

**KINGSTON MAURWARD COLLEGE
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

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Reference and Administrative Details

Board of Governors

T Amery
M Capon
M Clarke
J Cockett
H Crocker
A Davies
A Foot
R King
J Larcombe
R Lasseter
A Minard
B Murphy
L Rake
A Robinson
A Stuart
E Taylor
J Tirrell
E Tite
L Wyatt

Clerk: V Gifford

Senior Management Team

Luke Rake	Principal and CEO and Accounting Officer
Christine Robertson	Deputy Principal Curriculum and Quality
Chris Pedder	Deputy Principal Finance and Corporate Services

Principal and Registered Office **Kingston Maurward, Dorchester, Dorset DT2 8PY**

Professional Advisors

External and regularity auditors Mazars LLP, Bristol

Internal Auditors TIAA Ltd, Fareham

Bankers NatWest Bank, Dorchester
Barclays Bank, Cardiff

Solicitors Blanchards Bailey LLP, Blandford Forum

KINGSTON MAURWARD COLLEGE

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

STRATEGIC REPORT

OBJECTIVES AND STRATEGY

The governing body present their annual report together with the financial statements and auditor's report for Kingston Maurward College for the year ended 31 July 2018.

Legal Status

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

The College is based two miles east of Dorchester centred around the Grade I listed Kingston Maurward House and includes classical Grade II listed gardens and parkland. The College offers a wide range of full and part time courses and specialises in land-based and related subjects. As part of its educational role, the College runs a 750 acre mixed farm, equestrian centre and countryside visitor attractions including a formal garden and animal park. The Georgian House and grounds are also used for numerous educational conferences, functions, events and weddings.

Mission, Vision, Strategy and Objectives

The Governors reviewed the College's mission during 2016-17 and on 11 July 2017 adopted a revised mission statement as follows:

"Kingston Maurward is a specialist provider serving the needs of land-based and allied industries in Dorset and the South West. Our students will be inspired to achieve their potential in a challenging but caring environment, enjoying exciting learning and high quality facilities within a vibrant commercial rural estate."

Implementation of Strategic Plan

In July 2017 the College adopted a strategic plan for the period 2017/18 to 2020/21. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year.

The College's Values are that we will:

- Inspire
- Challenge
- Care

The College's key strategic themes are:

- People
 - Investing in and developing the skills of all staff to enable them to become more skilled and effective in their roles.
 - Enabling staff to become increasingly proud of the place in which they work with increased levels of staff satisfaction, decision making autonomy and inclusion.
- Learning
 - Maintaining a focus on the continuous improvement of standards and performance in teaching, learning and assessment.
 - Ensuring that teaching, learning and assessment provides each learner with a personalised experience which supports achievement and progression.
 - Developing a whole College approach to eLearning that enables staff and learners to become independent users of industry technology.
 - Embedding British Values, equality and diversity in teaching, learning and assessment.

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STRATEGIC REPORT (Continued)

• **Partnership**

- Ensuring our curriculum meets the needs of local, regional and national industries by appropriately equipping students for work and progress within their chosen fields.
- Working in partnership with key industry groups to place Kingstons Maurward at the heart of the SW rural agenda.
- Adapting and amending curriculum proactively to ensure students are well skilled, employable and progress.
- Working with local partners to implement the recommendations of the Area Review.

• **Financial Resilience**

- To ensure continued financial rating of at least good
- To ensure the College meets criteria defined by the Dorset Area Review 2016/17.
- To further diversify the College revenue streams to hedge against further unpredictable events.

• **Estate Development**

- Learning resources meet the needs of modern educational practice.
- Commercial buildings enable further growth in revenues and margin.
- Plan for further capital developments on the estate within a framework sensitive to, and maximising, the heritage value of the estate.

A reporting mechanism has been developed to monitor the implementation of the Strategic Plan.

Financial objectives

As part of the Strategic Plan 2017 to 2021, the College set the following financial resilience objectives:

- To ensure continued financial health rating of at least 'Good';
- To ensure the College meets criteria defined by the Dorset Area Review 2016/17:
 - Operating surplus of 3% or greater by 2020
 - Borrowing as a % of Income at less than 40%
 - Staff Costs as a % of turnover below 65%
 - Current ratio greater than 1
- To further diversify the College revenue streams to hedge against further unpredictable events

Performance against these targets is summarised as follows:

- Financial health rating of at least 'Good' – achieved.
- Operating surplus of 3% or greater by 2020 – not achieved. The College five year plan following the Area Review process reflected an increase in the Operating Surplus from 1% for 2017/18 through to 3% by 2020/21. For 2017/18 the College has achieved 0.2%
- Borrowing as a % of Income at less than 40% -achieved. The College borrowing to Income ratio as at 2017/18 was 17.3%.
- Staff Costs as a % of turnover below 65% – achieved. The College Staff Costs ratio as at 2017/18 was 53.2%.
- Current ratio greater than 1 – achieved. The College Current Ratio as at 2017/18 was 1.09.
- To further diversify the College revenue streams to hedge against further unpredictable events – not achieved. There have been no new revenue streams during 2017/18 however the College has prepared plans for capital investment into the Animal Park and Gardens which will lead to a significant growth in income when completed.

KINGSTON MAURWARD COLLEGE REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

STRATEGIC REPORT (Continued)

Resources

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

The College employs 212 staff (expressed as full time equivalents), of which 58 are employed as teaching staff and 154 are employed in support functions and activities relating to the College's commercial activities.

The College enrolled approximately 2,500 students. The college's student population includes 715 16-to-18 year old students, 612 apprentices, 92 higher education students and 1,074 adult learners.

The College has £721,000 of net assets (including £6,227,000 pension liability) and long term debt of £1,518,000. Tangible resources include the main College estate comprising of 750 acres, and an extensive range of buildings providing teaching and learning resources, practical workshops, offices, conference facilities, student accommodation and farm buildings.

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships. The College Principal is a member of the Dorset Local Enterprise Partnership.

Stakeholders

The College has many stakeholders including:

- Its current, future and past students;
- Its staff and their trade unions;
- The employers it works with;
- The professional organisation in the sectors where it works;
- Its partner schools and universities; the wider college community;
- Its local borough council, combined authority and Local Enterprise Partnership

FINANCIAL POSITION

Financial results

The College Group generated a surplus (before FRS 102 pension costs) of £16,000 in the year (2016/17 – surplus of £206,000). The College generated a deficit (after FRS 102) in the year of £789,000 (2016/17 – deficit of £435,000). The net FRS 102 charge in the year was £805,000 and £641,000 in 2016/17.

The College has accumulated Reserves of £721,000 and cash balances of £607,000. The College plans to continue to accumulate reserves and cash balances in order to create a significant contingency fund.

Tangible fixed asset additions during the year amounted to £150,000. This was split between land and buildings acquired of £35,000 and equipment purchased of £115,000.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the funding bodies provided 56% (2016/17 61%) of the College's total income.

The College has one subsidiary company, Kingston Maurward Enterprises Limited. The principal activity of KME Limited is organising conference events and management of Kingston Maurward Gardens and Animal Park. Surpluses generated by KME Limited are transferred to the College under deed of covenant. In the current year, the surplus generated was £4,000 (2016/17 surplus £31,000).

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STRATEGIC REPORT (Continued)

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management policy in place.

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.

Cash flow and liquidity

At £374,000 net cash flow from operating activities was good (2016/17 surplus £658,000).

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow.

Reserves Policy

The College Reserves Policy seeks to increase cash resources to deliver a target of cash days of three months, current ratio in excess of 1 and performance ratio in excess of 3%. The College currently holds no restricted reserves.

As at the balance sheet date, the Income and Expenditure account reserve stands at £721,000 (2016/17: -£232,000). It is the Corporation's intention to increase reserves over the life of the Strategic Plan, through the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial Health

For the year ending 31 July 2018 the College financial health rating was Good. This is in line with the College's strategic plan. Bank covenants were satisfied and the performance for the year was close to the projection agreed as part of the Area Review process completed in January 2017.

Student numbers

In 2017/18 the College has delivered activity that has produced £5,426,000 in funding body main allocation funding (2016/17 - £6,097,000). The College had 1,179 Education Funding Agency and Skills Funding Agency Further Education funded students both full time and part time (2016/17 868).

In addition to Further Education students the College has students in Higher Education, Work Based Learning apprenticeships, Workplace Learning, 14-16 and fee paying students. The College had in total approximately 2,500 students in 2017/18 (2016/17 2,400).

Curriculum Developments

As a specialist land-based provider the College has a good reputation across Dorset and surrounding areas and many of its students travel significant distances to attend. The curriculum offered is extensive in supporting land-based related activities and is constantly being reviewed in order to meet student needs better and ensure onward destinations are positive and relevant.

The College has a breadth of provision with clear progression routes from Entry level to Higher Education. A good range of vocational courses for students aged 16-18 and a variety of both part-time and full-time programmes for adult students are offered in land based and other sectors, particularly Construction, Welding, Sport, Uniformed Public Services and Outdoor Adventure.

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STRATEGIC REPORT (Continued)

The College continues to deliver and develop higher education programmes in collaboration with the Royal Agricultural University and Bournemouth University. In addition, work-based learning opportunities have expanded, including bespoke provision for employers and a wide range of training provision for apprentices with further growth planned for 2018/19.

The College has a broad range of excellent partnerships and outstanding relationships with local employers which enables it to expand its presence in the region. It is a sponsor of the Dorset Studio School, whose students make full use of the College estate and facilities for specialist learning, practical activity and exams alongside National Curriculum activity. The school was graded as Good by Ofsted in its first inspection in September 2017 with the Inspectors noting a key strength was the school's use of the excellent resources and strong and effective partnerships.

Partnership working with the Royal Veterinary College at KMC alongside relationships with, amongst others, the National Farmers' Union (NFU), Dorset Police, Dorset Fire and Rescue, British Horse Society, British Show Jumping, Pets at Home, the Forestry Commission, Peter Green Leisure (PGL), the Army, RAF, Marine and the British Holiday and Home Park Association, ensure that programme contents meets the need of employers. Development of a partnership with Dorset County Hospital NHS Foundation Trust has expanded to include higher apprenticeships.

The College was graded Good by Ofsted in November 2014, with this grade being re-confirmed following Ofsted's short inspection in October 2017. Residential Care Standards were also graded Good in May 2016. Outcomes for students on vocational programmes are very good, with headline achievement rates on most 16-18 Study Programmes, 19+ Adult Programmes and Apprenticeships at or above national and specialist group averages. GCSE English and maths achievement is very good, with A* - C grades in both subjects above national and provider average. There are no significant achievement gaps in terms of gender, disability or ethnicity. Progression is very good and students are well supported and prepared for moving on to their next destination, with an overall very positive progression rate to known destinations of 99%.

ProMonitor (an electronic Individual Learning Plan) is used extensively within the College with the emphasis placed on target setting for students using value added target grades and aspirational career goals to help motivate learners to be successful. All Course Managers have been trained to ensure that ProMonitor is used as the key system for monitoring and maintaining student information as well as for target setting.

During the year the College was successful in its re-accreditation for the Matrix standard.

Future Prospects

The College has recently completed its Property Strategy, working closely with the Local Authority so that its plans are incorporated within the overall Local Plan which is due for publication in the next twelve months.

The College aims to increase contribution by continuing to implement efficiency opportunities across the college site. The College aims to reduce dependency on the Education and Skills Funding Agency and will continue to develop a number of opportunities in relation to its commercial income. This will include improving the profitability of its farm operations, developing the income generation from the park and gardens, and further developing the use of its facilities for weddings and conferences.

The College Strategic Plan and Budget for 2017/18 and Forecast to 2018/19 reflect an improving financial performance with an increase in cash reserves, reduction in borrowings and achievement of a Good financial health rating. Based upon these projections the College believes that it will be able to continue in operation and meet its liabilities taking account of the current position and its principal risks.

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STRATEGIC REPORT (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The College has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and are reviewed at least annually for their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise from new areas of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed on a regular basis by the Risk Management Group and the Audit & Assurance 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. Further mitigating actions are also highlighted against each risk to ensure management are taking steps to mitigate these risks

The main risk factors affecting the College are outlined below along with the action taken to minimise them. Not all of the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. Financial Viability

In common with all public sector organisations the College is managing the financial impact of static student funding levels which are unlikely to change in the next few years. The relatively small size of the organisation puts additional pressure on the College in responding to these challenges. In particular, management of the College's cashflow is crucial in ensuring the overall viability of the organisation is maintained including delivering at least a satisfactory health rating and adhering to the bank covenants.

This risk is mitigated by:

- Budgets set and closely managed for all areas of activity;
- Detailed cash flow management and forecasting;
- Financial forecast sensitivity analysis;
- Monthly financial reports to Corporation/Finance and Resources Committee;
- Focus on developing profitable new income opportunities;
- Increased focus on resource management across the College; and
- Internal and external audit processes.

2. Safeguarding and Data Protection

The College has a good safeguarding and data protection record, however the type and range of activities undertaken mean that this remains a significant area of focus for the organisation. In addition, the nature and the extent of the campus and the diversity of our student profile particularly in terms of age and vulnerability, present specific safeguarding issues. The recent implementation of GDPR also requires that all personal data held by the College is managed securely in accordance with the updated legislation.

This risk is mitigated by:

- Safeguarding and Data Protection policies and procedures;
- Safeguarding Officers hold appropriate qualifications;

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STRATEGIC REPORT (Continued)

- Safeguarding Committee, which monitors best practice;
- Training on Safeguarding and Data Protection for all staff, reinforced on an annual basis;
- All new staff having a DBS in place prior to commencements and a number of key existing staff having DBS checks carried out every three years;
- Qualified link governor who attends most internal meetings;
- Safeguarding included in the SAR and Annual Reports presented to Corporation;
- Robust HR recruitment processes; and
- Links maintained with external agencies such as the Local Safeguarding Children's Board, Social Services and the Police.

3. Student Recruitment

A decline in student recruitment would impact on finances from the ESFA under the current funding methodology as future allocations are based partly on historical student numbers.

This risk is mitigated by:

- A comprehensive marketing strategy including schools liaison and taster courses;
- Applications monitoring and monthly reporting;
- Employer Engagement Strategy;
- Apprenticeship Growth Plan;
- Regular management information system reports; and
- Senior management team review.

Other key risks include:

- Failure to maintain or improve commercial income
- Failure to improve retention, progression and achievements of students
- Failure to maintain or improve on the Good OFTSED rating
- Failure to maximise apprenticeship funding available from levy and non-levy paying employers
- Failure to maintain or improve the quality of teaching and learning
- Failure to source capital funding for developing and maintaining the College estate.

Student Achievements

Students continue to prosper at the College. Achievement rates remained high in 2017/18, 99% of students moved into employment, further or higher education after they completed college.

OTHER INFORMATION

Public Benefit

Kingston Maurward College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 12 to 13. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the College provides identifiable public benefits through the advancement of education to 2,500 students, including 130 with high needs. The college provides courses without charge to young people, to those who are unemployed and adults taking English and maths courses. The college adjusts its courses to meet the needs of local employers and provides training to over 600 apprentices. The college is committed to providing information, advice and guidance to students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

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STRATEGIC REPORT (Continued)

Equality

Kingston Maurward College is committed to ensuring equality of opportunity for all who learn and work here. We respect and positively value differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality Policy is published on the College's website.

The College ensures compliance with all relevant equality legislation including the Equality Act 2010.

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

The College has committed to the 'Mindful Employer' initiative to assist the mental health well-being of staff. The College is also aiming to be accredited to the Committed to Equality (C2E) standard and is currently working on refreshing its training programme for staff on Equality & Diversity.

Disability statement

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

The College is committed to;

- Promoting equality of opportunity for disabled people;
- Eliminating unlawful discrimination;
- Eliminating disability related harassment;
- Promoting positive attitudes towards disabled people;
- Encouraging participation of disabled people in public life;
- Taking into account disabled peoples' disabilities, even where that involves treating disabled people more favourably;
- Having an admissions policy for all students which is described in the College charter. Appeals against decision not to offer a place are dealt with under the complaints policy;
- Having a College Equality and Diversity pack which is available to all students and staff and is included as part of the College induction procedures;
- Having in place a number of student support tutors and 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; and
- Counselling and welfare services are described in the Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure at induction.

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STRATEGIC REPORT (Continued)

Trade Union Facility Time

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

Number of employees who were representatives for the period	FTE employee number
1	1

Percentage of time	Number of employees
0%	0
1 – 50%	2
51 – 99%	0
100%	0

Total cost of facility time	£863
Total pay bill	£5,469,327
Percentage of total bill spent on facility time	0.02%

Time spent on paid trade union activities as a percentage of total paid facility time	0%
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Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2017 to 31 July 2018, the College paid 38 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

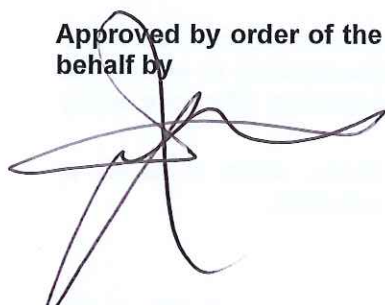
Events after the end of the reporting period

There were no events after the end of the reporting period requiring reporting.

DISCLOSURE OF INFORMATION TO AUDITORS

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

Approved by order of the members of the Corporation on 4 December 2018 and signed on its behalf by



**James Tirrell
Chair**

KINGSTON MAURWARD COLLEGE

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2017 to 31st July 2018 and up to the date of approval of the annual report and financial statements. The College endeavours to conduct its business:

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

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 Foundation 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 2018. 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. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 7th July 2015.

THE CORPORATION

The Members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below:

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Corporation Meeting Attendance
Mr T Amery	Jan - 16	3 years		Independent Member		3/5
Mrs M Capon	Jun - 14 Reappointed May-17	3 years		Staff Member	Quality & Standards	3/5
Mr M Clarke	Mar - 08 Reappointed Mar - 11, Mar - 14, Mar - 17	3 years		Independent Member	Chair: Audit & Assurance Quality & Standards	4/5
Mr J Cockett		2017/18		FE Student Governor. Reappointed HE Student Governor 2018/19		3/4
Miss H Crocker	Nov - 16	3 years		Staff Member	Audit & Assurance	5/5
Mr A Davies	Jan - 15	3 years		Independent Member		4/5
Mr A Foot	Jun - 12 Reappointed Jul - 15	3 years		Independent Member	Finance & Resources	4/5
Miss R King	Oct - 15	3 years	Resigned 7/6/18	Independent Member	Chair: Finance & Resources Chair: Remuneration	3/4
Ms J Larcombe		2017/18	Automatic at year end 2017/18	HE Student Governor		4/4

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(Continued)

Mr R Lasseter	Jun – 14 Reappointed Jun - 17	3 years		Independent Member	Finance & Resources Remuneration Search & Governance Vice Chair Corporation from 1/08/18	3/5
Mr C Lee	Sept – 05 Reappointed Oct – 08, Sept 11 & Sept - 14	3 years	31/08/17 End of maximum term	Independent Member		N/A
Dr A Minard	Sep – 17	3 years		Independent Member	Audit & Assurance	5/5
Mr B Murphy	Oct - 15	3 years		Independent Member		2/5
Mrs V Prior	Mar – 17	3 years		Independent Member	Quality & Standards	1/5
Mr L Rake	Aug - 16	Ex-officio		Principal	Finance & Resources, Quality & Standards, Search & Governance	5/5
Mr A Robinson	Jan – 17	3 years		Independent Member	Audit & Assurance	3/5
Mr A Stuart	Jun – 18	3 years		Independent Member	Audit & Assurance	1/1
Mrs E Taylor	May – 08 Reappointed May - 11 & May - 14, May - 17	3 years		Independent Member	Quality & Standards, Remuneration, Search & Governance Vice Chair from 1/8/15 to 31/07/18	5/5
Mr J Tirrell	Sept -11 Reappointed Sep – 14, Sep - 17	3 years		Independent Member	Quality & Standards, Finance & Resources, Remuneration, Chair: Search & Governance Chair from 1/8/15	5/5
Mrs E Tite	Jun – 14 Reappointed Jun - 17	3 years	3 mth sabbatical agreed 6/05/18. Resigned 31/05/18	Independent Member	Quality & Standards	0/2
Mr R Willoughby	Sept – 05 Reappointed Oct -08, Sep – 11 & Sep - 14	3 years	31/08/17 End of maximum term	Independent Member		N/A
Mrs L Wyatt	Sep – 17	3 years		Independent Member	Quality & Standards	5/5
Mrs V Gifford	July - 10	N/A		Clerk		5/5

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 five times a year, with updates and urgent decisions undertaken via the Governors' Virtual Office (GVO).

The Corporation conducts its business through a number of committees. Each committee has terms of reference which have been approved by the Corporation. These committees are Audit and Assurance, Finance and Resources, Quality and Standards, Remuneration and Search & Governance. Arrangements were in place in case a Special Committee had to be called. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are published on the College website www.kmc.ac.uk and are also available from the Clerk to the Corporation at Kingston Maurward College, Dorchester, Dorset, DT2 8PY.

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STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(Continued)

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.

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

Formal agendas, papers and reports are supplied to the 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 Chair and Principal are separate.

APPOINTMENTS TO THE CORPORATION

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee, consisting of six members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 3 years but are eligible for reappointment to a maximum of 12 years on the recommendation of the Search & Governance Committee once past performance is reviewed to ensure the Corporation has the skilled members necessary to carry out its functions.

The Corporation self-assessment reviewed committee performance and governor attendance and training and skills. Overall governor attendance was 75%, 5% higher than the target set by governors. Governors also completed a skills audit survey which has provided the basis of the future training programme.

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2018 and graded itself as Good on the Ofsted scale.

REMUNERATION COMMITTEE

Throughout the year ending 31 July 2018, the College's Remuneration Committee comprised five members of the Corporation. The Committee's responsibilities are to consider and approve the remuneration and benefits of the Principal, other senior post holders and the Clerk.

Details of remuneration paid for the year ended 31 July 2018 are set out in note 6 to the financial statements.

**KINGSTON MAURWARD COLLEGE
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(Continued)**

AUDIT & ASSURANCE COMMITTEE

The Audit & Assurance Committee comprises four members of the Corporation (excluding the Principal and Chair and members of the Finance and Resources Committee) and one co-opted member. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit & Assurance Committee meets at least three times per year and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE Funding Bodies as they affect the College's business.

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

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

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

INTERNAL CONTROL

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Kingston Maurward College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

KINGSTON MAURWARD COLLEGE
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(Continued)

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on the 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; and
- 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 & Assurance Committee. At 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.

Review of effectiveness

As Accounting Officer the Principal has responsibility for reviewing the effectiveness of the system of internal control. His 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, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) 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 & Assurance Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

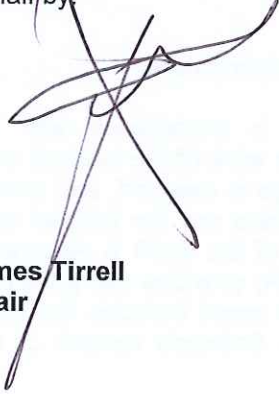
KINGSTON MAURWARD COLLEGE
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL
(Continued)

The Principal and senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Principal and senior management team and the Audit & Assurance Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit & Assurance 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 & Assurance Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its October 2018 meeting the Corporation will carry out the annual assessment for the year ended 31 July 2018 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2018.

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

Approved by order of the members of the Corporation on 4 December 2018 and signed on its behalf by:



James Tirrell
Chair



Luke Rake
Accounting Officer

**KINGSTON MAURWARD COLLEGE
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY,
PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND
CONDITIONS OF FUNDING**

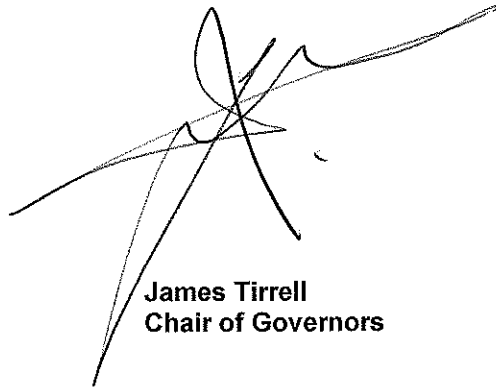
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the college's grant funding agreement and contracts with ESFA. As part of our consideration we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



**Luke Rake
Accounting Officer**



**James Tirrell
Chair of Governors**

KINGSTON MAURWARD COLLEGE
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The members of the Corporation 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 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.

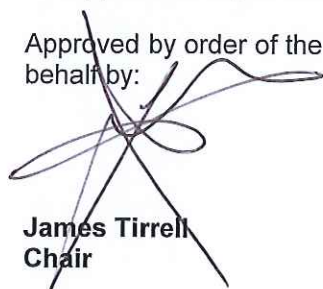
The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

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 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 financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place 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 that should be derived from the application of public funds from ESFA are not put at risk.

Approved by order of the members of the Corporation on 4 December 2018 and signed on its behalf by:



James Tirrell
Chair

**KINGSTON MAURWARD COLLEGE
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF KINGSTON
MAURWARD COLLEGE**

Opinion

We have audited the financial statements of Kingston Maurward College ("the College") for the year ended 31 July 2018 which comprise the Income and Expenditure Account, the Statement of Historical Cost Surpluses and Deficits, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation's 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 Corporation's are responsible for the other information. The other information comprises the information included in the annual report 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.

**KINGSTON MAURWARD COLLEGE
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF KINGSTON
MAURWARD COLLEGE (Continued)**

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; and
- we have not received all the information and explanations we require for our audit.

Responsibilities of Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 19, the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as 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 Corporation are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation intend to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. This report is made solely to the Corporation as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

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.

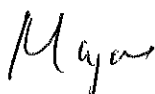
Use of the audit report

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. This report is made solely to the Corporation as a body, in accordance with Article 22 of the

**KINGSTON MAURWARD COLLEGE
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

**INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF KINGSTON
MAURWARD COLLEGE (Continued)**

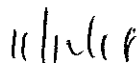
College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other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



Mazars LLP

Chartered Accountants and Statutory Auditor

90 Victoria Street, Bristol, BS1 6DP



KINGSTON MAURWARD COLLEGE
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY

To: The Corporation of Kingston Maurward College and the Secretary of State for Education acting through the Department for Education ("the Department").

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with the 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 Kingston Maurward College during the period 1 August 2017 to 31 July 2018 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 Kingston Maurward 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 Kingston Maurward 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 Kingston Maurward College and the Department for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Kingston Maurward College and the reporting accountant

The Corporation of Kingston Maurward College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received 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 2017 to 31 July 2018 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.

KINGSTON MAURWARD COLLEGE
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY
(Continued)

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the SFA/ funding agreement with the EFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Mazars

Mazars LLP
90 Victoria Street
Bristol
BS1 6DP

Date *11/12/18*

KINGSTON MAURWARD COLLEGE
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 July 2018		Year ended 31 July 2017	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body income	2	5,612	5,612	6,285	6,285
Tuition fees and education contracts	3	1,623	1,623	1,512	1,512
Other Income	4	2,700	1,988	2,532	1,996
Investment Income	5	0	0	0	0
Total Income		9,935	9,223	10,330	9,793
EXPENDITURE					
Staff costs	6	5,836	5,469	5,930	5,686
Fundamental restructuring costs	6	15	15	224	224
Other operating expenses	7	3,900	3,564	3,970	3,689
Depreciation and amortisation	10	708	700	704	693
Interest and other finance costs	8	265	265	256	256
Total Expenditure		10,724	10,012	11,083	10,547
Deficit before other gains and losses		(789)	(789)	(754)	(754)
Gain on disposal of assets	10	0	0	319	319
Deficit before tax		(789)	(789)	(435)	(435)
Taxation	9	0	0	0	0
Deficit for the year		(789)	(789)	(435)	(435)
Unrealised surplus on revaluation of assets					
Actuarial loss in respect of pensions schemes		1,571	1,571	606	606
Total Comprehensive Income for the year		782	782	171	171

KINGSTON MAURWARD COLLEGE

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Group			
Balance at 1st August 2016	(4,617)	4,385	(232)
Deficit from the income and expenditure account	(435)	-	(435)
Other comprehensive income	606	-	606
Transfers between revaluation and income and expenditure reserves	19	(19)	-
	<hr/> 190	<hr/> (19)	<hr/> 171
Balance at 31st July 2017	(4,426)	4,365	(61)
Deficit from the income and expenditure account	(789)	-	(789)
Other comprehensive income	1,571	-	1,571
Transfers between revaluation and income and expenditure reserves	19	(19)	-
	<hr/> 801	<hr/> (19)	<hr/> 782
Total comprehensive income for the year			
Balance at 31st July 2018	<u>(3,625)</u>	<u>4,346</u>	<u>721</u>
College			
Balance at 1st August 2016	(4,617)	4,385	(232)
Deficit from the income and expenditure account	(435)	-	(435)
Other comprehensive income	606	-	606
Transfers between revaluation and income and expenditure reserves	19	(19)	-
	<hr/> 190	<hr/> (19)	<hr/> 171
Balance at 31st July 2017	(4,426)	4,365	(61)
Deficit from the income and expenditure account	(790)	-	(790)
Other comprehensive income	1,571	-	1,571
Transfers between revaluation and income and expenditure reserves	19	(19)	-
	<hr/> 800	<hr/> (19)	<hr/> 781
Total comprehensive income for the year			
Balance at 31st July 2018	<u>(3,626)</u>	<u>4,346</u>	<u>719</u>

KINGSTON MAURWARD COLLEGE
BALANCE SHEET AS AT 31 JULY 2018

	Notes	Group 2018 £000s	College 2018 £000s	Group Restated 2017 £000s	College 2017 £000s
Fixed assets					
Tangible assets	10	16,290	16,290	16,878	16,878
Intangible assets	10	54	54	24	24
Total fixed assets		16,344	16,344	16,902	16,902
Current assets					
Stocks	11	356	346	359	349
Trade debtors and other receivables	12	405	390	354	375
Cash and cash equivalents	17	607	607	656	656
Total current assets		1,368	1,343	1,369	1,382
Less : Creditors - amounts falling due within one year	13	(1,659)	(1,634)	(1,789)	(1,800)
Net current assets		(291)	(291)	(420)	(420)
Total assets less current liabilities		16,053	16,053	16,482	16,482
Less : Creditors - amounts falling due after more than one year	14	(9,105)	(9,105)	(9,550)	(9,550)
Provisions					
Defined benefit obligations	16	(6,227)	(6,227)	(6,993)	(6,993)
Total net assets		721	721	(61)	(61)
Unrestricted reserves					
Income and expenditure account		(3,625)	(3,625)	(4,427)	(4,427)
Revaluation reserve		4,346	4,346	4,366	4,366
Total unrestricted reserves		721	721	(61)	(61)

The financial statements on pages 26 to 49 were approved and authorised for issue by the Corporation on 4 December 2018 and were signed on its behalf on that date by:-

James Tirrell
Chair

Luke Rake
Principal

KINGSTON MAURWARD COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018 £000s	2017 £000s
Cash inflow from operating activities			
Deficit for the year		(789)	(435)
Adjustment for non cash items			
Depreciation and amortisation	10	708	704
Deferred capital grants released to income		(247)	(263)
Decrease/(Increase) in stocks	11	3	(18)
Decrease/(Increase) in debtors	12	(51)	72
Increase/(decrease) in creditors due within one year	13	(133)	196
FRS 102 pension charge	22	619	463
Adjustment for investing or financing activities			
Interest payable		265	256
Profit on sale of fixed assets		0	(319)
Net cash flow from operating activities		<u>375</u>	<u>656</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		0	385
Deferred Capital Grants received		0	151
Investment income		0	0
Payments made to acquire fixed assets	10	<u>(150)</u>	<u>(831)</u>
		<u>(150)</u>	<u>(295)</u>
Cash flows from financing activities			
Interest paid		(76)	(74)
Interest element of finance lease rental payments		(3)	(3)
New unsecured loans			277
Repayments of amounts borrowed		(180)	(146)
Capital element of finance lease rental payments		<u>(16)</u>	<u>(9)</u>
		<u>(275)</u>	<u>45</u>
Increase / (decrease) in cash and cash equivalents in the year		<u><u>(49)</u></u>	<u><u>406</u></u>
Cash and cash equivalents at beginning of the year		656	250
Cash and cash equivalents at end of the year		607	656

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

1. Accounting policies

General Information

Kingston Maurward College was established under the Further and Higher Education Act 1992. The College is situated two miles east of Dorchester in Dorset. The College offers a range of full and part time courses and specialises in land based and related subjects. As part of its educational role the College runs a 750 acre mixed farm, equestrian centre and countryside visitor attractions.

Statement of accounting policies

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 College Accounts Direction for 2017 to 2018 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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.

Going concern

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

The College currently has three outstanding loans totalling £1.7m with bankers. The terms of the existing loans are for one to end in 2020, one in 2022 and the other to end in 2032. The College's forecasts and financial projections indicate that it will continue to increase cash reserves, improve its performance ratio whilst operating 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.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, Kingston Maurward Enterprises Limited. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2018.

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants 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

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.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

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

Non-recurrent grants from the Learning Skills Council and its successor organisations or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

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

Fee income

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

Investment income

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

Agency arrangements

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

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated 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.

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 plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Dorset Local Government 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 or return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the 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 in the scheme assets, calculated by multiplying the fair value of the scheme assets at beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on scheme assets and the actual return on the scheme assets is recognised in interest and other finance

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

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render services 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 to the ongoing pension of a former member of staff is charged in full to the college's 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 cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

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

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Freehold buildings - 50 years
- Agricultural buildings - 20 years
- Leashold buildings - 50 years or shorter dependent on the length of the lease
- Refurbishments - 5 or 10 years depending on the nature of the refurbishment.

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

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

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

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

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 2018. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

- Plant and equipment - 5 years on a straight-line basis
- Vehicles - 5 years on a straight-line basis
- Computer equipment - 5 years on a straight-line basis
- Furniture, fixtures and fittings - 10 years on a straight-line basis

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

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

Intangible Assets

Intangible assets costing more than £1,000 are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Amortisation is provided on intangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life as follows:

- Purchased computer software - 5 years on a straight-line basis

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

Stocks

Farm stocks consist of livestock and crops and have been valued by independent valuers using recognised valuation methods and included in the balance sheet at the percentages of market value as recommended by HMRC Business Income Manual (BIM55410 - Farming stock valuation IR232). Other stocks have been valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Maintenance of premises

The cost of routine and planned maintenance is charged to the income and expenditure account in the period in which it is incurred.

Taxation

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

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 3% of the 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.

The College's subsidiary company is subject to Corporation tax and VAT in the same way as any commercial organisation.

Liquid Resources

Liquid resources includes sums on short-term deposit with recognised banks and building societies.

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

Other key sources of estimation uncertainty

Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected 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 annual 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 22, 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 2018. 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.

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

2. Funding body income

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	546	546	512	512
Education and Skills Funding Agency - 16-18	4,091	4,091	4,583	4,583
Education and Skills Funding Agency - apprenticeships	789	789	1,003	1,003
Releases of government capital grants	186	186	188	188
Train to Gain	0	0	0	0
Total	5,612	5,612	6,285	6,285

3. Tuition fees and education contracts

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult Education fees	419	419	479	479
Apprenticeship fees and contracts	10	10	45	45
Fees for FE loan supported courses	170	170	197	197
Fees for HE loan supported courses	331	331	295	295
International students fees	0	0	0	0
Total tuition fees	930	930	1,016	1,016
Education contracts	693	693	496	496
Total	1,623	1,623	1,512	1,512

4. Other Income

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Residences and catering	331	331	310	310
Other government capital grants	61	61	75	75
Farming activities	625	625	592	592
Other income generating activities	928	216	813	277
Other income	755	755	743	743
Total	2,700	1,988	2,532	1,996

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

5. Investment Income

	Year ended 31 July 2018		Year ended 31 July 2017	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Interest receivable	0	0	0	0
Total	0	0	0	0

6. Staff Costs - Group and College

The average number of persons (including senior post holders) employed by the College during the year, expressed as full-time equivalents, was

	2018	2017
	No.	No.
Teaching staff	58	69
Non teaching staff	154	153
	212	222

The average total number of persons employed by the College for 2017/18 was 280 (2016/17 - 284)

Staff costs for the above persons	2018	2017
	£'000	£'000
Wages and salaries	4,309	4,533
Social security costs	317	337
Other pension costs (including FRS102 adjustment of £619,000 - 2017 £463,000)	1,208	1,060
Payroll sub-total	5,834	5,930
Contracted out staffing services	1	0
	5,836	5,930
Exceptional restructuring costs	15	224
	5,851	6,153

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management Team which comprises the Principal, the Deputy Principal Curriculum & Quality and Deputy Principal Finance & Corporate Services. Staff costs include compensation paid to key management personnel for loss of office.

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

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

	2018 No.	2017 No.
The number of key management personnel including the Accounting Officer was:	<u>3</u>	<u>3</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:

	Key management personnel		Other staff	
	2018 No.	2017 No.	2018 No.	2017 No.
£70,001 to £80,000	2	2	0	0
£80,001 to £90,000	0	0	0	0
£90,001 to £100,000	1	1	0	0
£100,001 to £110,000	0	0	0	0
	<u>3</u>	<u>3</u>	<u>0</u>	<u>0</u>

Key management personnel compensation is made up as follows:

	2018 £'000	2017 £'000
Salaries - gross of salary sacrifice and waived emoluments	248	249
Employers National Insurance	31	31
Benefits in kind	<u>0</u>	<u>0</u>
	279	280
Pension contributions	<u>40</u>	<u>39</u>
Total emoluments	<u>319</u>	<u>319</u>

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

The above compensation includes amounts paid to the Principal (also the highest paid officer) of:

	2018 £'000	2017 £'000
Salary	101	102
Benefits in kind	<u>0</u>	<u>0</u>
	101	102
Pension contributions	<u>17</u>	<u>17</u>

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

KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS

7. Other Operating Expenses

	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
	Group	College	Group	College
Teaching costs	821	821	858	859
Non teaching costs	2,414	2,077	2,438	2,156
Premises costs	665	665	674	674
Total	3,900	3,564	3,970	3,689

Other operating expenses include:

	2018	2017
	£'000	£'000
Auditors remuneration :		
Financial Statements audit*	15	15
Internal audit	11	15
Other services provided by the financial statements auditors	3	3
Other services provided by the internal auditors	0	0
Hire of plant and machinery - operating leases	133	140

* includes £14,256 in respect of the College (2016/17 - £13,842)

8. Interest and other finance costs

	2018	2017
	£'000	£'000
On bank loans, overdrafts and other loans:		
Repayable within five years, not by instalments:	15	8
Repayable within five years, by instalments:	4	5
Repayable wholly or partly in more than five years:	57	62
	76	74
On finance leases	3	3
Net interest on defined pension liability (note 22)	186	178
Total	265	256

9. Taxation

	2018	2017
	£'000	£'000
United Kingdom corporation tax at 21%	0	0
Provision for deferred corporation tax in the accounts of the subsidiary company	0	0
Total	0	0

KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS

10. Tangible Fixed Assets (Group and College)

	Land and Buildings Long		Equipment	Assets in the Course of Construction	TOTAL
	Freehold	Leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 August 2017	20,080	130	4,341	93	24,644
Additions	35	0	92	11	138
Transfers	0	0	0	(38)	(38)
Disposals	(8)	0	(195)	0	(202)
At 31 July 2018	20,107	130	4,238	66	24,541
Depreciation					
At 1 August 2017	4,546	64	3,156	0	7,766
Charge for the year	390	3	295	0	688
Eliminated on disposal	(8)	0	(195)	0	(202)
At 31 July 2018	4,929	66	3,256	0	8,251
Net Book Value at 31 July 2018	15,178	64	982	66	16,290
Net Book Value at 31 July 2017	15,534	66	1,185	93	16,878

	Land and Buildings Long		Equipment	Assets in the Course of Construction	TOTAL
	Freehold	Leasehold			
	£'000	£'000	£'000	£'000	£'000
Inherited	4,148	64	0	0	4,212
Financed by capital grant	7,674	0	169	0	7,842
Other	3,356	0	813	66	4,236
Net Book Value at 31 July 2017	15,178	64	982	66	16,290

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained.

There is £66k of assets under construction within the freehold additions.

Inherited land and buildings were valued for the purpose of the 1994 financial statements at open market value in their existing use by a firm of independent chartered surveyors, Symonds and Sampson, in August 1992. Other tangible fixed assets inherited from the Local Education Authority as at 1 April 1993 have been valued by the Corporation on a depreciated cost basis.

Freehold land and buildings with a net book value of £4,147,707 have been funded by exchequer fund sources. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Skills Funding Agency to surrender the proceeds.

KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS

10. Intangible Fixed Assets (Group and College)

	Land and Buildings Long Leasehold		Equipment	Assets in the Course of Construction	TOTAL
	Freehold £'000	Leasehold £'000	£'000	£'000	£'000
Cost or Valuation					
At 1 August 2017	0	0	215	0	215
Additions	0	0	12	0	12
Transfers	0	0	38	0	38
Disposals	0	0	0	0	0
At 31 July 2018	0	0	265	0	265
Depreciation					
At 1 August 2017	0	0	191	0	191
Charge for the year	0	0	21	0	21
Eliminated on disposal	0	0	0	0	0
At 31 July 2017	0	0	212	0	212
Net Book Value at 31 July 2018	0	0	54	0	54
Net Book Value at 31 July 2017	0	0	24	0	24

	Land and Buildings Long Leasehold		Equipment	Assets in the Course of Construction	TOTAL
	Freehold £'000	Leasehold £'000	£'000	£'000	£'000
Inherited	0	0	0	0	0
Financed by capital grant	0	0	0	0	0
Other	0	0	54	0	54
Net Book Value at 31 July 2017	0	0	54	0	54

Intangible assets relate to purchased computer software.

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

11. Stocks

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Farm stocks including crops and livestock	331	331	336	336
Other stocks	25	15	23	13
	356	346	359	349

The college has valued farm stock in line with the recommendations by HMRC Business Income Manual (BIM55410-Farming stock valuation IR232).

12. Trade and other receivables

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Amounts falling due within one year:				
Trade debtors	59	41	68	58
Amounts owed by Subsidiary undertaking	0	4	0	31
Prepayments and accrued income	129	128	124	124
Other taxation and social security	155	155	107	107
Amounts owed by the ESFA	62	62	55	55
	405	390	354	375

13. Creditors: Amounts Falling Due Within One Year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans and overdrafts	195	195	194	194
Obligations under finance leases	20	20	23	23
Payments received in advance	253	149	436	356
Trade Creditors	475	444	319	303
Other taxation and social security	196	196	152	152
Accruals	91	80	200	191
Holiday Pay accrual	181	181	215	215
Other Loans	3	3	3	3
Deferred Income - government capital grants	245	245	247	247
Amounts owed to Subsidiary undertaking	0	121	0	117
	1,659	1,634	1,789	1,800

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

14. Creditors: Amounts Falling Due After More Than One Year

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
Bank loans and overdrafts	1,518	1,518	1,699	1,699
Obligations under finance leases	7	7	23	23
Other Loans	0	0	3	3
Deferred income - government capital grants	7,580	7,580	7,825	7,825
	9,105	9,105	9,550	9,550

15. Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	195	195	194	194
Between one and two years	189	189	194	194
Between two and five years	666	666	770	770
In five years or more	663	663	735	735
Total	1,713	1,713	1,893	1,893

The College has three unsecured bank loans. The first loan is at 5.5 per cent and is repayable by instalments falling due between 1 August 2015 and 1 October 2032 totalling £1,022,000. The second loan is at 1.65 per cent above LIBOR and is repayable by instalments falling due between 1 August 2015 and July 2020 totalling £134,000. The third loan of £600,000 is at 2.25 per cent above the Bank's Base Rate and is repayable by instalments falling between August 2016 and July 2022 totalling £557,000.

(b) Finance leases

The net finance lease obligations to which the College is committed are:

	Group 2018 £'000	College 2018 £'000	Group 2017 £'000	College 2017 £'000
In one year or less	20	20	23	23
Between two and five years	7	7	24	24
In five years or more	0	0	0	0
	27	27	47	47

Finance lease obligations are secured on the assets to which they relate.

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

16. Provisions

	Group and College	
	Defined benefit obligations	Total
	£'000	£'000
At 1 August 2017	6,993	6,993
Expenditure in the period	(366)	(366)
Additions in period	0	0
At 31 July 2018	6,627	6,627

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 22.

	At 1 August 2017	Cash flow in year	At 31 July 2018
	£'000	£'000	£'000
17. Cash and cash equivalents			
Cash at bank and in hand	656	(49)	607
Overdrafts	0	0	0
Total	656	(49)	607

	Group and College	
	2018	2017
	£'000	£'000
18. Capital Commitments		
Commitments contracted for at 31 July 2018	0	0
Authorised but not contracted for at 31 July 2018	250	250

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

19. Lease obligations

At 31 July the College had annual commitments under non-cancellable operating leases as follows :

	Group and College	
	2018	2017
	£'000	£'000
Future minimum lease payments due		
Not later than one year	<u>145</u>	<u>179</u>
Later than one year and not later than five years	<u>109</u>	<u>199</u>
None of the operating leases above related to land and buildings.		

20. Contingent liabilities

The College does not have any contingent liabilities to report.

21. Events after the reporting period

There are no events after the reporting period.

22. Defined benefit obligations

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

Total pension cost for the year	2017/18	2016/17
	£'000	£'000
Teachers Pension Scheme: contributions paid	258	292
Local Government Pension Scheme:		
Contributions Paid	331	305
FRS 102 charge	<u>619</u>	<u>463</u>
Charge to the Statement of Comprehensive income	<u>950</u>	<u>768</u>
Total Pension Cost for Year within staff costs	<u>1,208</u>	<u>1,060</u>

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

Contributions amounting to £39,207 (2017: £35,856) were payable to the LGPS scheme and contributions amounting to £33,028 (2017: £35,536) were payable to the TPS and are included in creditors.

KINGSTON MAURWARD COLLEGE NOTES TO THE ACCOUNTS

22. Defined benefit obligations (cont)

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, including colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million.
- an employer cost cap of 10.9% of pensionable pay;
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings; the rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is
- 5.06%.

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

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 £394,673 (2017: £444,954)

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

22. Defined benefit obligations (cont)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Dorset County Council. The total contributions made for the year ended 31 July 2018 was £460,389 of which employer's contributions totalled £331,176 and employees' contributions totalled £129,213. The agreed contribution rates for future years are 15.1% for employers and range from 5.5% to 7.5% for employees, depending on salary.

On 26th October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ("GMP"). The government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

The current information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified actuary.

Principal Actuarial Assumptions	At 31 July 2018	At 31 July 2017
Rate of increase for salaries	3.85%	4.20%
Rate of increase for pensions in payment/inflation	2.35%	2.70%
Discount rate for scheme liabilities	2.65%	2.70%
Inflation assumption (CPI)	2.70%	2.70%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2018	At 31 July 2017
<i>Retiring today/current pensioners</i>		
Males	24.0	23.9
Females	26.1	26.0
<i>Retiring in 20 years/future pensioners</i>		
Males	26.3	26.1
Females	28.4	28.3

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

22. Defined benefit obligations (cont)

Local Government Pension Scheme (cont)

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

	Long-term rate of return expected at 31 July 2018	Value at 31 July 2018 £ 000's	Long-term rate of return expected at 31 July 2017	Value at 31 July 2017 £ 000's
Equities	55.0%	6,694	55.0%	6,332
Gilts	19.0%	2,268	17.0%	2,027
Other Bonds	7.0%	847	11.0%	1,301
Property	10.0%	1,243	9.0%	1,011
Cash	1.0%	114	3.0%	309
Infrastruturure/Hedge/Multi Asset	9.0%	1,088	4.0%	507
Total market value of assets		12,254		11,487
Weighted average expected long term rate of return				
Actual return on plan assets		626		1,469

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

	2018 £ 000's	2017 £ 000's
Fair value of plan assets	12,254	11,487
Present value of plan liabilities	(18,481)	(18,480)
(Present value of unfunded liabilities)	0	0
Net pensions liability (Note 16)	(6,227)	(6,993)

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

	2018 £ 000's	2017 £ 000's
Amounts included in staff costs		
Current service costs	901	729
Past service costs	75	66
Total	976	795
Amounts included in investment costs		
Net interest cost	186	178
	186	178

Amount recognised in Other Comprehensive Income

Return on pension plan assets	314	1,217
Change in demographic assumptions	0	(255)
Experience losses arising on defined benefit obligations	0	850
Other actuarial gains/(losses)	0	162
Changes in assumptions underlying the present value of plan liabilities	1,257	(1,368)
Amount recognised in Other Comprehensive Income	1,571	606

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

22. Defined benefit obligations (cont)

Local Government Pension Scheme (cont)

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

	2018 £ 000's	2017 £ 000's
Deficit in scheme at 1 August	(6,993)	(6,958)
Movement in year:		
Current service cost	(901)	(729)
Employer contributions	366	340
Past service cost	(75)	(66)
Net interest on the defined (liability)/asset	(186)	(178)
Actuarial gain/(loss)	1,571	606
Administration expenses	(9)	(8)
Curtailments and settlements	0	0
Net defined benefit liability at 31 July	(6,227)	(6,993)

Asset and Liability Reconciliation

	2018 £ 000's	2017 £ 000's
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	18,225	16,504
Current service cost	901	729
Interest cost	498	430
Contribution by Scheme participants	130	131
Experience gains and losses on defined benefit obligations	0	(850)
Changes in financial assumptions	(1,257)	1,368
Estimated benefits paid	(346)	(153)
Past service cost	0	0
Curtailments and settlements	75	66
Defined benefit obligations at end of period	18,226	18,225

	2018 £ 000's	2017 £ 000's
Change in fair value of plan assets		
Fair value of plan assets at start of period	11,487	9,546
Interest on plan assets	312	252
Return on plan assets	314	1,217
Other actuarial gains/(losses)	0	162
Administration expenses	(9)	(8)
Employer contributions	366	340
Contribution by Scheme participants	130	131
Estimated benefits paid	(346)	(153)
Fair value of plan assets at end of period	12,254	11,487

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

23. Related Party Transactions

Due to the nature of the College's operations and the composition of the Corporation 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 Corporation may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £1,050: 3 governors (2017: 1,865: 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

These financial statements reflect the following transactions with related parties, which were undertaken on an arm's length basis and under normal commercial terms:

Name	Nature of Interest	Detail	(Income) / Expenditure £'000	(Debtor) / Creditor £'000
Dorset County Hospital NHS Foundation Trust	Governor employed as Deputy Director of Finance	Income relates to provision of Apprenticeship training and conference room hire	(9)	-
Synergy Farm Health Ltd	Governor employed as a Director	Expenditure relating to veterinary services	(1) / 30	3
Dorset Studio School	Governors act as Directors of the School	Income relates to Service Level Agreements	(188)	(11)
Symonds & Sampson LLP	Governor employed as a Partner	Expenditure relating to farm stock valuation services	(2) / 2	-

The College has taken advantage of the exemption available in accordance with FRS 102 section 33.1A not to disclose transactions entered into between the College and its subsidiary, as the subsidiary is a wholly owned subsidiary undertaking of the College to which it is party to the transactions.

24. Amounts disbursed as agents:

Learner support funds

	2018 £'000	2017 £'000
Funding body grants - bursary support	109	107
Funding body grants - residential bursary	41	35
	<hr/> 150	<hr/> 142
Disbursed to Students	(137)	(121)
Administration Costs	(2)	(3)
	<hr/> (139)	<hr/> (124)
Balance unspent at 31 July	<hr/> 11	<hr/> 18

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.

