



North Kent College

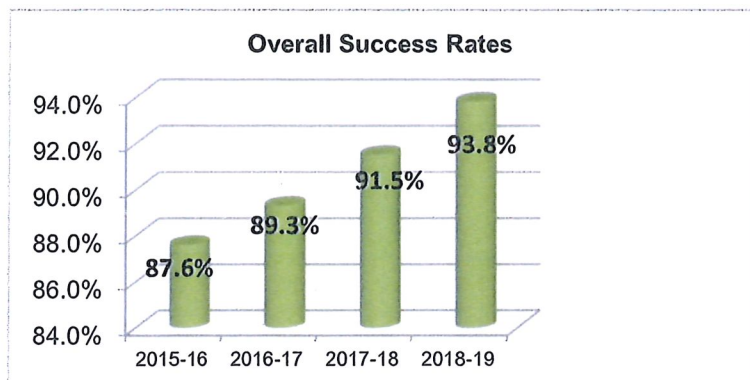
Annual Report and Financial Statements

For the year ended 31 July 2019

Key Performance Indicators from 2018-2019

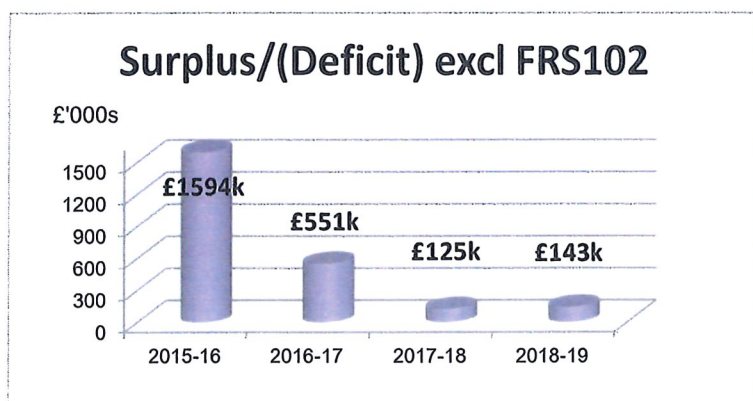
Positive success across the board

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



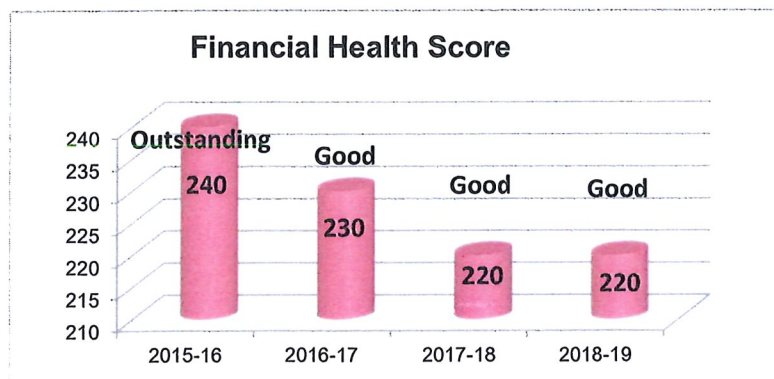
Underlying operating surplus

Positive operating result before restructuring and FRS102 delivering financial security.



Solid financial health

The health score as set by the Education Skills Funding Agency



The accounts have been prepared in 2018/19 on an FRS102 basis.

FRS102 takes account of the non cash adjustments for Local Government Pension Scheme.

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Report of the Governing body

OBJECTIVES AND STRATEGY

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

The members present their report and the audited financial statements for the year ended 31 July 2019.

Legal status

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

Mission

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

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

Resources

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

-Tangible

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

-Financial

The College has £9.2 million of net assets (after £8.7 million of pension liability and long term loans of £8.9 million).

-People

The College employs 320 people (expressed as full-time equivalents), of whom 148 are teaching staff.

-Reputation

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

STAKEHOLDER RELATIONSHIPS

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

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

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

Report of the Governing Body (continued)

DEVELOPMENT AND PERFORMANCE

Implementation of Strategic Plan

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

Aim 1 - Excellent Outcomes

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

Aim 2 - Inspirational Teaching and Learning

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

Aim 3 - Excellent Engagement

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

Aim 4 - Inspirational Staff

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

Aim 5 - Excellent Resources

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

The College is on track to achieving this vision.

Financial Objectives

The College's financial objectives for 2018/19 were to:

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

Performance Indicators

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

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

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

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

Report of the Governing Body (continued)

Financial Results

The College achieved a surplus of £143,000 (2017/18: £125,000) before the effect of non cash adjustments of £903,000 for the local government pension scheme under FRS102. When taking account of this the college reported a deficit of £785,000, with total comprehensive income of £2,956,000 deficit (2017/18: £782,000 deficit). When non cash FRS102 items are excluded the College made a surplus of £143,000 (2017/18 £125,000). The College has delivered a financial surplus since 2012.

The College has accumulated reserves and net assets of £9,173,000 (2017/18: £12,129,000) and cash balances of £10,933,000 (2017/18: £12,478,000). The 2-year development plan underlying the College vision is to generate reserves which will be available for on-going re-investment in the organisation, as well as providing a safeguard in the continued economic climate.

Tangible fixed asset additions during the year amounted to £1.53 million to provide for high quality learning environments and infrastructure, building on the significant investment in the Dartford and Gravesend campus re-developments.

The College has a strong reliance on funding from its main funding bodies for its principal funding source, largely from recurrent grants. For 2018/19, the funding bodies provided over 80% of the College's total income. The College continues in its pursuit to increase the percentage of alternative funding to provide a balanced income portfolio.

Treasury Management

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

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

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

Cash Flows

For 2018/19 the College had a cash inflow from operating activities of £790,000

Liquidity

The College's liquidity decreased slightly in the year, with a reduction in the cash balance at £10.93m (2017/18: £12.48m) reflecting ongoing investment within the Dartford New Build Scheme. The College received planning approval for its scheme in February 2019.

Reserves Policy

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

As at 31 July 2019 the College has accumulated reserves of £9,173,000 of which £97,000 are restricted for specific purposes, and £2,839,000 generated via past revaluation of assets. The College's income and expenditure reserve stands at £6,237,000. Excluding the pension reserve therefore, 'general reserves' total £14,932,000, representing approximately 61% (2017/18: 58%) of annual income for the year ended 31 July 2019.

Current and Future Development and Performance

Financial health

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

Student numbers and Achievement

In 2018/19 16-18 recruitment has been in line with the ESFA contract and is expected to rise in future years as demographic growth feeds through.

Students continue to succeed at the College, with an increasing rise in achievement year-on-year. In 2018/19 the College success rate was 93.8%, a significant improvement over 2017/18 of 91.5%.

Report of the Governing Body (continued)

Current and Future Development and Performance (continued)

Curriculum developments

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

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

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

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

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

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

Taxation

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

Future Developments

The College is working to complete a campus change on the Dartford campus, which was left outstanding from the demise of the central funding to complete the Estates Strategy.

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

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

Going concern

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

Report of the Governing Body (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

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

A risk register is maintained at the College level which is reviewed regularly by the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

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

1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding body and through the Office for Students (formerly Higher Education Funding Council for England ["HEFCE"]). In 2018/19, 81% of the College's revenue was ultimately sector funded and this level of dependency is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

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

This risk is mitigated in a number of ways:

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

2. Tuition fee policy

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

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

This risk is mitigated in a number of ways:

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

Report of the Governing Body (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

3. Maintain adequate funding of pension liabilities

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

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

OTHER INFORMATION

Public Benefit

North Kent College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government Changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 9.

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

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

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

Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy, including its Race Relations Policy and Transgender Policies, is published on the College's Internet site.

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

Report of the Governing Body (continued)

Disability statement

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

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

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college

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

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

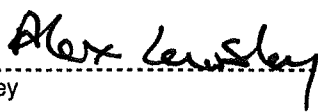
Total cost of facility time	£3,300
Total pay bill	£13,440,000
Percentage of total bill spent on facility time	0.025%

Time spent on paid trade union activities as a percentage of total paid	100%
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Disclosure of information to auditors

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

Approved by order of the members of the Governing Body/Corporation on 5 December 2019 and signed on its behalf by:



Mr A Lewsley
Chairman

Report of the Governing Body (continued)

Key management personnel

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

David Glead	Principal; Accounting Officer
Rhiannon Hughes	Deputy Principal Curriculum
Lawrence Jenkins	Deputy Principal Finance and Resources
Yolanda Hughes	Clerk to the Corporation

Professional advisers

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

The Corporation

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

Table 1: Governors serving on the College board during 2018/19

Name	Date of Appointment/ re-appointment	Term of Office	Date of Resignation	Status of Appointment	Committees
Mr A Lewsley - Chair of Corporation reappointed July 2019 for a further 2 years	Dec-16	4 years		External	Chair of Corporation, Member of Search, Governance & Remuneration Committee, Chair of the Estates Working Group
Mr D Martin	Dec-18	4 years		External	Member of the Search, Governance & Remuneration Committee
Mr D Gleed	Apr-10	Ex-officio		Principal	Search and Governance (not a member of Remuneration D Gleed only attends in his capacity as Principal); Estates Working Group
Miss M Irving	Mar-19	1 year	Resigned July 2019	Student	None
Mr T Biring	Jul-17	4 Years		External	Member of the Estates Working Group
Mr T Cardy	May-17	4 Years		Staff	None
Ms N McInerney	Re appt -July 2018	4 Years	Resigned Oct 2018	Co-opted	Co-opted Independent member of the Audit Committee
Mr P Hatton	May-16	4 Years		External	Member Search, Governance & Remuneration Committee & Audit Committee
Mrs A Glover	Feb-19	4 Years		External	None
Mr J Gurney	May-16	4 Years		External	Chair of Search, Governance & Remuneration Committee; Member of Audit Committee
Dr R Longman	May-16	4 Years		External	Vice Chair of Corporation as of July 2019; Estates Working Group
Mr K Norman	May-16	4 Years		External	Chair of Audit Committee (from March 2017)
Ms D Franks	Jul-16	4 Years		Staff	None
Ms A Birch	Oct-17	4 Years	Resigned Jun 2019	External	Lead Safeguarding Governor Dec 2017-Jun 2019
Ms D Halpern-Matthews	Oct-17	4 Years		External	None

Attendance of meetings is as follows:

Corporation Board meetings (total of 6 meetings) – 89%
 Audit Committee meetings (total of 4 meetings) – 94%
 Search & Governance Committee meetings (total of 2 meetings held) – 100%
 Special Purposes Committee - no meetings held
 Estates Working Group (total of 1 Meeting) - 100%
 Estates Working Group (total of 2 Meetings) - 100%

Statement of Corporate Governance and Internal Control (continued)

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance structure.

The College endeavours to conduct its business:

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

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

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

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

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets 6 times a year under a modified Carver model.

The Corporation conducts its business through the Corporate Board except for Audit and Search, Governance and Remuneration Committee. Each committee has terms of reference, which have been approved by the Corporation.

Audit meets not less than 3 times a year and the Search and Governors' Review Committee is convened as necessary.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

North Kent College
Oakfield Lane
Dartford
Kent DA1 2JT

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

All governors are able to 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 dismissal of the Clerk are matters for the Corporation as a whole.

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole.

There was one new student governor appointed in the year.

Members of the Corporation are appointed for a term of office not exceeding 4 years.

Statement of Corporate Governance and Internal Control (continued)

The Corporation Board conducted an extensive self assessment exercise of their effectiveness in the Autumn of 2019 covering the 2018/19 period. The outcomes of this self assessment will be used within the governance section of the College SAR and their overall strategy for improvement. In November 2017 the Corporation Board effectiveness was graded as 'Good' during the Ofsted Inspection.

Corporation Performance

Governance is good. Governors support the college with a very broad range of relevant experience and expertise that is regularly refreshed and strengthened during the year. After an extensive skills audit and review of how governors are recruited, two new governors were appointed with expertise in further education improvement and another in marketing. The Board continually reviews its membership to ensure that the skills and expertise on the Board meet their requirements.

Governors challenge college management appropriately in a number of areas and contribute to the development of a culture intended to establish the college as a preferred choice of potential learners and employers. Prudent financial management has enabled the college to continue the carefully planned updating programme of the college estate and resources at both sites, without incurring losses that could threaten the stability of the college. Learner outcomes and the quality of teaching and learning continue to improve, with members approving salaries and bonuses to staff that contribute to making NKC an attractive place to work. Members widened their understanding of the provision through curriculum presentations at board meetings and visits to various curriculum areas during the 2017/18 academic period.

The meetings structure is largely effective in facilitating timely governor monitoring of performance, key college operational issues and strategic direction. The Board have operated a Carver model of governance since 2015/2016 that was modified during the 2016/17 academic year in order to facilitate high attendance, to six full meetings in 2016-17/18, along with termly audit committee meetings and biannual search and governance and remuneration committee meetings.

Governors are well served by an organised and effective clerk who maintains regular electronic contact with governors between meetings, alerting them to training opportunities and news of sector developments. Meeting papers are promptly circulated and governors are consulted for decisions between meetings where required. The business of meetings is carefully managed with timed agenda items. Governors receive appropriate training for their responsibilities, such as safeguarding and Prevent. A governor with responsibility for safeguarding liaises effectively with college managers to ensure that the college meets its statutory duties.

Areas that governors have identified to develop in 2018-19 include:

- Direct Governor involvement in the Learner Council meetings, together with regular monitoring of the wider process
- The Board have also broadened their use of electronic sign off's during the 2018/19 period particularly when required to meet crucial deadlines in respect of key projects, enabling them to work more efficiently.
- Evaluation of report structures currently received on areas such as learner outcomes, value-added, in-year learner progress, teaching and learning, safeguarding and health and safety so that in future they will better equip governors with the required information to measure and challenge college performance against that of the sector
- Empowering of student governors to better express the views of their peers in meetings, when relevant to discussions
- Further governor training to reinforce understanding of the FE Insolvency regime and emerging FE changes
- Focusing on widening the diversity of board, as well as expertise, when recruiting new board members
- Any necessary training identified during the year.

Statement of Corporate Governance and Internal Control (continued)

Search, Governance & Remuneration Committee

Throughout the year ended 31 July 2019, the College's Remuneration Committee comprised Mr J Gurney, Mr A Lewsley, Mr P Hatton and Mr D Martin. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other Senior Post holders.

Details of remuneration for the year ended 31 July 2019 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation who exclude the Accounting Officer and Chair and a co-opted finance/audit specialist. In October 2018 the Board co-opted an independent member to the Audit Committee. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

In 2018/19 the Audit Committee undertook a full and through Internal Audit Services tendering exercise resulting in the reappointment of the existing IAS. 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 Committee.

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

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

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.

Statement of Corporate Governance and Internal Control (continued)

Internal Control (continued)

Scope of Responsibility (continued)

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

The Purpose of the System of Internal Control

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

Capacity to Handle Risk

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

Risk and Control Framework

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

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

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

Statement of Corporate Governance and Internal Control (continued)

Review of Effectiveness

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

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

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

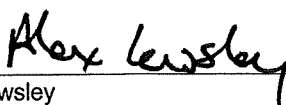
Based on the advice of the Audit Committee and the Principal, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the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


Going Concern

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

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

Approved by order of the members of the Corporation on 5 December 2019 and signed on its behalf by:


Mr A Lewsley
Chairman

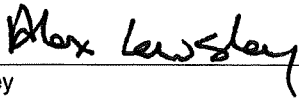

Mr D Gleed
Accounting Officer

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

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

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

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



Mr A Lewsley
Chairman



Mr D Gleed
Accounting Officer

Statement of the Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's grant funding agreements and contracts with 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 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and its surplus / deficit of income over expenditure for that period.

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

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

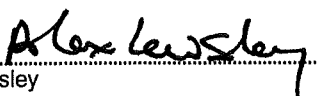
The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

Approved by order of the members of the corporation on 5 December 2019 and signed on its behalf by:


.....
Mr A Lewsley
Chairman

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

Opinion

We have audited the financial statements of North Kent College (the "College") for the year ended 31 July 2019 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2019 and of its deficit of income over expenditure for the year then ended; and
- 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.

Conclusion relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the members of the Corporation of North Kent College

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

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


Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the members of the Corporation, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the members of the Corporation, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the members of the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.



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

16 December 2019

Date

Reporting Accountant's Assurance Report on Regularity

To: The Corporation of North Kent College and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 13 July 2018 and further to the requirements of the financial memorandum with Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by North Kent College during the period 1 August 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department has other assurance arrangements in place.

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

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

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

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

Approach

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

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

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

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

The work undertaken to draw our conclusion includes:

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

Conclusion

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



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

Date

**Statement of Comprehensive Income
for the year ended 31 July 2019**

	<i>Note</i>	2019 £'000	2018 £'000
Income			
Funding body grants	2	19,616	20,326
Tuition fees and education contracts	3	1,427	1,936
Other income	4	3,261	2,952
Investment income	5	101	75
		<hr/>	<hr/>
Total income		24,405	25,289
		<hr/>	<hr/>
Expenditure			
Staff costs	6	14,391	14,747
Other operating expenses	7	6,781	7,282
Depreciation and amortisation	10	3,487	3,428
Interest and other finance costs	8	506	614
		<hr/>	<hr/>
Total expenditure		25,165	26,071
		<hr/>	<hr/>
Deficit before tax		(760)	(782)
Taxation	9	-	-
		<hr/>	<hr/>
Deficit for the year		(760)	(782)
		<hr/>	<hr/>
Actuarial (loss)/gain in respect of pensions schemes	21	(2,196)	1,567
		<hr/>	<hr/>
Total Comprehensive (Expenditure)/Income for the year		(2,956)	785
		<hr/>	<hr/>

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

Reconciliation between Total Comprehensive (Expenditure)/Income for the year and the underlying operating surplus:

Total comprehensive (expenditure)/income for the year	(2,956)	785
Add/(Less): LGPS actuarial loss/(gain)	2,196	(1,567)
Add: Non Cash LGPS cost adjustments		
LGPS service cost adjustment (within staff costs)	755	740
LGPS interest cost adjustment (within interest and other finance costs)	148	167
	<hr/>	<hr/>
Operational surplus for the year	143	125
	<hr/>	<hr/>

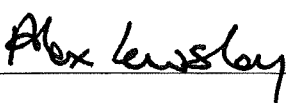
**Statement of Changes in Reserves
for the year ended 31 July 2019**

	Income and Expenditure account	Revaluation reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1st August 2017	8,124	3,127	97	11,348
Deficit for the year	(786)	-	-	(786)
Other comprehensive income	1,567	-	-	1,567
Transfers between revaluation and income and expenditure reserves	144	(144)	-	-
Total comprehensive income/(expenditure) for this year	925	(144)	-	781
Balance at 31st July/1 August 2018	9,049	2,983	97	12,129
Deficit for the year	(760)	-	-	(760)
Other comprehensive expenditure	(2,196)	-	-	(2,196)
Transfers between revaluation and income and expenditure reserves	144	(144)	-	-
Total comprehensive expenditure for this year	(2,812)	(144)	-	(2,956)
Balance at 31st July 2019	6,237	2,839	97	9,173

**Balance Sheet
at 31 July 2019**

	<i>Note</i>	2019 £'000	2018 £'000
Non-current assets			
Tangible fixed assets	10	83,449	85,406
Investments	11	1	1
		83,450	85,407
Current assets			
Stocks		18	16
Trade and other receivables	12	1,341	1,373
Cash and cash equivalents		10,933	12,478
Total current assets		12,292	13,867
Less creditors: Amounts falling due within one year	13	(6,922)	(7,988)
Net current assets		5,370	5,879
Total assets less current liabilities		88,820	91,286
Less creditors: Amounts falling due after more than one year	14	(68,423)	(71,025)
Provisions			
Defined benefit obligations	21	(8,695)	(5,596)
Other provisions	16	(2,529)	(2,536)
Total net assets		9,173	12,129
Restricted Reserves			
Restricted Reserves	24	97	97
Unrestricted Reserves			
Revaluation reserve		2,839	2,983
Income and expenditure account		6,237	9,049
Total unrestricted reserves		9,076	12,032
Total reserves		9,173	12,129

The financial statements on pages 20 to 39 were approved by the Corporation on 5 December 2019 and were signed on its behalf by:


Mr A Lewsley
Chairman


Mr D Gleed
Accounting Officer

Statement of Cash Flows

	2019 £'000	2018 £'000
Cash inflow from operating activities		
Deficit for the year	(760)	(782)
Adjustment for non cash items		
Depreciation	3,487	3,428
Increase in stocks	(2)	(1)
Decrease/(Increase) in debtors	32	(330)
(Decrease)/Increase in creditors due within one year	(1,258)	361
Decrease in creditors due after one year	(1,862)	(1,865)
Decrease in provisions	(7)	(99)
Pensions costs less contributions payable	755	740
Adjustment for investing or financing activities		
Investment income	(101)	(75)
Interest payable	506	614
Net cash flow from operating activities	<u>790</u>	<u>1,991</u>
Cash flows from investing activities		
Investment income	101	75
Payments made to acquire fixed assets	(1,530)	(1,582)
Payments received from sale of assets	13	-
	<u>(1,416)</u>	<u>(1,507)</u>
Cash flows from financing activities		
Interest paid	(358)	(447)
Repayments of amounts borrowed	(561)	(568)
	<u>(919)</u>	<u>(1,015)</u>
Decrease in cash and cash equivalents in the year	(1,545)	(531)
Cash and cash equivalents at beginning of the year	<u>12,478</u>	<u>13,009</u>
Cash and cash equivalents at end of the year	<u>10,933</u>	<u>12,478</u>

Notes to the Accounts

1 Accounting policies

Statement of accounting policies and estimation techniques

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the Accounts Direction for 2018-19 financial statements and in accordance with Financial Reporting Standard 102 - "The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland" (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirement of FRS102.

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

Basis of accounting

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

Basis of consolidation

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

Going Concern

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

The College currently has £9.655m of loans outstanding with bankers on terms negotiated in Spring 2018. A new fixed term loan was agreed starting from 31 January 2019 to the end of its term in July 2032. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Notes to the Accounts

1 Accounting policies (*continued*)

Recognition of income

Revenue grant funding

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

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

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Tuition fee income

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

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

Investment income

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

Accounting for post employment benefits

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

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. As stated in Note 21, the TPS is a multi employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Kent County Council Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Notes to the Accounts

1 Accounting policies (continued)

Short term employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced pensions

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

Non-current Assets - Tangible fixed assets

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

Land and buildings

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

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

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

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

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

Assets under construction

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

Notes to the Accounts

1 Accounting policies (continued)

Tangible fixed assets (continued)

Subsequent expenditure on existing fixed assets

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

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

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

Buildings owned by third parties

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

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

Equipment

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

Equipment is depreciated over its useful economic life as follows:

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

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

Borrowing Costs

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

Leased assets

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

Investments

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

Stocks

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

Notes to the Accounts

1 Accounting policies (*continued*)

Cash and cash equivalents

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

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

Financial liabilities and equity

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

Foreign currency translation

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

Taxation

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

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

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

Notes to the Accounts

1 Accounting policies (continued)

Agency Arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty are:

- Tangible fixed assets

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

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts

2 Funding body grants

	2019 £'000	2018 £'000
Recurrent grants:		
Education and Skills Funding Agency - adult	790	775
Education and Skills Funding Agency - 16 - 18	14,739	15,234
Education and Skills Funding Agency - apprenticeships	1,752	2,235
Higher Education Funding Council	121	161
Work Placement Pilot	351	48
Specific grants:		
Releases of deferred capital grants (note 13)	1,863	1,873
Total	19,616	20,326

3 Tuition fees and education contracts

	2019 £'000	2018 £'000
Tuition fees	1,394	1,830
Education contracts	33	106
	1,427	1,936

4 Other income

	2019 £'000	2018 £'000
Residences, catering and conferences	844	657
Other income generating activities	33	51
Other income (see below)	2,384	2,244
	3,261	2,952

	2019 £'000	2018 £'000
Other income includes:		
Other grants	7	1
Nursery income	1,217	1,193
Examination and registration fees	77	72

5 Investment income

	2019 £'000	2018 £'000
Other interest receivable	101	75

Notes to the Accounts

6 Staff numbers and costs

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

	2019 Number	2018 Number
Teaching staff	148	157
Non-teaching staff	172	178
	<u>320</u>	<u>335</u>

Staff costs for the above persons were as follows:

	2019 £'000	2018 £'000
Wages and salaries	10,878	11,226
Social security costs	1,044	991
Other pension costs (including LGPS adjustments of £755,000, 2018: £740,000)	2,274	2,162
	<u>14,196</u>	<u>14,379</u>
Payroll sub-total	14,196	14,379
Contracted out staffing services	195	253
	<u>14,391</u>	<u>14,632</u>
Fundamental restructuring costs - Contractual	-	115
	<u>14,391</u>	<u>14,747</u>
Total Staff Costs	14,391	14,747

Key management personnel

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

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

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

	2019		2018	
	Number of key management personnel	Number of other staff	Number of key management personnel	Number of other staff
£20,001 - £25,000 p.a.	1	N/A	1	N/A
£40,001 - £50,000 p.a.	-	N/A	-	N/A
£60,001 - £65,000 p.a.	-	2	-	1
£70,001 - £75,000 p.a.	-	1	-	1
£75,001 - £80,000 p.a.	-	1	-	1
£85,001 - £90,000 p.a.	-	1	1	1
£95,001 - £100,000 p.a.	1	-	-	-
£100,001 - £105,000 p.a.	1	-	1	-
£165,001 - £170,000 p.a.	1	-	1	-
	<u>4</u>	<u>5</u>	<u>4</u>	<u>4</u>

No pay awards were made during the year.

Notes to the Accounts

Emoluments of key management personnel including Accounting Officer

Key management personnel emoluments are made up as follows:

	2019 £'000	2018 £'000
Salaries - gross of salary sacrifice	378	368
Employers National Insurance	49	48
Benefits in kind	13	13
Pension contributions	33	34
	<hr/>	<hr/>
	473	463
	<hr/>	<hr/>

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

	2019 £'000	2018 £'000
Salaries	164	161
Benefits in kind	6	6
Pension contributions	-	2
	<hr/>	<hr/>
	170	169
	<hr/>	<hr/>

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

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

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

Relationship of Principal pay and remuneration expressed as a multiple

	2019 £'000	2018 £'000
Principal's basic salary as a multiple of the median of all staff	6.3	6.2
Principal's total remuneration as a multiple of the median of all staff	5.6	5.5

7 Other operating expenses

	2019 £'000	2018 £'000
Teaching costs	1,636	2,314
Non-teaching costs	2,626	2,621
Premises costs	2,519	2,347
	<hr/>	<hr/>
Total	6,781	7,282
	<hr/>	<hr/>

Other operating expenses

Auditor's remuneration:

Financial statements audit:	34	31
Internal audit	24	26
Other services provided by the financial statements auditor	15	4
Hire of other assets – operating leases	85	87
	<hr/>	<hr/>

8 Interest and other finance costs

	2019 £'000	2018 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in less than 5 years	358	447
Net interest on defined pension liability (note 21)	148	167
	<hr/>	<hr/>
	506	614
	<hr/>	<hr/>

Notes to the Accounts

9 Taxation

The members of the Corporation do not believe that the College was liable for any corporation tax arising out of its activities during the year ended 31 July 2019 (2018 - £Nil).

10 Tangible fixed assets

	Land & Buildings Freehold £'000	Assets under Construction £'000	Equipment £'000	Total £'000
<i>Cost or valuation</i>				
At 1 August 2018	104,520	696	20,731	125,947
Additions	1	1,118	411	1,530
Transfers	845	(845)	-	-
At 31 July 2019	105,366	969	21,142	127,477
<i>Accumulated depreciation</i>				
At 1 August 2018	22,968	-	17,573	40,541
Charge for year	2,353	-	1,134	3,487
At 31 July 2019	25,321	-	18,707	44,028
<i>Net book value</i>				
At 31 July 2019	80,045	969	2,435	83,449
At 31 July 2018	81,552	696	3,158	85,406

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

11 Investments

	2019 £'000	2018 £'000
Investment in The Retail Academy	1	1
Total	1	1

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

12 Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	370	370
Prepayments and accrued income	971	1,003
	1,341	1,373

Notes to the Accounts

13 Creditors: Amounts falling due within one year

	2019 £'000	2018 £'000
Bank loans and overdrafts (note 15)	743	561
Trade creditors	1,057	854
Other taxation and social security	330	353
Accruals and deferred income	1,476	2,473
Other creditors	1,041	840
Deferred income - government capital grants	1,855	1,863
Amounts owed to the ESFA	420	1,044
	<hr/>	<hr/>
	6,922	7,988
	<hr/>	<hr/>

The College took over responsibility for the finances of Kent FE (formerly known as KAFEC) for the financial year 2016-17 from East Kent College. This is a rotational agreement across the 4 FE Colleges of Kent. The funds have been included in other creditors.

14 Creditors: Amounts falling due after more than one year

	2019 £'000	2018 £'000
Bank loans (note 15)	8,912	9,655
Other creditors	40	56
Insurance Liability	63	63
Deferred income - government capital grants	59,408	61,251
	<hr/>	<hr/>
	68,423	71,025
	<hr/>	<hr/>

15 Analysis of borrowings

Bank loans and overdrafts

	2019 £'000	2018 £'000
Bank loans and overdrafts are repayable as follows:		
In one year or less	743	561
Between one and two years	742	743
Between two and five years	2,228	2,228
Over five years	5,942	6,684
	<hr/>	<hr/>
	9,655	10,216
	<hr/>	<hr/>

A new single fixed facility started on 31 January 2019 to 30 July 2032 which was agreed with the current bank at 2.759%. All loans are unsecured.

Notes to the Accounts

16 Other Provisions

	Enhanced Pensions £'000	Building Dilapidations £'000	Other £'000	Total £'000
At 1 August 2018	14	2,466	56	2,536
Provision in the period	-	-	7	7
Expenditure in the period	(14)	-	-	(14)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2019	-	2,466	63	2,529
	<hr/>	<hr/>	<hr/>	<hr/>

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

17 Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	At 31 July 2019 £'000
Cash and cash equivalents	12,478	(1,545)	10,933
Total	<hr/> 12,478 <hr/>	<hr/> (1,545) <hr/>	<hr/> 10,933 <hr/>

18 Lease obligations

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

Payable:	2019 £'000	2018 £'000
Not later than one year	30	31
Later than one year and not later than five years	45	75
	<hr/>	<hr/>
Total lease payments due	75	106
	<hr/>	<hr/>

19 Events after the reporting period

There are no events after the reporting period.

20 Capital and other commitments

	2019 £'000	2018 £'000
Commitments contracted for at 31 July	-	180
	<hr/>	<hr/>
	-	180
	<hr/>	<hr/>

Notes to the Accounts

21 Defined benefit obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the TPS was 31 March 2016 and the LGPS 31 March 2016.

	2019 £'000	2018 £'000
Total pension cost for the year		
Teachers Pension Scheme: contributions paid	922	883
Local Government Pension Scheme:		
Contributions paid	597	539
FRS 102 (28) adjustment	755	740
Total Pension Cost for Year	2,274	2,162

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

Teachers' Pension Scheme

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

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

Under the definitions set out in FRS102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out below the information available on the plan and the implications for the College in terms of the anticipated contributions rates.

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

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

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

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

The pension costs paid to TPS in the year amounted to £921,744 (2018: £883,199)

Notes to the Accounts

21 Pensions and similar obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Kent County Council. The total contribution made for the year ended 31 July 2019 was £836,678 of which employer's contributions totalled £596,091 and employees' contributions totalled £240,587. The agreed contribution rates for future years are 15.2% for employers and between 5.5% and 12.5% for employees, depending on salary according to a national scale.

Principal Actuarial Assumptions:

The following information based on a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary.

	31 July 2019	31 July 2018
Inflation assumption (CPI)	2.40%	2.35%
Rate of increase in salaries	1.00%	1.00%
Rate of increase in pensions	2.20%	2.20%
Discount rate for scheme liabilities	2.20%	2.80%

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

The assumed life expectations on retirement age 65 are:

	31 July 2019	31 July 2018
Retiring today		
Males	22.0	23.1
Females	24.0	25.2
Retiring in 20 yrs		
Males	23.7	25.3
Females	25.8	27.5

Sensitivity analysis

	31 July 2019 £'000	31 July 2018 £'000
Discount rate +0.1%	41,417	36,870
Discount rate -0.1%	43,201	38,449
Mortality assumption - 1 year increase	43,919	39,047
Mortality assumption - 1 year decrease	40,741	36,306
Long term salary increases +0.1%	42,355	37,701
Long term salary increases -0.1%	42,243	37,601
Pension increases and deferred revaluation +0.1%	43,144	38,403
Pension increases and deferred revaluation -0.1%	41,471	36,914

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

	Value at 31 July 2019 £'000	Value at 31 July 2018 £'000
Equities	22,906	21,847
Bonds	3,031	2,846
Property	3,918	3,965
Cash	898	981
Gilts	240	246
Target Return on Portfolio	2,611	2,170
Total market value of assets	33,604	32,055
Actual return on plan assets	1,535	2,398

Notes to the Accounts

21 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

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

	2019 £'000	2018 £'000
Fair value of plan assets	33,604	32,055
Present value of plan liabilities	(42,299)	(37,651)
Net pensions liability	(8,695)	(5,596)

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	1,337	1,319
Total	1,337	1,319

Amounts included in interest cost

Net interest expense	148	167
	148	167

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	636	1,569
Changes in assumptions underlying the present value	(2,832)	-
Experience loss on defined benefit obligation	-	(2)
Amount recognised in Other Comprehensive Income	(2,196)	1,567

Movement in net defined benefit liability during the year

	2019 £'000	2018 £'000
Net defined benefit liability in scheme at 1 August	(5,596)	(6,256)
Movement in year:		
Current service cost	(1,337)	(1,319)
Employer contributions	597	593
Net interest on the defined benefit liability	(148)	(167)
Administration expenses	(15)	(14)
Actuarial (loss)/gain	(2,196)	1,567
Net defined benefit liability at 31 July	(8,695)	(5,596)

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2019 £'000	2018 £'000
Defined benefit obligations at start of period	37,651	35,804
Current Service cost	1,338	1,319
Interest cost	1,047	996
Contributions by Scheme participants	240	238
Changes in assumptions underlying the present value	2,832	-
Estimated benefits paid	(830)	(708)
Experience loss on defined benefit obligation	-	2
Curtailments and settlements	21	-
Defined benefit obligations at end of period	42,299	37,651

Notes to the Accounts

21 Defined benefit obligations (continued)

Reconciliation of Assets

	2019 £'000	2018 £'000
Fair value of plan assets at start of period	32,055	29,548
Interest on plan assets	899	829
Return on plan assets	636	1,569
Employer contributions	597	593
Contributions by Scheme participants	240	238
Estimated benefits paid	(830)	(708)
Administration Expenses	(15)	(14)
Settlement	22	-
Assets at end of period	33,604	32,055

22 Related Party Transactions

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

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

23 Amounts Disbursed as agent

Learner Support Funds

	2019 £'000	2018 £'000
Balance b/f	312	216
Grants	421	412
Disbursed to students	(341)	(294)
Administration costs	(15)	(22)
Balance under spent as at 31 July, included in creditors	377	312

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

24 Restricted Reserves

At the balance sheet date the College held £97,000 (2018: £97,000) of North West Kent College Training Trust monies in a restricted reserve.