Department of Education towards the construction of a new Animal Care building. Unfortunately, the costs associated with this build were prohibitive and the College has withdrawn from this project.

The College received a further £1.165 million in capital grants which have not yet been spent and are being held as a liability on the balance sheet, within receipts in advance. These funds will be used for a programme of site improvements addressing areas of poor condition.

Strategic Report (Continued)

At 31 July 2023, the College held cash and short-term investment balances of £2.8 million, including £186k of ring-fenced Learning Support Funds, £2.4 million of unspent capital grants (subject to restrictions) and £116k of grants relating to employers. The net cashflow in the year to 31 July 2023 was £526k. The College closely monitors cashflows and aims to continue to increase its unallocated cash balances in order to develop a contingency to meet short-term emergencies and future capital requirements.

At 31 July 2023, the College had £1.9 million of loans outstanding with third party banks, Natwest and Lloyds.

At 31 July 2023, the College had accumulated reserves of £13.7 million, comprising:

- £748k Revaluation Reserve: this is a non-cash reserve which reflects the increase in the value of the book value of the College land and buildings when valued in 1996. The College has chosen not to adopt a policy of revaluing these properties in the future;
- £12,937k Unrestricted Reserves: representing the excess of income generated by the College less expenditure; and
- £34k Restricted Reserves: representing the excess of income received in relation to the Multiply initiative compared to expenditure incurred at 31 July 2023;
- £nil pension asset: the pension valuation for the College has been capped as, whilst the College's share of the scheme assets exceeded its share of liabilities, this will not result in a future economic benefit. The College will continue to make pension contributions, as advised by the scheme actuary.

The Board of Governors review the current and projected level of reserves on a regular basis, ensuring that it is adequate for the continued operation of the College.

Future Prospects

The College continues to focus on growing student numbers and quality of teaching and learning, with particular focus given to growth in Work Based Learning, Higher Education and A Levels.

Growth has been hindered by constraints on teaching space, this has been addressed through the short-term hire of temporary accommodation and the purchase of the Westmorland Campus leasehold.

Future Developments

The College are looking to increasingly meet the skills needs of Cumbria and have been working closely with the Chamber of Commerce and the Cumbrian Local Enterprise Partnership (CLEP) to deliver programmes that help support the employers and skills needs of the county. Kendal College's Accountability Statement can be found on our website which give further detail as to how the college are supporting skills through our current and future work. We are active in the CLEP led multiply projects and bootcamp provision, alongside our continued work on and the local skills improvement plan supported by the Chamber of Commerce. We also continue expanding our T Level offering.

Strategic Report (Continued)

Our College strategy 'the Kendal ambition' is looking at expansion of our adult, apprenticeship and higher education provision in line with our strategic aims.

Financial Plan

The College's financial objectives are set out within the College strategy, which was approved by the Board of Governors in July 2021 and is subject to termly reviews.

The Board of Governors have also approved separate treasury management and reserves policies, as outlined below.

Treasury Policies and Objectives

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

The College has a separate treasury management policy in place, which is reviewed on an annual basis. Compliance with this policy is overseen by the Board of Governors.

Following the reclassification of FE colleges to the government sector from 29 November 2022, any new amendments to existing private sector borrowing facilities or new borrowings are subject to prior approval by the ESFA. Kendal College received approval to enter into a new £4.6 million loan-finance arrangement with Natwest on 28 February 2023; these funds will be drawn down in December 2023 and used to repay an existing loan with Lloyds bank and purchase the Westmorland Campus.

Reserves Policy

The College 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; it has a reserves policy approved by the Audit and Risk Committee in May 2023.

As at the balance sheet date, the College has £34k (2022: £0k) of restricted reserves, £nil million pension asset (2022: £2.207 million liability) and £12.937 million of unrestricted income and expenditure reserves (2022: £12.124 million).

A programme of capital improvement works has been developed. In relation to unspent Energy Efficiency, FE Reclassification, FE Transformation and T Level Equipment capital grants, it is expected that these grants will be spent in full over the 2023-24 and 2024-25 academic years.

It is the College's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Strategic Report (Continued)

Principal Risks and Uncertainties

Risk management is embedded into all the College does and it has well developed strategies for managing risks. Risk management systems, including internal control processes, are designed to protect the assets of the College as well as its reputation and are regularly reviewed to enable the College to operate in line with best practice.

The Board of Governors has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

Based on the strategic plan, senior management and the Board of Governors of the College undertake a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. Internal controls are then implemented, and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, consideration is also given to any risks which may arise as a result of a new area of work being undertaken by the College.

A strategic risk register is maintained which is reviewed at least on a termly basis by the Audit and Risk Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring and Red, Amber, Yellow, Blue and Green rating system.

Outlined below is a description of the principal risk factors that may affect the College and the actions taken to minimise the impact from these. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

- **Declining Financial Health Score:** the College must be financially stable and resilient in order to remain independent. The College's financial health grade is currently classified as **"good"**. However, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways including robust financial controls, rigorous budget setting procedures and sensitivity analysis, regular financial reporting and in-year budget monitoring as well as exploring on-going procurement efficiencies and opportunities for income generation.
- **Breach of Covenants:** the College must remain compliant with its loan covenants, a breach could lead to repayment of the loan. Financial forecasts and monthly management accounts, reviewed by Senior Leaders and Governors, report on performance against covenants.
- **Failure to Achieve Student Recruitment Targets:** the majority of the College's income is derived from recurrent grants calculated on the basis of student numbers; failure to meet student recruitment targets would seriously impact financial stability and cash balances of the College, which could also have reputational implications. KPIs relating to recruitment targets are set annually, based on a combination of past enrolments, demographics and intelligence from Heads of Faculties; performance against these is assessed at each meeting of the Board of Governors.

Strategic Report (Continued)

- **Failure to Meet Outcome Targets:** the College's reputation rests on its ability to provide high quality teaching and learning which results in good levels of learner progress, failure to meet outcome targets would impact on the College's self-assessment report and external monitoring, including Ofsted outcomes, as well as student numbers and staff morale. A robust system of quality management, which include curriculum performance reviews, is implemented and overseen by the Board of Governors.
- **Failure to Prepare for T Level Qualifications:** specialist grants have been received to support implementation of the new T Levels, this pilot funding may be withdrawn, student applications may fall and the College's reputation may be damaged if it fails to deliver high quality T Level courses.
- **Challenges Retaining and Recruiting Personnel:** the success of the College relies upon its high quality, highly skilled personnel. Difficulties recruiting or retaining staff may lead to poor student experiences, a decline in staff morale and possible industrial action as well as reputational damage. To attract and retain staff, the College aims to offer a competitive rewards package, which includes well-being offerings and opportunities for development and progression, and seeks employee feedback and engagement through satisfaction surveys. Succession plans are in place for key members of personnel.
- **Insufficient Resources Available to Deliver a High-Quality Curriculum:** a lack of suitable teaching and delivery spaces or necessary resources could have a detrimental impact on students' learning experience and result in reduced student numbers. A Capital and Estates Strategy, which outlines actions to secure additional learning spaces as well as a programme of capital improvement works to address assets in poor condition, has been developed and approved by the Board of Governors. This strategy aligns with College priorities and financial forecasts provide for related expenditure. The College maximises funds available for purchasing resources by applying for all relevant additional grant funds and capital projects are managed by the experienced management team, with the support of specialist external advisors, overseen by the Finance and Resource Working Group.
- **Failure to Manage the College Network and Data Securely:** the efficient running of College operations relies upon the effectiveness of IT network, unauthorised access to the network, e.g. through a cyber-attack, could result in severe disruption to operations and loss of data and cyber attackers may demand ransom payments to restore access to systems. The College may also be fined for loss or breach of data. Kendal College is committed to ensuring the security of its data, a robust system of IT controls are implemented and overseen by the in-house IT team, Senior Leaders and Board of Governors; the effectiveness of such cyber policies and procedures are reviewed annually by specialist advisors and the College is working towards Cyber Essentials Accreditation.

Strategic Report (Continued)

- **Uncertain Economic Environment:** through the purchase of goods and services from third parties and payment of interest on bank loans, the College is affected by changes in both inflation and interest rates. During the year to 31 July 2023, the consumer price index was significantly higher than in recent years, fluctuating between 9.6% (October 2022[1]) and 6.4% (July 2023), and the Bank of England Base Rate increased from 1.25% to 5%[2]. Financial forecasts make allowances for inflationary increases, based on best estimates at the time they are set, and financial modelling and sensitivity analysis calculates the impact of movements in interest rates.
- **Government Funding:** the College has considerable reliance on continued government funding through the further education sector funding bodies. In the year to 31 July 2023, 81% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurances that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms. The College is aware of issues which may impact on future funding, such as apprenticeship funding reforms and the introduction of T Levels. The College mitigates these risks in a number of ways, including ensuring delivery of high-quality education and training, maintaining and managing key relationships with various funding bodies and working with all stakeholders.
- **Government Policy:** similarly, the College is subject to risks from changes in government policies. The reclassification of the English colleges sector into central government from 29 November 2022 brought colleges under the framework for financial management set out in Managing Public Money (MPM), published by HM Treasury, and introduced new requirements relating to financial management and oversight. Immediate changes to borrowing approvals introduced significant delays to the acquiring of a new bank loan to purchase of the Westmorland Campus and increased associated costs. The College's policies, procedures and approval processes have been updated to ensure compliance with the new requirements following reclassification, including the establishment of systems and processes to identify and handle transactions for which DfE approval is now required.
- **Maintain Adequate Funding of Pension Liabilities:** the financial statements report the share of the Local Government Pension Scheme surplus or deficit on the College's balance sheet in line with the requirements of FRS102. The risk is mitigated by an agreed deficit recovery plan with Cumbria County Council.

[1] https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/l55o/mm23
[2] https://www.bankofengland.co.uk/monetary-policy/the-interest-rate-bank-rate

Strategic Report (Continued)

Key Performance Indicators

The College's key performance indicators (KPIs), targets and results are set out below:

Key Performance Indicator	2022/23		2021/22
	Actual	Target	Actual
Student Number: 16-18-year-old headcount	1,341	1,330	1,324
Student Number: 16-18-year-old full time	1,251	1,300	1,233
Student achievement: 16-to-18-year-olds	84.4%	86.0%	83.6%
Student achievement: All (excluding GCSEs)	87.0%	87.0%	85.6%
Student attendance: Main qualification (full time)	87.2%	91.0%	87.1%
Student retention: 16-18 year-olds	89.1%	90.0%	92.2%
Student retention: 19+	91.0%	92.0%	90.2%
Operating surplus/sector EBITDA as % of income	0.27%	5.18%	6.03%
Staff costs as % of income	66.81%	67.35%	68.82%
Operating Cash balance	£2,800k	£928k	£2,274k
Cash days in hand/liquidity (adjusted current ratio)	73.42	22.02	66.14
Borrowing as % of income	13.51%	27.43%	15.84%
Financial Health Grade	Good	Good	Good
Financial Health Score	190	220	190
Staff Satisfaction	73.5%	82.0%	74.6%
Ofsted rating	Grade 3 (2023)		Grade 2 (2017)

Student Achievements

Students continue to prosper at the College, with achievements rates remaining high:

Academic Year	Achievement %
2017/18	86.3%
2018/19	87.1%
2019/20	84.7%
2020/21	86.1%
2021/22	83.4%
2022/23	84.4%

Financial Performance

The College is committed to achieving strong financial outcomes and values the guidance provided by the ESFA in relation to best practice; Governors and management use the ESFA Financial Health Grading System, FE Commissioner Benchmarking and Financial Benchmarking Tool for Colleges to assess the College's financial performance. The current rating of "Good" is considered an appropriate outcome.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 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. During the accounting period 1 August 2022 to 31 July 2023, the College paid supplier invoices at least twice a month to ensure that late payment opportunities were minimised. The College incurred no late payment fees for this period.

Strategic Report (Continued)

Staff Satisfaction

The College take part in an annual staff satisfaction survey which is then benchmarked against other colleges across the country. Whilst our results for 2022/23 showed improvement over 2021/22, our current in year staff satisfaction results show some areas that need further and targeted improvement across the college.

Staff satisfaction remains an area of focus for College management, governors and unions, and is an area that the College are looking to actively improve its performance on through the coming academic year with particular emphasis on improving areas such as communication, and staff wellbeing.

Streamlined Energy and Carbon Reporting

Kendal College is committed to minimising the environmental impact of the College's activities via continuous improvement in environmental performance. It also seeks to develop a culture of environmental responsibility in all staff and students as well as in the management of the College's estates.

The College's environmental mission statement is as follows:

> "To work towards a sustainable future by generating and implementing practical and achievable solutions to develop an environmentally conscious, economically sustainable and socially aware community".

The College has developed an Environmental Sustainability Policy, which was approved by the Board of Governors in March 2023, and is in the process of developing a Sustainability Action Plan as well as engaging specialists to assist in the development of a suitable carbon reporting methodology.

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 trade union representatives employed during the year	5
FTE	3.4

Percentage of time	Number of employees
0%	0*
1-50%	5
51-99%	0
100%	0

* The number of Union members is unknown to the College. Trade Union time is calculated on the basis of estimated membership, with 1 hour allocated to every 10 members per week, for 35 weeks.

Strategic Report (Continued)

Total cost of facility time	£17,219.95
Total pay bill	£9,421,942.77
Percentage of total bill on facility time	0.18%

Time spent on paid trade union activities as a percentage of total paid facility time	100%

Equality and Diversity

Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race or colour, gender, age, sexual orientation disability, HIV status, nationality, political or religious beliefs and unrelated criminal convictions or other specific factors which could result in discrimination. We strive vigorously to remove conditions which place people at a disadvantage, and we will actively combat bigotry. The College's Equality Policy is resourced, implemented and monitored on a planned basis and published on the College's web site.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The objectives provide a framework for the College response to commitment to equality, community cohesion and ensure there is monitoring of achievement gaps for those with protected characteristics. The objectives are approved and monitored by the Board and reported in the annually published equality report. The College undertakes equality impact assessments on all new policies and procedures and existing policies and procedures on a prioritised basis or at the time of their next review.

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

Gender Pay Gap Reporting

Kendal College is required by law to publish an annual gender pay gap report. The following extract is taken from the Gender Pay Gap Report as at 30 May 2023, available from the College website.

	Year ending 31 March 2023
Mean gender pay gap	11.6%
Median gender pay gap	21%

Strategic Report (Continued)

The proportion of males and females in each quartile of the pay distribution are:

	Males No. (proportion)	Females No. (proportion)
1 - Lower quartile	22 (19%)	64 (28%)
2	18 (16%)	68 (30%)
3	38 (33%)	48 (21%)
4 – Upper quartile	37 (32%)	49 (21%)

These figures have been calculated using the standard methodologies used in the Equality Act 2010 (General Pay Gap Information) Regulations 2017.

Disability Statement

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

The College is committed to the ethos of a disability-friendly college and will ensure that all reasonable adjustments are made to provide an assurance that disabled people are treated fairly.

Kendal College is fully accessible and provides specialist equipment such as hearing loops and radio aids to meet individual learner's specific needs as well as a range of assistive technologies in the learning centre. Adaptations are made to meet the needs of learners with disabilities, as appropriate, which includes the offering of supported internships.

A continuing programme of staff development ensures that high quality support is provided by the College's SENCOs and Learning Assistants, appropriate to the needs of students. As an example of this, a member of College staff is currently undertaking a diagnosis Assessment and Support for Learners with ADHD in Post-16 Settings course.

The College employs a dedicated student welfare team, including a student counsellor. It has also developed links with a number of external bodies to provide mental health support, such as counselling services.

Going Concern

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

The College has a strong, experienced and reactive management team and its growth is monitored by the Education and Skills Funding Agency.

The College has the support of its bankers in respect of cash flow and has prepared cash flow forecasts for the two years to 31 July 2024, to the best of its knowledge. The College believes it can and will meet its financial obligations during the next 24 months (years to 31 July 2024 and 2025).

The College has been practical and prudent in making adaptations to the way it operates and carefully monitored income and expenditure. For these reasons, the College's cash flow remains, and is projected to remain, good. The growth in student numbers will also bring in lagged funding

Strategic Report (Continued)

in 2023/24. The College has demonstrated that it monitors finances closely and adapts when and where necessary and considers it can and will continue to operate successfully.

Events after the Reporting Period

As part of a refinancing arrangement approved by the ESFA, the existing £1.9 million Lloyds loan is due to be repaid in December 2023 when the College will enter into a new, additional loan with Natwest for £4.6 million. This new loan, which is secured by a first legal charge on the Milnthorpe Road campus, is for a term of 25 years at an interest rate of bank base rate plus 2.13% and subject to covenants on EBITDA.

On 20 November 2023, the College was informed that a joint application with Westmorland & Furness Council for Levelling Up funding has received approval. As a result of this, the College anticipates receiving up to £1.6 million of additional funding to support the redevelopment of the Westmorland Campus.

Disclosure of Information to Auditors

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

Approved by order of the members of the corporation on 13 December 2023 and signed on its behalf by:

J Thedham
Chair of Governors

Statement of Corporate Governance and 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 1 August 2022 to 31 July 2023 and up to the date of approval of the annual report and financial statements.

Governance Code

The College endeavours to conduct its business:

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

In the opinion of the Board of Governors, the College has complied with all the provisions of the Code, throughout the year ended 31 July 2023. This opinion is based on an external review of compliance with the Code/Governance Evaluation reported to the board on 12 July 2023. This external review was undertaken by Perryman, Yeandle and Associates Limited. The Board of Governors recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in May 2015.

Whilst not having adopted the UK Corporate Governance Code 2018, the Corporation has had due regard to its principles and guidance.

The Corporation

Members of the Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table on page 23.

Statement of Corporate Governance and Internal Control (Continued)

Name	Date of Appointment	Expiry of Office or Resignation	Term of Office	Status of Appointment	Committee Membership	Corporation Meeting Attendance
Jane Barker	26/01/2023	25/01/2027	1	Staff Member	Search & Governance	100%
Neil Boggin	10/03/2020	09/03/2024	1	Independent Member	Audit & Risk (Chair) Remuneration	100%
Kevin Boles	01/09/2021	30/08/2025	1	Independent Member	Search & Governance (Chair from January 2023) Remuneration	100%
Elaine Davies	29/03/2023	28/03/2027	1	Independent Member	Finance & Resources Working Group	100%
Wybie Dodd	28/06/2022	End of course	1	Student		63%
Pam Duke	10/03/2020	28/11/2022	1	Co-opted Governor	Audit & Risk	50%
Jane Harrison	19/04/2022	07/12/2022	1	Staff Member		100%
Kirsty Heywood-MacDonald	10/03/2020	09/03/2024	1	Co-opted Governor	Audit & Risk (Co-opted)	100%
Andy James	29/03/2023	28/03/2027	1	Independent Member		66%
Richard Kessel	01/09/2021	21/02/2023	1	Co-opted Governor	Finance & Resources Working Group (Co-opted)	Not recorded
John Mansergh	01/09/2021	30/08/2025	1	Independent Member	Audit & Risk Committee	100%
Eve Martin	29/03/2017	25/01/2023	2	Independent Member	Search & Governance	100%
Ben Matthews	01/09/2021	30/08/2025	1	Independent Member	Search & Governance	66%
Evans Mutikani	28/06/2022	End of course	1	Student	Search & Governance	38%
Kelvin Nash	28/05/2018	-	-	Principal and CEO	Search & Governance Finance & Resources Working Group	100%
Helen Price	07/12/2022	06/06/2023	1	Independent Member	Audit & Risk Finance & Resources Working Group	100%
Ben Rockliffe	11/02/2019	10/02/2027	2	Independent Member	Vice Chair Audit & Risk Finance & Resources Working Group (Chair)	75%
Jon Thedham	10/02/2016	09/02/2024	2	Independent Member	Chair Search & Governance Remuneration Finance & Resources Working Group	100%
Rachel Tyson	29/03/2023	28/03/2027	1	Independent Member		100%
Michael Watts	10/07/2019	30/06/2024	1	Staff Member		38%

Statement of Corporate Governance and Internal Control (Continued)

The Governance Framework

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters, personnel-related matters and health and safety and environmental issues. During the year to 31 July 2023 the Corporation met six times for Board meetings plus held one strategic planning event and one training event.

The Corporation conducts its business through its scheduled board meetings and statutory committees. Each committee has terms of reference, which have been approved by the Corporation. These Committees are Audit and Risk, Search and Governance, and Remuneration. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.kendal.ac.uk or from the Clerk to the Corporation at the College's registered address.

The Clerk to the Corporation maintains a register of financial and personal interests of the governors and senior managers, including a "fit and proper persons" check. The register is available for inspection at the above address.

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board and Committee meetings. Briefings are also provided on an ad hoc basis and members have access to an e-portal where further reading materials are deposited.

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

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

Appointments to the Corporation

Appointments are made to the Board of Governors when there are vacancies. Consideration is given to skills sets which would be beneficial to the College in order that the senior managers of the College receive the appropriate challenge and enquiry at meetings. There is a process for appointment and induction of Governors, including appropriate training. During the year, five new governors were appointed, one staff governor and three independent governors, to replace governors who left during the year.

Members of the Corporation are appointed for a term of office not exceeding four years, and usually complete two terms of office. By exception governors are invited to continue beyond two terms where their expertise is required by the Board, however, no governors exceed the AoC recommended maximum of four terms.

Statement of Corporate Governance and Internal Control (Continued)

Governor Training

All board members of Kendal College Corporation are required to undertake regular training and the schedule of business includes a bespoke training event that annually includes a safeguarding update. A record of training is held that includes both the training event, external training attended by individual governors and on-line modules completed by governors.

Annual training completed by the Clerk

As a National Leader of Governance, the Clerk has attended briefings from the Department for Education, has undertaken training as an external board reviewer with ETF and AoC and has attended national and regional clerks' on-line conferences and meetings.

Corporation performance

The Corporation regularly evaluates its own effectiveness. A process of self-assessment is undertaken annually; using a variety of methods, the Board of Governors makes an overall judgement on its performance and the outcome of this review is reported in a self-assessment report. This report is approved by the Corporation and is then embedded into the overall College self-assessment of leadership and management. Methods include individual governor appraisal, assessment of the Chair's performance, review of performance against key performance indicators and the Code of Good Governance for English Colleges as well as each committee reviewing it performance against its terms of reference. Each committee prepares an annual report on its activities of the previous year.

In line with the DfE's Governance Handbook 2023, the Corporation commissioned an external review if the effectiveness of the board during the year to 31 July 2023. This review was conducted by Perryman, Yeandle and Associates Limited in May 2023 and concluded that "there is strong evidence that the Board is effective and consistently impacts positively on college effectiveness and outcomes". The outcomes of the report have been input into the College improvement plan.

The external review by Perryman, Yeandle and Associates formed the basis for the Corporation's self-assessment of its performance, against the educational and inspection framework, and the Corporation graded itself as "Good" on the Ofsted scale.

Search and Governance Committee

The Search and Governance Committee comprises five members of the Corporation and operates in accordance with written terms of reference, approved by the Corporation.

The Committee meets on a termly basis to advise the Corporation on the appointment and re-appointment of eligible members; to consider the composition and balance of the Corporation and its committees; undertake regular skills audits and devise and implement a Governor Development & Improvement Plan to address identified skills gaps; monitor governor attendance and monitor the Boards compliance with statutory requirements, including instrument and articles of governance and the AoC Good Governance for English Colleges guidance.

Statement of Corporate Governance and Internal Control (Continued)

Remuneration Committee

The College's Remuneration Committee comprises four members of the Corporation, excluding staff and student members. The Committee's responsibilities are to make recommendations to the Board on the remuneration of the designated senior post-holders including Principal, senior finance person and Clerk as well as reviewing their performance.

On the recommendation of the Remuneration Committee, the College adopted the AoC's Senior Staff Remuneration Code.

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

Audit and Risk Committee

The Audit and Risk Committee comprises a minimum of three and no more than four members of the Corporation (excluding the Accounting Officer and Chair), and finance and audit specialists as co-opted members. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit and Risk Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

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

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

The Audit and Risk Committee met four times in the year to 31 July 2023. The members of the Committee and their attendance records are shown below:

Committee member	Meetings attended (Out of a possible)
Neil Boggin (Chair)	4 (out of 4)
Pam Duke (co-opted member)	1 (out of 2)
Kirsty Heywood-MacDonald (co-opted member)	3 (out of 4)
John Mansergh	4 (out of 4)
Ben Rockliffe	3 (out of 4)
Helen Price	2 (out of 2)

Statement of Corporate Governance and Internal Control (Continued)

Finance and Resources Working Group

The Finance and Resources Working Group was established to provide additional monitoring of financial resilience for the Corporation. The working group has no delegated powers to determine matters on behalf of the Corporation but acts in an advisory capacity to the Board of Governors, working with senior and other managers to provide assurance.

The working group meets on, at least, a termly basis and comprises a minimum of two governors and may include persons co-opted by the Corporation. Advisors or third parties may also be invited to meetings to provide specialist input.

Internal Control

Scope of Responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum/ Financial Agreement between Kendal College and the funding body and the OfS registration conditions. They are 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 Kendal College for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate these risks. This review included consideration of the arrangements for ensuring that the College complies with legal and regulatory requirements including those relating to the regularity and propriety of the use of the public funding. 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 2023 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

Statement of Corporate Governance and Internal Control (Continued)

The key risks to which the Corporation is exposed are outlined within the Strategic Report, on page 14. The Risk Register is reviewed at every meeting of the Audit and Risk Committee and prior to any changes in the College's business operations, or following significant events (e.g. COVID-19).

The Risk and Control Framework

Where possible, systems and processes of internal control are implemented in response to identified risks to mitigate any potential impact on the College.

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Governors;
- regular reviews by the Board of Governors of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

The effectiveness of such systems of internal control are subject to review by the College's internal auditors and an annual review undertaken by the Board of Governors.

Kendal College has engaged an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit and Risk committee. At minimum annually, the Head of Internal Audit (HIA) provides the Board of Governors with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Control Weaknesses Identified

During the year to 31 July 2023, internal audit reviews were conducted into the College's capital strategy and projects; learning support and high needs funding; health and safety; key financial controls relating to the sales ledger and income and performance management processes. A benchmarking exercise was also undertaken in relation to business support costs. A number of low and medium priority recommendations were made to the Corporation, as a result of these reviews, all of which have been addressed during the period.

A follow-up review of management progress with implementing agreed internal audit recommendations is undertaken by the internal audit team annually; the outcome of this review is reported to the Audit and Risk Committee. All internal audit recommendations from the year to 31 July 2022 have been implemented (95%) or partially implemented (5%).

The Audit and Risk Committee is satisfied that the action taken is sufficient to address the control weakness.

Statement of Corporate Governance and Internal Control (Continued)

Responsibilities under Funding Agreements

The Department for Education and Education and Skills Funding Agency introduced new controls for the College on 29 November 2022, the day that the Office for National Statistics reclassified colleges as public sector organisations in the national accounts. The ESFA chief executive communicated these changes to all college accounting officers and explained plans to introduce a college financial handbook in 2024. The college has reviewed its policies, procedures and approval processes in line with these new requirements to ensure there are systems in place to identify and handle any transactions for which DfE approval is required.

In line with these new requirements, the College obtained DfE approval for the new loan entered into with Lloyds bank in February 2023.

Statement from the Audit and Risk Committee

The Audit & Risk Committee has advised the Board of Governors that the corporation has an effective framework for governance and risk management in place based upon its programme of internal reviews and deep dives. The Audit & Risk Committee believes the corporation has effective internal controls in place.

Review of Effectiveness

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

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

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

The Accounting Officer and 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 Accounting Officer, senior management team and the Audit and Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit and Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its July 2023 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2023 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2023.

Statement of Corporate Governance and Internal Control (Continued)

Based on the advice of the Audit and Risk Committee and the Accounting Officer, 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 13 December 2023 and signed on its behalf by:

J Thedham
Chair of Governors

K Nash
Accounting Officer

Statement of Regularity, Propriety and Compliance

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

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

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

K Nash
Accounting Officer
13 December 2023

Statement of the Chair of Governors

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

J Thedham
Chair of Governors
13 December 2023

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 Corporation's grant funding agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and its surplus / deficit of income over expenditure for that period.

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

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

The Corporation is also required to prepare a Members report, in accordance with paragraphs 3.23 to 3.27 of the FE and HE SORP, which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the Corporation.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the 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 its assets and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation; 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 and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that all the funds from the ESFA, and any other public funds, are used only in accordance with the ESFA's grant funding agreement and contracts and any other conditions that may by prescribed from time to time by the ESFA, or any other public funder, including that any transactions entered into by the Corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and the ESFA's bite size guides.

Statement of Responsibilities of the Members of the Corporation (continued)

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 that 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 and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 13 December 2023 and signed on its behalf by:

J Thedham
Chair of Governors
13 December 2023

Independent Auditor's Report to the Governing Body of Kendal College

Opinion

We have audited the financial statements of Kendal College (the 'College') for the year ended 31 July 2023 which comprise the college statement of comprehensive income, the college balance sheet, the college statement of changes in reserves, the college statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2023 and of the College's surplus/deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Independent Auditor's Report to the Governing Body of Kendal College (continued)

Other information

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

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

We have nothing to report in this regard.

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

In our opinion, in all material respects:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2022 to 2023 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

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

- the College's grant and fee income, as disclosed in the note 3A to the accounts, has been materially misstated.

Independent Auditor's Report to the Governing Body of Kendal College (continued)

Responsibilities of the Governing Body of Kendal College

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on pages 32 and 33, the Governing Body 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 Governing Body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Independent Auditor's Report to the Governing Body of Kendal College (continued)

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

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

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

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

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

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

Independent Auditor's Report to the Governing Body of Kendal College (continued)

Use of our report

This report is made solely to the Governing Body, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 27 July 2023. Our audit work has been undertaken so that we might state to the Governing Body, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

Karen Rae

KAREN RAE
For and on behalf of
ARMSTRONG WATSON AUDIT LIMITED
Chartered Accountants and Statutory Auditors
James Watson House
Victoria Place
Rosehill
Cumbria
CA1 2UU

Date: 18 December 2023

Reporting Accountant's Assurance Report on Regularity

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

In accordance with the terms of our engagement letter dated 27 July 2023 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, in all material respects, the expenditure disbursed and income received by Kendal College during the period 1 August 2022 to 31 July 2023 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Corporation of Kendal 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 Kendal College and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Kendal College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Kendal College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

Reporting Accountant's Assurance Report on Regularity (continued)

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

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

The work undertaken to draw to our conclusion includes:

- A review of the accuracy of the Corporation's self-assessment of compliance with regularity and proprietary requirements and review of appropriate evidence and documentation.
- Review of expenditure systems for compliance with Corporation policy and scheme of delegation.
- Consideration of staff expense claims in line with policy.
- Review of procedures in respect of government procurement cards.
- Review of Corporation minutes.
- Consideration of advisory matters from internal auditor's reports.

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed:

Karen Rae

KAREN RAE
For and on behalf of
ARMSTRONG WATSON AUDIT LIMITED
Chartered Accountants and Statutory Auditors
James Watson House
Rosehill
Carlisle
Cumbria
CA1 2UU

Date: 18 December 2023

Statement of Comprehensive Income and Expenditure

For the year ended 31 July 2023

	Notes	Year ended 31 July 2023 £'000	31 July 2022 (Restated) £'000
Income			
Funding body grants	2	12,112	10,760
Tuition fees and education	3	1,847	2,010
Other income	4	927	824
Investment income	5	19	1
Total income		**14,905**	**13,595**
Expenditure			
FRS102 LGPS current service cost	23	(176)	(562)
Other staff costs	6	(9,654)	(9,061)
Restructuring costs	6	(28)	-
Total staff costs	6	(9,858)	(9,623)
Other operating expenses	7	(4,112)	(3,352)
Depreciation and amortisation	11, 12	(1,029)	(901)
Interest and other finance costs	9	(199)	(240)
Total expenditure		**(15,197)**	**(14,116)**
(Deficit) / Surplus before other		**(293)**	**(521)**
Loss on disposal of assets		(3)	(2)
(Deficit) / Surplus before tax		**(296)**	**(523)**
Taxation	10	-	-
(Deficit) / Surplus for year		**(296)**	**(523)**
Unrealised surplus on revaluation		65	65
Revaluation of defined benefit pension liability	23	2,472	6,066
Total Comprehensive Income		**2,241**	**5,608**
Represented by:			
Restricted comprehensive		34	-
Unrestricted comprehensive		2,207	5,608
Surplus for the year		**2,241**	**5,608**

All items of income and expenditure relate to continuing activities.

Balance Sheet as at 31 July 2023

	Notes	2023 £'000	2022 (Restated) £'000
Fixed Assets	11		
Tangible fixed assets		30,369	29,652
Intangible fixed assets	12	28	43
		30,397	**29,695**
Current Assets			
Stocks		30	27
Debtors	13	1,044	605
Cash at bank and in hand	19	2,800	2,274
		3,874	**2,906**
Current Liabilities			
Creditors – amounts falling due within one year	15	(3,503)	(3,533)
Net Current Liabilities / Assets		**371**	**(627)**
Total Assets less Current Liabilities		**30,768**	**29,068**
Creditors – amounts falling due after more than one year	16	(16,748)	(14,974)
Provisions for Liabilities			
Defined benefit pension scheme	18	-	(2,207)
Other provisions	18	(301)	(344)
Total Net Assets		**13,719**	**11,543**
Unrestricted Reserves			
Income and Expenditure Reserve		12,937	10,730
Revaluation Reserve		748	813
Total Unrestricted Reserves		**13,685**	**11,543**
Restricted Reserves		**34**	**-**
Total Reserves		**13,719**	**11,543**

The financial statements on pages 41 to 69 were approved and authorised for issue by the Corporation on 13 December 2023 and were signed on its behalf on that date by:

J Thedham
Chair of Governors

K Nash
Accounting Officer

College Statement of Changes in Reserves

	Income and Expenditure (Restated)	Revaluation Reserve	Restricted Reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1 August 2021	**5,122**	**878**	**-**	**6,000**
Surplus/(deficit) from the income and expenditure account for 2021-22	(523)	-	-	(523)
Other comprehensive income	6,066	-	-	6,066
Transfers between revaluation and income and expenditure	65	(65)	-	-
Balance at 31 July 2022	**10,730**	**813**	**-**	**11,543**
Surplus/(deficit) from the income and expenditure account for 2022-23	(330)	-	34	(296)
Other comprehensive income	2,472	-	-	2,472
Transfers between revaluation and income and expenditure	65	(65)	-	-
Total Comprehensive Income for the year	**2,207**	**(65)**	**34**	**2,176**
Balance at 31 July 2023	**12,937**	**748**	**34**	**13,719**

Cash Flow Statements

For the Year ended 31 July 2023

	Notes	2023 £'000	2022 (Restated) £'000
Cash flow from operating activities			
Surplus/(deficit) for the year		(296)	(523)
Adjustment for non-cash items			
Depreciation		1,029	901
Pensions costs less contributions payable		265	698
Capital grant releases		(488)	(385)
(Increase)/decrease in stocks		(3)	(9)
(Increase)/decrease in trade and other debtors		(439)	(172)
Increase/(decrease) in trade and other creditors due within one year		(148)	1,510
Increase/(decrease) in trade and other creditors due after one year		-	-
Increase/(decrease) in provisions		(43)	(62)
Taxation		-	-
Adjustment for investing or financing activities			
Investment income		(19)	(1)
Interest payable		109	104
Taxation paid		-	-
Loss on sale of fixed assets		3	2
Net cash flow from operating activities		**(30)**	**2,063**
Cash flows from investing activities			
Proceeds from sale of fixed assets		3	-
Investment income		19	1
Payments made to acquire fixed assets		(1,738)	(3,482)
Increase / (decrease) in deferred capital grants		1,371	2,123
Capital grants received in advance		1,165	-
		820	**(1,358)**
Cash flows from financing activities			
Interest paid		(109)	(104)
Interest elements of finance lease rental payments		-	-
New unsecured loans		-	-
Repayments of amounts borrowed		(155)	(149)
Capital element of finance lease rental payments		-	-
		(264)	**(253)**
Increase / (decrease) in cash and cash equivalents	19	**526**	**452**
Cash and cash equivalents at beginning of the year		2,274	1,822
Cash and cash equivalents at end of the year		2,800	2,274

Notes to the Financial Statements

For the Year Ended 31 July 2023

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, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2022-23 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The college is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

The financial statements are presented in sterling. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Going concern

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

The College's forecasts and financial projections indicate that it will be able to operate within its operating cash balances and covenants for the foreseeable future.

Notes to the Financial Statements (continued)

Accordingly, the College has a reasonable expectation that it has adequate resources to continue to meet its liabilities as they fall due for the foreseeable future and have, therefore, prepared these statements on a going concern basis.

Recognition of income

Revenue grant funding

Government revenue grants, including funding body recurrent grants and other grants, are accounted for under the accrual model, as permitted by FRS102, and are recognised where a reliable estimate of the fair value of the asset received or receivable can be made on a systematic basis over the periods in which the related costs for which the grant compensates are recognised.

Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved.

- 16 – 18 learner responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments and is recognised when receivable.
- Levy-funded and ESFA funding for co-investment model apprenticeships income is measured in line with best estimates of the provision delivered in the year.
- The recurrent grant from OFS represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income when received or receivable.
- Adult Education Budget (AEB) grant funding income recognised is a best estimate of the amount receivable in accordance with the annual main funding guidance published by the ESFA and either determined as part of the reconciliation process or by separate agreement between the College and the ESFA at the reporting period end date. Any subsequent agreement to determination of the AEB funding after the reporting end date which is not provided for in the annual main funding guidance is not reflected in the income recognised. For 2022/23, the ESFA have announced that there will be a tolerance of 90% for clawback of AEB; a small clawback in the region of £5k is expected.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year, as appropriate.

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

Notes to the Financial Statements (continued)

Capital grant funding – government grants

Government capital grants for assets are accounted for under the accruals model, as permitted by FRS102. The grant income received, or receivable is held as deferred income and released to income over the expected useful life of the asset.

Other, non-governmental, capital grants are recognised in income when the college is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee income

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

Investment income

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

Agency arrangements

The College acts as an agency in distributing certain discretionary support funds, including Bursaries received from the ESFA. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Notes to the Financial Statements (continued)

Cumbria County Council Local Government Pension Scheme (LGPS)

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

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

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

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. The cost of any unused holiday entitlement which the College expects to pay in future periods is recognised in the period the employee's services are rendered, this cost is measured as the additional amount the college expects to pay as a result of the unused element.

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to comprehensive income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet.

Tangible fixed assets

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

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income

Notes to the Financial Statements (continued)

and expenditure account reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost.

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the College of between 5 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 5 and 50 years.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996 as deemed cost, but not to adopt a policy of revaluations of these properties in the future.

Long leasehold

Land and buildings held under long leases, where the 'risks and rewards' of ownership have passed to the College are included on the balance sheet at their fair value and depreciated over the period of the lease. Fair values are determined by reference to professional valuations taking into account the specialist nature of the properties- a depreciated replacement cost basis is used.

Assets under construction

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

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight- line basis over its useful economic life as follows:

- Technical or other equipment – 5 to 10 years
- Motor vehicles – 5 years
- Computer equipment – 5 to 8 years
- Furniture, fixtures and fittings – 10 years
- Solar panels – 25 years

Equipment inherited from the local education authority is included in the balance sheet at valuation. This equipment was depreciated on a straight-line basis over its remaining useful economic life to the College, of between one and three years from incorporation, and is now fully depreciated.

Notes to the Financial Statements (continued)

Intangible assets

Intangible assets meeting the recognition criteria of section 18 of FRS102, and costing £1,000 or more, are capitalised on the balance sheet and amortised on a straight-line basis over their useful economic life. Such assets include software development in relation to the College website and systems implementation. Amortisation periods range between 3 to 5 years.

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 benefit to the College, in which case it is capitalised and depreciated on the relevant basis.

Grant Funded Assets

Where a tangible fixed asset, including land and buildings, is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy. The related grant is credited to a deferred capital grant account within creditors and released to the statement of comprehensive income over the expected useful economic life of the related equipment, on a systematic basis consistent with the depreciation policy.

Asset impairment

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market review for leases signed before 1st August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

The College does not hold any assets under finance leases.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Notes to the Financial Statements (continued)

Stocks

Stocks are stated at the lower of their cost (using the first in first out method) and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Cash and cash equivalents

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

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

Financial liabilities and equities

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

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Taxation

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

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

Notes to the Financial Statements (continued)

Provisions and Contingent Liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and the amount of the obligation can be reliably measured.

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

Judgements in applying accounting policies and key sources of estimation uncertainty

Estimate and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

- Determining whether leases entered into by the College as either 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; and
- Determining whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Estimating the level of Holiday Pay accrual based on historic average number of days untaken holiday entitlement at 31 July 2023.

Other key sources of estimation uncertainty include:

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

Notes to the Financial Statements (continued)

- The present value of the Local Government Pension Scheme defined benefit asset/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 23 will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to value the pensions liability at 31 July 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. Funding body grants

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Recurrent grants		
ESFA 16-18	7,578	6,575
ESFA adult education budget	908	891
ESFA apprenticeships (funded)	2,735	2,583
Office for students	63	62
Specific grants		
Teachers' Pension Scheme contribution grant	340	264
Releases of government capital grants	488	384
Other funds	-	1
Total	**12,112**	**10,760**

3. Tuition fees and education contracts

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 (Restated) £'000
Tuition fees	700	722
Advanced Learner Loans	137	299
Education contracts	1,010	989
Total	**1,847**	**2,010**

Notes to the Financial Statements (continued)

3.A. Total grant and fee income

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Grant income from Office for Students	63	62
Grant income from other bodies	12,049	10,698
Total Funding Body Grants	**12,112**	**10,760**

4. Other income

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 (Restated) £'000
Catering (and residences)	402	359
Other income generating activities	79	101
Non-government capital grants	-	-
Miscellaneous income	446	364
Total	**927**	**824**

5. Investment income

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Income from bank deposits	19	1
Total	**19**	**1**

6. Staff costs

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

	Year ended 31 July 2023 No.	Year ended 31 July 2022 (Restated) No.
Teaching staff	214	203
Non-teaching staff	134	152
	349	**355**

The figures for the year ended 31 July 2022 have been restated to include staff employed on casual (or zero hours) contracts. The average FTE number of staff employed by the College in the year ended 31 July 2023 was 225 (2022: 215).

Notes to the Financial Statements (continued)

Staff costs for the above persons

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Wages and salaries	6,965	6,448
Casual staffing	327	353
Social security costs	669	626
Other pension costs	1,692	1,985
Payroll sub total	**9,653**	**9,412**
Contracted out staffing	177	211
	9,830	**9,623**
Restructuring costs – contractual	14	-
Restructuring costs – non contractual	14	-
Total staff costs	**9,858**	**9,623**

Included within social security costs is £21,602 (2022: £19,036) in respect of the Apprentice Levy. Restructuring costs for 2023 comprise redundancy costs paid to one employee.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the college and are represented by the college leadership team which comprises the College Senior Leadership Team (as per page 3). At 31 July 2023, the College Senior Leadership Team comprised the Principal, two Assistant Principals and one Director.

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

	At 31 July 2023 No.	At 31 July 2022 No.
The number of key management personnel including the Accounting Officer was:	4	7

Three management posts were vacant as at 31 July 2023.

Notes to the Financial Statements (continued)

The number of key management personnel who received annual emoluments, excluding employer contributions to national insurance, pensions and redundancy costs but including benefits in kind, in the following ranges was:

	Key management personnel	
	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
£0 to £45,000 p.a.	1	-
£45,001 to £50,000 p.a.	-	-
£50,001 to £55,000 p.a.	1	2
£55,001 to £60,000 p.a.	1	1
£60,001 to £65,000 p.a.	1	2
£65,001 to £70,000 p.a.	2	1
£70,001 to £75,000 p.a.	-	-
£100,001 to £150,000 p.a.	1	1
	7	**7**

No other staff received emoluments in excess of £60,000 p.a.

Key management personnel compensation is made up as follows:

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Basic salary (gross of salary sacrifice)	464	460
Performance related pay and bonus	-	-
Benefits in kind	2	2
Restructuring costs – redundancy payment	14	
Employer National Insurance	58	56
Pension contributions	96	102
Total key management personnel compensation	**634**	**620**

There is a healthcare scheme in place for the Principal only, this is accounted for as a benefit in kind.

The above compensation includes amounts paid to the Principal and Chief Executive who is the Accounting Officer and the highest pad member of staff. Their pay and remuneration is as follows:

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Basic salary	113	109
Performance related pay and bonus	-	-
Benefits in kind	2	2
Employer National Insurance	15	14
Pension contributions	27	26
Total key management personnel compensation	**157**	**151**

Notes to the Financial Statements (continued)

The Board of Governors has adopted AoC's Senior Staff Remuneration Code and assesses pay in line with its principles. The remuneration for key management personnel, including the Accounting Officer, was determined at the Remuneration Committee in their meeting of 4 August 2022; board minute 143 recorded that a 3% pay increase be applied from 1 August 2022 with a further 2% increase applied from 1 March 2023. Factors taken into account in agreeing the Accounting Officer's remuneration included achievement of performance targets and reference to the AoC pay recommendation, to ensure the salary was in line with sector norms, and taking account of the AoC Remuneration Code for senior staff adopted by the Corporation. The Accounting Officer was not involved in the setting of his own remuneration.

Other key management personnel received the same pay award as the rest of the College staff.

The relationship between the Accounting Officer's emoluments, expressed as a multiple of all other employees based on full time equivalents, is set out below for both basic salary and total remuneration.

	Year ended 31 July 2023	Year ended 31 July 2022 (restated)
Basic salary as a multiple of median basic salary of staff	3.52	3.47
Total remuneration as a multiple of median total remuneration of staff	3.74	3.68

For the purposes of this calculation, the costs associated with all staff directly employed by the College, including those on variable hours contracts, have been included. Prior year figures excluded costs relating to casual staff and have, therefore, been restated. Costs associated with agency staff and exceptional redundancy costs have been excluded.

Compensation for loss of office paid to former key management personnel

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Compensation paid to one former post holder		
- contractual	14	-
- non contractual	14	-
Total	**28**	

The severance payment was approved by the College's Board of Governors.

Governors' remuneration

The Accounting Officer and the staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and staff member under contracts of employment and not in respect of their roles as Governors.

The other members of the Corporation did not receive any payments from the College in respect of their roles as Governors.

During the years to 31 July 2023 and 31 July 2022 no Governors were paid travel and subsistence or out of pocket expenses incurred in the course of their duties.

Notes to the Financial Statements (continued)

7. Other Operating Expenses

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Teaching costs	1,616	1,303
Non-teaching costs	1,615	1,413
Premises costs	881	636
Total	**4,112**	**3,352**

Deficit / surplus is stated after charging (crediting):

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Auditors' remuneration:		
Financial statements audit	39	30
Teachers' Pension audit	3	1
Internal audit	21	15
Loss on disposal of fixed assets	3	2
Hire of assets under operating leases	75	60

8. Write offs, losses, guarantees, letters of comfort, compensation

The College has operated within the delegated limits of the ESFA, as outlined in the Dear Accounting Officer letter of 29 November 2023. The College has not incurred any losses / write-offs which exceed £45k individually or £250k cumulatively; the College has not entered into any indemnities, guarantees or letters of comfort in excess of £45k individually or £250k cumulatively; and the College has not awarded any compensation payments in excess of £50k.

9. Interest and other finance costs

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
On bank loans and overdrafts	109	104
Net interest on defined pension liability (note 23)	69	118
FRS102 administrative costs	21	18
Total	**199**	**240**

10. Taxation

The Board of Governors do not believe that the College is liable for Corporation Tax arising out of its activities during the year.

Notes to the Financial Statements (continued)

11. Tangible Fixed Assets

	Land and Buildings		Equipment	Assets in the course of construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost					
At 31 August 2022	24,964	7,990	4,149	2,879	39,982
Additions	65	274	766	632	1,737
Transfers	3,426	-	-	(3,426)	-
Disposals	-	-	(53)	-	(53)
At 31 July 2023	**28,455**	**8,264**	**4,862**	**85**	**41,666**
Depreciation					
At 31 August 2022	(7,225)	(19)	(3,087)	-	(10,331)
Charge for the year	(644)	(60)	(309)	-	(1,013)
Elimination in respect of disposals	-	-	47	-	47
At 31 July 2023	**(7,869)**	**(79)**	**(3,349)**	-	**(11,297)**
Net book value at 31 July 2023	**20,586**	**8,185**	**1,512**	**85**	**30,369**
Net book value at 31 July 2022	17,739	7,971	1,062	2,879	29,651

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future. All College buildings were valued in October 2019 for insurance and reinstatement purposes.

Other tangible fixed assets inherited from the LEA of Incorporation have been valued by the College on a depreciated replacement cost basis, with the assistance of independent financial advice.

Costs associated with the construction of the new T Level Engineering building were transferred from the Assets in the Course of Construction category to Freehold Land and Buildings upon its completion, in September 2023.

During the years to 31 July 2023 and 31 July 2022, the College did not hold any assets under finance leases.

Notes to the Financial Statements (continued)

12. Intangible Fixed Assets

	Software £'000
Cost	
At 1 August 2022	94
Additions	2
Disposals	(9)
At 31 July 2023	**87**
Amortisation	
At 1 August 2022	(51)
Charge for the year	(17)
Elimination in respect of disposals	9
At 31 July 2023	(59)
Carried forward as at 31 July 2023	**28**
Carried forward as at 31 July 2022	43

13. Trade and other receivables

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Amounts falling due within one year:		
Trade receivables	386	287
Prepayments and accrued income	161	102
Amounts owed by the ESFA	462	193
Other debtors	35	23
Total	**1,044**	**605**

14. Current investments

The College did not hold any deposits with more than three months maturity at either 31 July 2023 or 31 July 2022.

Notes to the Financial Statements (continued)

15. Creditors: amounts falling due within one year

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Bank loans and overdrafts	163	156
Payments received in advance	1,495	1,014
Trade payables	208	751
Learning Support Fund (LSF) creditor	196	145
Other taxation and social security	168	156
Accruals and deferred income	724	874
Deferred income – government capital grants	548	438
Total	**3,502**	**3,534**

16. Creditors: amounts falling due after one year

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Bank loans and overdrafts	1,774	1,937
Payments received in advance	1,165	-
Deferred income – government capital grants	13,809	13,037
Total	**16,748**	**14,974**

17. Maturity of debt

The bank loans held at 31 July 2023 were both "unsecured".

a. Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
In one year or less	163	156
Between one and two years	170	163
Between two and five years	560	535
In five years or more	1,044	1,239
Total	**1,937**	**2,093**

The Lloyds loan has a term of 22 years, paid by instalments until October 2032 at an interest rate of 5.54% and annual repayments total £213k (comprising both interest and capital repayments). The NatWest bank loan has a term of 22 years paid by instalment until March 2036, at an interest rate of base rate plus 1.45% as well as annual repayments of £31k.

Notes to the Financial Statements (continued)

18. Provisions

	Defined Benefit Obligations £'000	Enhanced Pensions £'000	Total £'000
At 1 August 2022	(2,207)	(344)	(2,551)
Utilised in the year	287	32	319
Additional provision in the year	3,609	11	3,620
Asset capping	(1,689)	-	(1,689)
At 31 July 2023	**-**	**(301)**	**(301)**

Defined benefit obligations relate to the liabilities under the college's membership of the Local Government Pension Scheme. Further details are given in note 23.

The enhanced pension provision relates to the cost of staff who have already left the College's employ. This provision has been recalculated in accordance with the guidance issued by funding bodies.

The principal assumptions for this calculation are:

	Year ended 31 July 2023	Year ended 31 July 2022
Price inflation	5.0%	3.3%
Discount rate	2.8%	2.9%

19. Cash and cash equivalents

	At 31 August 2022 £'000	Cash flows £'000	Other changes £'000	At 31 July 2023 £'000
Cash and cash equivalents	2,274	526	-	2,800
Total	**2,879**	**526**	**-**	**2,800**

20. Capital and other commitments

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Commitments contracted for at 31 July	247	747

Notes to the Financial Statements (continued)

21. Lease obligations

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

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Other		
Not later than one year	45	54
Later than one year and not later than five years	145	138
Later than five years	74	91
Total lease payments due	**264**	**283**

22. Contingencies

The College is not aware of any contingent liabilities.

23. Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Cumbria Local Government Pension Scheme (LGPS) for non-teaching staff. Both are multi-employer defined-benefit plans.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS during the period was as at 31 March 2016 and of the LGPS 31 March 2019. A revised valuation of the TPS as at 31 March 2020 was published in November 2023.

		Year ended 31 July 2023 £'000		Year ended 31 July 2022 £'000
Teachers' Pension Scheme: contributions		1,037		999
Local Government Pension Scheme				
Contributions paid	489		455	
FRS102 (28) charge	176		562	
Charge to the Statement of Comprehensive Income		1,702		1,017
Enhanced pension charge to the Statement of Comprehensive Income		(11)		(31)
Total pension cost for the year within staff costs		**1,691**		**1,985**

Notes to the Financial Statements (continued)

Teachers' Pension Scheme

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

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

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

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

Valuation of the Teachers' Pension Scheme

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

The latest actuarial review of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education (the Department) in November 2023. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262 billion (2016: £218 billion), and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222 billion (2016: £196 billion) giving a notional past service deficit of £40 billion (2022: £22 billion).

As a result of the valuation, new employer contribution rates have been set at 28.68% of pensionable pay from April 2024 onwards (compared to 23.68% during 2022/23).

The DfE pays a teacher pension employer contribution grant to cover the additional pension costs which arose following the 2016 valuation and Teachers Pensions Grants of £340,145 were received during the year to 31 July 2023. Additional funding to cover the further increase in costs from April 2024 has been announced for the 2024/25 financial year only.

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

The pension costs paid to TPS in the year amounted to £1,037,102 (2020: £998,874) and £117k is included within the year-end creditors balance in relation to outstanding contributions to the TPS scheme (2022: £116k).

Notes to the Financial Statements (continued)

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Your Pension Service on behalf of Cumbria County Council. The total contributions made for the year ended 31 July 2023 were £637,910, of which employer's contributions totalled £487,343 and employees' contributions totalled £150,567. The employer's contribution figure includes £30,200 for deficit recovery. £53k is included within the year-end creditors balance in relation to outstanding contributions to the LGPS scheme (2022: £46k).

The agreed contribution rates for future years are 18.6% for the college and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2023 by a qualified, independent actuary.

	At 31 July 2023 £'000	At 31 July 2022 £'000
Rates of increase in salaries	4.2%	4.2%
Future pension increases	2.8%	2.8%
Discount rate for scheme liabilities	5.1%	3.5%
Inflation assumption (CPI)	2.7%	2.7%

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

	At 31 July 2023	At 31 July 2022
Retiring today		
Males	21.4	22.6
Females	23.8	25.3
Retiring in 20 years		
Males	22.7	24.1
Females	25.6	27.1

The college's share of the assets in the plan at the balance sheet date and the expected rates of return were:

	Fair value at 31 July 2023 £'000	Fair value at 31 July 2022 £'000
Equity instruments	6,198	5,132
Government bonds	2,061	2,168
Property	1,256	1,481
Cash	370	473
Other bonds	-	-
Other	6,215	6,016
Total fair value of plan assets	**16,100**	**15,270**
Actual return on plan assets	215	(319)

Notes to the Financial Statements (continued)

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

	At 31 July 2023 £'000	At 31 July 2022 £'000
Fair value of plan assets	16,100	15,270
Present value of plan liabilities	(14,394)	(17,458)
Present value of unfunded liabilities	(17)	(19)
Asset valuation ceiling cap	(1,689)	0
Net pensions asset	-	(2,207)

The LGPS was last valued as at 31 March 2022; this valuation informed the employer contribution rates applied from 1 April 2023 to 31 March 2025. The current contribution rate of 18.6% will not be adjusted for the movement in the fair value of the plan. As no economic benefit will be derived from the change in the fair value of the plan over the period, the value of the asset has been capped.

Amounts recognised in the Statement of Comprehensive Income

Amounts included in staff costs

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Current service cost	667	1,021
Past service cost	-	-
Total	**667**	**1,021**

Amounts included in interest and other finance costs

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Interest costs	69	118
Administrative costs	21	18
Total	**90**	**136**

Amounts recognised in Other Comprehensive Income

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Remeasurement of plan assets	46	566
Experience losses arising on defined benefit obligations	1,683	1,414
Changes in assumptions underlying present value of plan liabilities	(5,890)	(8,046)
Asset valuation ceiling cap	1,689	0
Amount recognised in Other Comprehensive Income	**(2,472)**	**(6,066)**

Notes to the Financial Statements (continued)

Movement in net defined benefit (liability) / asset during the year

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Net defined benefit (liability) / asset at 1 August	(2,207)	(7,575)
Movement in year:		
Current service cost	(667)	(1,021)
Employer contributions	491	459
Past service cost	-	-
Net interest	(69)	(118)
Actuarial gain or loss	4,207	6,632
Asset valuation ceiling cap	(1,689)	-
Remeasurement of plan assets	(46)	(566)
Admin expenses	(20)	(18)
Net defined benefit (liability) / asset at 31 July	**-**	**(2,207)**

Changes in the present value of defined benefit obligations

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Defined benefit obligations at 1 August	17,477	22,812
Current service cost	667	1,021
Interest cost	610	365
Contributions by scheme participants	151	134
Experience gains and losses on defined benefit obligations	1,683	1,414
Changes in financial assumptions	(5,890)	(8,046)
Estimated benefits paid	(287)	(223)
Defined benefit obligations at 31 July	**14,411**	**17,477**

Changes in fair value of plan assets

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Fair value of plan assets at 1 August	15,270	15,237
Interest on plan assets	541	247
Administration expenses	(20)	(18)
Remeasurement of assets	(46)	(566)
Employer contributions	491	459
Contributions by scheme participants	151	134
Estimated benefits paid	(287)	(223)
Fair value of plan assets at 31 July	**16,100**	**15,270**

UK law requires pension scheme to provide equal benefits to men and women in respect of service after 17 May 1990, the date of the "Barber" judgement. This includes providing equal benefits accrued from that date to reflect the differences in Guaranteed Minimum Pensions ("GMPs"). HM Treasury have stated since the judgement that "public sector scheme already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method

Notes to the Financial Statements (continued)

as a result of this judgement" which implies that the Government believe that the judgement will not affect the benefits. Therefore, it is not considered appropriate for any provision to be included for the effect of this judgement at this present time. No allowance has been made for GMP equalisation in the accounting liabilities, which is consistent with previous accounting disclosures (and the most recent valuation). However, government consultations in relation to this area remain ongoing and, in due course, there may be a further cost to the LGPS and its employers in connection with equalisation / indexation.

The actuary has included allowances for the implications the Sargeant/McCloud case.

There has been substantial volatility in financial markets and bonds in recent periods, this has consequences for asset values and liabilities. The actuarial valuation performed for the purposes of the statutory accounts identified an accounting surplus for the College at 31 July 2023. However, as no economic benefit will be received from this asset, it has not been recognised. The value of the LGPS defined benefit scheme relating to the College at 31 July 2023 has been capped at £nil.

24. Related party transactions

Due to the nature of the College's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it is possible 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 arm's length and in accordance with the College's financial regulations and normal procurement procedures.

Governors' expenses claimed from the College in the year were nil (2022: nil).

No governor has received any remuneration or waived payments from the College during the year (2022: none).

There were no other related party transactions during the period.

25. Amounts disbursed as agent – Learner support funds

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Balance brought forward	145	148
Accounting adjustments for prior years	64	
16-18 bursary grants	216	206
Other funding body grants	40	45
Interest earned	-	-
	401	**399**
Disbursed to students	(232)	(182)
Administration costs	(10)	(9)
Retained funds and clawbacks	(27)	(63)
Balance unspent as at 31 July, included in creditors	**196**	**145**

Notes to the Financial Statements (continued)

An adjustment has been made during the period to amend the accounting treatment adopted in relation to Free School Meals and 19+ Bursary Income, which was previously held within the College accounts but is now treated as funds disbursed by the College as an agent.

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

26. Events after the reporting period

As part of a refinancing arrangement approved by the ESFA, the existing £1.9 million Lloyds loan is due to be repaid in December 2023 when the College will enter into a new, additional loan with Natwest for £4.6 million. This new loan, which is secured by a first legal charge on the Milnthorpe Road campus, is for a term of 25 years at an interest rate of bank base rate plus 2.13% and subject to covenants on EBITDA.

On 20 November 2023, the College was informed that a joint application with Westmorland & Furness Council for Levelling Up funding has received approval. As a result of this, the College anticipates receiving up to £1.6 million of additional funding to support the redevelopment of the Westmorland Campus.