

KINGSTON MAURWARD COLLEGE
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2020

CONTENTS

Page

1	Reference and Administrative Details
2	Strategic Report
15	Statement of Corporate Governance and Internal Control
21	Governing Body's statement on the College's regularity, propriety and compliance with funding body terms and conditions of funding
22	Statement of Responsibilities of the Members of the Corporation
23	Independent Auditors' Report to the Corporation of Kingston Maurward College
26	Reporting Accountant's Assurance Report on Regularity
28	Consolidated Statement of Comprehensive Income
29	Consolidated and College Statement of Change in Reserves
30	Consolidated Statement of Cash Flows
31	Balance Sheet as at 31 July
32	Notes to the Accounts

Reference and Administrative Details

Board of Governors

R Barker
H Baxter
R Bourne
J Bullen
A Davies
A Foot
A Jackson
J Kenderdine
D Knight
R Lasseter
G Ledden
A Minard
B Murphy
V Prior
L Rake
A Robinson
B Thompson
J Tirrell

Clerk: V Gifford

Senior Management Team

Luke Rake	Principal and CEO & Accounting Officer
Oliver Symons	Deputy Principal Learning & Development (from 19 Aug 2019)
Catriona Wood	Deputy Principal Finance & Commercial Services (from August 2019 to February 28, 2020)
Tom Barlow	Interim Deputy Principal Finance & Commercial Services (March 1 st 2020 – October 23 rd 2020)
Gavin Teasdale	Interim Finance Director (November 2 nd 2020 – to date)

Principal and Registered Office

Kingston Maurward, Dorchester, Dorset DT2 8PY

Professional Advisors

External Auditors	Mazars LLP, Bristol
Internal Auditors	ICCA Education Training and Skills
Bankers	NatWest Bank, Dorchester Barclays Bank, Cardiff
Solicitors	Blanchards Bailey LLP, Blandford Forum

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 2020.

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 hired out for educational conferences, functions, events and weddings.

Mission, Vision, Strategy and Objectives

The College's mission statement, which was first adopted in July 2017 as part of its four year strategic plan is:

"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."

The strategic plan for the period 2017/18 to 2020/21 includes property and financial plans against which the College's performance is monitored.

The College's values are that we will:

- **Inspire**
- **Challenge**
- **Care**

The College's key strategic themes are:

- **People**
 - We are **inspired** by the commitment and abilities of our staff and students within an **inspiring** environment, which brings out the best in everyone.
 - We **challenge** ourselves and our students every day to be the very best that they can be, striving for excellence.
 - We are a mutually supportive community working together and **caring** for each other to deliver something that is far greater than the sum of the parts.
- **Learning**
 - Students will become independent learners through **inspirational** teaching, motivated to achieve beyond their expectations.
 - The College provides a **challenging** learning environment designed to maximise the achievement of all individuals, regardless of starting point.
 - Students are supported and nurtured in a **caring** environment. Within this environment they are given the tools to become more resilient.

STRATEGIC REPORT (Continued)

- **Partnership**

- The College is at the hub of the Dorset community, providing an **inspirational** centre for knowledge exchange and new business generation.
- The College **challenges** itself and its partners to meet the needs of the South West rural agenda, matching curriculum development to industry needs.
- A good reputation is hard won and easily lost. The College **cares** passionately about delivering an outstanding experience to all its visitors and industry partners.

- **Financial Resilience**

In order to achieve its mission as a high quality specialist provider the underlying financial stability and financial sustainability are key to the College. As part of the Strategic Plan 2017-2021, the College set the following financial resilience objectives:

- To ensure continued financial health rating of at least good.
- To meet the terms of the bank covenants in place.
- To ensure the College meets criteria defined by the Dorset Area Review 2016/17.
- To further diversify the College revenue streams in order to maximise return on the estate and hedge against unpredictable events.

- **Estate Development**

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

The College recognises there may be slippage in some aspects of the objectives. In particular, significant events outside the control of the College may impact on its ability to achieve or maintain some specific objectives. This has been the case with Covid-19 and is properly reflected in the College Risk Management plan.

Financial objectives

Performance against financial resilience objectives is summarised as follows:

- Financial health rating of at least 'Good' – slippage will occur during 2020-2021 academic year (as a result of the 2019-20 financial year) due to the impacts of Covid-19.
- Meet Area Review criteria
 - Operating surplus of 3% or greater by 2020 – not achieved. For 2019/20 the College made a deficit before tax of £1,108k as a result of Covid-19 impacts
 - Borrowing as a % of Income at less than 40% - achieved. The College borrowing to Income ratio as at 2019/20 was 17% and the bank covenants were achieved.
 - Staff Costs as a % of turnover below 65% – substantially achieved. The College Staff Costs ratio as at 2019/20 was 66%, There is income slippage in this ratio as the impact of Covid-19 on the College income is felt in the last quarter of 2019-20
 - Current ratio greater than 1 – Not achieved. The impact of Covid-19 is also felt in the cash position of the College.
- To further diversify the College revenue streams to hedge against further unpredictable events. While investment has been made in non-academic revenue streams, the income from these has been stalled by the on-set of Covid-19 and the resulting lockdowns. We expect these income areas to show substantial improvement post pandemic.

Since the announcement of a national lockdown in March 2020 the College has followed all Government guidelines and put secure Covid-19 measures in place across the campus.

STRATEGIC REPORT (Continued)

The College has lost almost all of its commercial income since March 2020 due to government restrictions on trade and this amounts to a deficit on budgeted income of over £1.0m. One or two small wedding ceremonies have taken place during this period but these have not had an impact on the finances. No significant commercial income is expected until at least March 2021 and that is dependent on the current restrictions being lifted.

With the commencement of lockdown in March 2020, KMC switched its curriculum delivery overnight to online remote delivery. Staff and students adapted rapidly and successfully to this change, working together to ensure all students continued to access teaching and learning for all Study Programmes and Apprenticeships and current indications are that student achievement is higher than last year, resulting in a Self-Assessment Overall Grade of Ofsted 'Good'. Throughout this period, student engagement continued to be high across each of the academic departments. This was, in part due to the innovative teaching solutions developed during this period, together with the continuation of student support services such as Learning Support, Student Welfare and Safeguarding. These innovative solutions ensured that every student had access to routine contact and therefore were not disadvantaged academically or socially during this period.

On site delivery was reduced by one day per week for all students to reduce pressure on student transport. The level of transport provided has remained the same but with the reduction in days on site the students have more room to socially distance whilst travelling to and from college.

The College has introduced a ban on external sports fixtures in line with government guidance and reduced offsite trips to try to alleviate the risk of the virus spreading to campus and throughout the student and staff body.

The Principal has remained on site and managed all operations at the College throughout the pandemic with assistance from the Deputy and Assistant Principals and the Head of Estates. Some staff began to return to work during the summer as Covid-19 secure procedures were implemented to ensure that it was safe for them to do so. All staff who were unable to work at home were asked to return to the college in September to provide services for students.

Resources

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

The College employs 210 staff (expressed as full time equivalents), of which 54 are employed as teaching staff and 156 are employed in support functions and activities relating to the College's commercial activities.

The College enrolled approximately 700 full time students with an increase of 5.5% in 16-19 ('sixth form') age students, exceeding the KPI of 5%. The College's student population includes 16-to-19 year old students, apprentices, higher education students and over 19 adult learners.

The College has (£4848k) of net assets (2018/19 £218k). This negative position is due to a huge increase in deferred benefit obligations. This includes £11,501k pension liability (2018/19 £6,796k) a rise of £4,705k in actuarial valuation. 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 value of the Estate as presented in these financial statements is not representative of its true market value. The College did not choose to revalue as at 1 August 2014 under the provisions of FRS 102 but will look to revalue all assets during the 2020/21 financial year.

The College has a good and developing reputation locally, regionally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships. The College Principal is on the Board of the Dorset Local Enterprise Partnership and is a key player in driving the rural agenda for the whole of the South West Region, where he also sits as Chair of Dorset Careers Hub Steering Group, Chair of the Dorset Local Nature Partnership and Member of Dorset AONB board, as well as roles across the region such as the Great South West LEP Steering Group.

STRATEGIC REPORT (Continued)

Stakeholders

The College has many stakeholders including:

- Current, future and past students;
- Staff and their trade unions;
- The Education Skills and Funding Agency, the Office for Students and other professional bodies in the sectors where it works;
- The employers it works with;
- Partner schools and universities; the wider college community;
- The local borough council, combined authority and Local Enterprise Partnership

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 around 1241 students, including 260 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 175 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.

Development and performance

The College, along with most colleges in the country and especially the land-based sector, had a difficult year. This was primarily due to the impact of Covid-19 and it affected mainly the commercial and other income streams. The detail of the finance results is shown in the Financial Statements and is summarised below.

FINANCIAL POSITION

Financial results

The College Group (the College) generated a deficit (before a gain on disposal of assets) of (£1,419k) in the year (2018/19 – deficit of (£662k)). The College generated a deficit (after FRS 102) in the year of (£5,065k) (2018/19 – deficit of £504k). The net FRS 102 charge in the year was £3,957k and £147k in 2018/19.

The College disposed of an asset by selling a house for £386k which was completed in November 2019. The gain on the disposal of this asset was £311k. We have engaged with a developer to look at other land assets as outlined in the Property Strategy Masterplan, which should net receipts in the following financial year 2020/21.

The Covid-19 lockdown had a major impact on the College during the year. Whilst, in February, in terms of commercial income, the College was about £120k behind budget (net income) by the end of the year it was about £400k behind budget. Were this shortfall applied to the education EBITDA the College would have shown a positive result and a consequent improvement in financial health score.

The College has successfully applied for a CBILS Loan to ameliorate the impacts of Covid-19 in the medium term and provide sufficient working capital. This will be drawn down December 2020 and will amount to £1,200k.

Included within the College Group's net assets (liabilities) of (£4,848k) are cash balances of £121k (2018/19 £412k)

STRATEGIC REPORT (Continued)

The College has experienced a reduction in its reserves position and a reduction in its cash as at 31 July 2020 compared with 31 July 2019. This position follows an actuarial valuation resulting in a negative impact of (£4,705k).

Tangible fixed assets held at the year end amounted to £15,831k split between land £14,970k, assets in course of construction £146k and equipment purchased of £715k. Major investment was in the OEC climbing wall £56k. Intangible fixed asset additions of £67k relate to the development of computer software and software development.

Covid-19

The impacts of Covid-19 are significant on the College's financial infrastructure and performance. Due to government restrictions on trade, the commercial areas of the college have had to largely close, and many staff placed on furlough and not funded from the ESFA funds. This however, only mitigated some of the financial fixed costs and therefore the overall effect of the pandemic, as for many businesses has been significantly negative in the 2019/20 financial year. As a result, in the Autumn Term of 2020 the College undertook a root and branch review of structures, enabling both restructure and cost mitigations and also redundancies. These impacts will be felt in the 2020/21 financial year.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the funding bodies provided 62% (2018/19 58%) of the College Group'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 deficit generated was £64k (2018/19 surplus £63k).

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

The net cash flow generated from operating activities was (£347k) (2018/19 £479k).

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.

Developments

Despite significantly difficult trading conditions, the College has been successful in working with the Dorset Local Enterprise Partnership, enabling additional capital grants to be successfully bid for, and applied to the estate. The value of these was in excess of £111k, enabling a full refurbishment of the kitchen and catering facility (thus reducing both H&S risks and futureproofing), a new indoor bouldering facility to support the growth of 16-19 student numbers, additional IT infrastructure to support progression and support of online and blended learning, and investment in the roads and pathway infrastructure across the estate.

STRATEGIC REPORT (Continued)

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%. To date the College has not managed to attain the desired level of reserves.

The College currently holds no restricted reserves.

It is the Corporation's intention to increase reserves over the life of the Strategic Plan, through the generation of annual operating surpluses.

The College started 2019/20 with limited cash reserves and the Covid-19 pandemic has had a major impact on cash reserves. It is not possible to definitively quantify this impact, but it is certain that the majority of the cash reduction and the operating deficit have resulted from the pandemic. At the time of writing the country is in the second lockdown and while Government support has been provided, and is very welcome, the financial damage beyond 2019/20 is far from predictable.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial Health

For the year ending 31 July 2020 the College financial health rating was 'Requires Improvement' and bank covenants were satisfied following discussions and some latitude from the College's bankers. As has been noted above the College's success in securing a CBILS loan will materially help its cash position from December 2020 onwards.

Student numbers

In 2019/20 the College has delivered activity that has produced £5,740k in funding body main allocation funding (2018/19 - £5,820k). The College had 1,241 Education Skills Funding Agency funded students both full time and part time (2018/19 1,358). This reduction is all within small part time courses and not in 16-18 full time courses where there was an increase of 5.5%

In addition to Further Education students the College has students in Higher Education, Apprenticeships, Workplace Learning and Fee paying students. The College had in total approximately 260 such students in 2019/20.

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. It provides 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 in land-based and other sectors, particularly Construction, Welding, Sport, Uniformed Public Services and Outdoor Adventure.

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 2020/21.

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.

STRATEGIC REPORT (Continued)

It is a sponsor of the Dorset Studio School (DSS), 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. Students attending DSS are predisposed to attend KMC and there is strong collaboration between the school and the College.

Partnership working with the Royal Veterinary College, and other 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, Royal Marines 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 graded Outstanding in May 2019.

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 for those completing their study programmes. Students are well prepared for moving on to their next destination, with an overall very positive progression rate to known destinations of 85%.

Future Prospects

The College has a fully approved Estates Master Plan, working closely with the Local Authority so that its plans will be incorporated within the overall Local Plan. Relationships with planners and statutory bodies such as Historic England are good.

The College has been awarded a grant from the Dorset LEP of £3,500k with a matched funding requirement of £900k. This funding will be invested in the building of a University Centre and Business Hub to develop increased HE progression in the area, reduce social mobility gaps and support the economic gap of Dorset's GVA compared to the rest of the UK. The development will also include a rural business hub to enable support of local firms, especially SMEs, alongside work with Dorset Growth Hub and other local governmental partnerships. Partnerships within the University Centre will broaden the range of organisations working with the College, and include Russell Group HEIs for the first time on the Estate.

At time of construction, these accounts note the ongoing challenge of Covid-19, including increased staffing and equipment costs, and also opportunity costs due to administration staff managing student contacts and self-isolation procedures. Student numbers have increased for a second year (currently 8% up at November 2020) and this will lead to increased revenues next year. Apprenticeships continue to be challenged as much of the economy is suffering reduced confidence and thus employment rates, particularly for 16-25 year olds, are significantly reduced, both locally and nationally.

Student numbers recruited in 2020/21 are thus in excess of expectation, securing a reasonable level of core ESFA funding in 2021/22. Full time 16-18 funded student numbers have been increased by 8.5%.

The Budget set for 2020/21 is based on the actual underlying performance for the year to 31 July 2020.

STRATEGIC REPORT (Continued)

In order to achieve an underlying position which is better than break even, excluding the impact of FRS 102 pension costs, further cost efficiencies will need to be found with the real emphasis being on the growth of commercial income and income from apprenticeship delivery. It will always be a high priority to reach out for capital funding from the LEP, the DofE and potentially from English Heritage. 2020/21 is expected to be a difficult year, after which the College should start to reap the reward of its careful strategic positioning and a more favourable demographic.

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 governors approved a financial plan in July 2019 which sets objectives for the period to 2021. The College expects to lose its health rating of "Good" due to a deficit budget set for the year to 31 July 2021.

Adult education budget and 16-19 funding decreased in the year to 31 July 2020. The new University Centre and Business Hub will be open in 2022 and the new programmes will be running from September 2021, coupled with two successive years of 16-19 growth, so an increased level of funding is expected in future years.

The College also plans to cut spending by 5% in the year to 31 July 2021, due to reductions in staffing and other fixed costs.

Treasury policies and objectives

The College has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities. Short term borrowing in the form of a bank overdraft facility continues to be helpful for the College and is utilised from time to time. All other borrowing requires the specific authorisation of the corporation.

The College has increased borrowing as a result of a working capital Coronavirus Business Interruption Loan (CBILS). This will be a major element in securing the College's financial future.

Reserves

The College has no formal reserves policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the college's core activities. The College's reserves include a revaluation reserve of £4,308k. As at the balance sheet date the Income and Expenditure reserve stands at (£9,156k). This figure includes the actuarial valuation of the Defined Benefit liability and does not reflect operational performance.

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 of Corporate Governance.

The Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed, identifying 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 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.

STRATEGIC REPORT (Continued)

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.

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.

At the time of writing, the most obvious risk to the College is the impact and potential impact of COVID-19. The lockdown has adversely affected the commercial income of the College and updated forecasts reflect this. The potential impact of COVID-19 is mitigated in a number of different ways including the fact that the ESFA income remains as expected and the College has been successful in gaining a CBILs loan on which the Government pays interest for the first year.

1. Financial Viability

In common with all public sector organisations the College is managing the financial impact of static student funding levels over many years and although an increase of less than 5.0% has been announced for 20/21 this does not close the gap. 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.

Key performance indicators

Key performance indicator	Measure/Target	Actual for 2019/20
Student number targets (16-19)	+5%	+8.5%
Student achievement/progression	85 / 90	83 / 85
Operating surplus/EBITDA as % of income	2.25%	-1.51
Staff satisfaction (via survey)	85+	91%
Ofsted rating	Good	Good

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. Implementation of the General Data Protection Regulations (GDPR) in 2018 require that all personal data held by the College is managed securely in accordance with this legislation.

This risk is mitigated by:

- Safeguarding and Data Protection policies and procedures;
- Safeguarding Officers hold appropriate qualifications;
- Safeguarding Committee, which monitors best practice;
- Training on Safeguarding and Data Protection for all staff, reinforced on an annual basis;

STRATEGIC REPORT (Continued)

- 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 and retention

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 maintain or improve on the Good OFTSED rating;
- Failure to maximise apprenticeship income;
- 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 for most courses were strong in 2019/20 with approximately 85% of students who completed their college course moving on into employment, further or higher education.

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 2019 to 31 July 2020, based on a sample the College paid 92 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

OTHER INFORMATION

Equality

Kingston Maurward College is committed to ensuring equality of opportunity for all who learn and work here. The College respects and positively values differences in race, gender, sexual orientation, disability, religion or belief and age. The College strives vigorously to remove conditions which place people at a disadvantage and 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.

STRATEGIC REPORT (Continued)

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 has refreshed 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;
- Counselling and welfare services are described in the Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure at induction.

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
	0

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

Total cost of facility time	£0
Total pay bill	£0k
Percentage of total bill spent on facility time	0%

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

Going Concern

After making appropriate enquiries, and being mindful of the CBILs loan secured, the Corporation considers that the College has adequate resources to continue in operational circumstances for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements.

As reported elsewhere, the impact of Covid-19 has been significant, particularly in light of commercial revenues for the College and wider estate, notably weddings, animal park and gardens and conferencing. There has also been a reduction in Apprenticeship provision aligned to a lack of wider business confidence in the market although this is also linked to the introduction of level procedures – nationally there has been a decline in Apprenticeships due to this. We have also seen a continued reduction in Adult Learning, this is primarily linked to loans policy and again mirrors a national decline. The delivered levels of adult provision in 2019/20 were dramatically lower than the preceding year due to Covid-19, but this has not resulted in clawback of allocation due to active recruitment and activity by the College, and thus the College will not have to reconcile funds in this stream for the 2019/20 financial year.

As a result of the pandemic the College moved swiftly to place staff onto furlough where appropriate, although it should be noted that despite being broadly “commercial” adult and full-cost learning staff were unable to be furloughed due to government restrictions, even though their work was stopped by other government limits on trade. These costs had to be carried.

The College sought and successfully acquired a £400k rolling overdraft facility to ensure sufficient working capital and liquidity alongside the process of gaining at CBILs loan – this was successful and £1.2m has been drawn down in December 2020 to ensure further headroom and security going forward.

The College's incomes for 2020/21 were increased due to student growth of 5.5% within the 16-19 age range, ensuring security of income in the following year, and at the time of writing additional growth has been achieved in student numbers in 2020 enrolment of circa 8% which will further raise income levels in 2021/22 – this ensures borrowings are comfortably serviceable and also provides further headroom in the following financial year as costs have been reduced and a structure of the base enabled during the pandemic. We thus have sufficient liquidity to manage both current and future liabilities alongside the likely income growth in forthcoming years to ensure stability.

STRATEGIC REPORT (Continued)

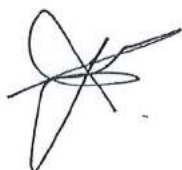
Events after the end of the reporting period

The College has been successful in acquiring rolling overdraft facilities and a £1.2M CBILs loan. It has also enabled and completed a redundancy process and restructure of commercial areas, removing circa 10 FTE staffing commitment and associated costs. The College has also been successful in gaining an additional £265k capital grant from government, which was unbudgeted for 2020/21, alongside a £3.5M capital grant from Dorset LEP for the building of a new University and Rural Business Hub on the estate, work on this will commence in November/December 2020. Current activities also include further capital bids through Dorset LEP who have reallocated funds from underspent projects and these if successful will be applied before March 2021, again allowing reduction in CAPEX and cash flow demands from budgeted streams

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 19 January 2021 and signed on its behalf by

A handwritten signature in black ink, consisting of a stylized 'J' followed by a series of loops and a long horizontal stroke extending to the right.

James Tirrell
Chair

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 1 August 2019 to 31 July 2020 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 2020. This opinion is based on an internal review of compliance with the Code reported to the board on 24 November 2020. 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 7 July 2015. The Corporation has also adopted the AoC Colleges Senior Staff Remuneration Code on 5 March 2019.

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 Reappointed Jan 19	3 years	20/4/20	Independent Member		1/3
Mr R Barker	Dec 18	3 years		Independent Member	Finance & Resources Search & Governance	6/6
Miss H Baxter	2019/20 Aug 20	1 year 1 year		FE Student Member Independent Member	Quality & Standards	6/6
Mr R Bourne	Feb 20	3 years		Independent Member	Finance & Resources	4/4
Mr J Bullen	July 20	3 years		Independent Member	Audit & Assurance	2/2
Mrs M Capon	Jun 14 Reappointed May-17	3 years	20/10/19	Staff Member	Quality & Standards	0/1
Mr M Clarke	Mar 08 Reappointed Mar 11, Mar 14, Mar 17	3 years	28/2/20	Independent Member	Chair: Audit & Assurance Quality & Standards	2/2
Miss H Crocker	Nov 16	3 years	31/8/19	Staff Member	Finance & Resources	0/0

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Mr A Davies	Jan 15 Reappointed Jan - 18	3 years		Independent Member		4/6
Mr A Foot	Jun 12 Reappointed Jun 15, June 18	3 years		Independent Member	Quality & Standards Search & Governance Remuneration	5/6
Mr A Jackson	Oct 19	3 years		Staff Member	Finance & Resources	6/6
Mr J Kenderdine	Dec 19	3 years		Staff Member	Quality & Standards	4/5
Mr D Knight	March 20	3 years		Independent Member	Audit & Assurance Chair from 1/8/20	3/3
Mr R Lasseter	Jun – 14 Reappointed Jun – 17 & June 20	3 years		Independent Member	Finance & Resources Quality & Standards Remuneration Search & Governance Vice Chair Corporation from 1/08/18	5/6
Mr G Ledden	July 18	3 years			Audit & Assurance (Chair 2019/20) Finance & Resources from 1/8/20	4/6
Dr A Minard	Sep 17 Reappointed Sept 20	3 years		Independent Member	Finance & Resources 2019/20 Audit & Assurance from 1/8/20	6/6
Mr B Murphy	Oct 15 Reappointed Oct 18	3 years		Independent Member	Remuneration	4/6
Mrs V Prior	Mar 17 Reappointed Mar 20	3 years		Independent Member	Remuneration Quality & Standards (Chair) Search & Governance	2/6
Mr L Rake	Aug 16	Ex-officio		Principal	Finance & Resources, Quality & Standards, Search & Governance	6/6
Mr A Robinson	Jan 17 Reappointed Jan 20	3 years		Independent Member	Finance & Resources	4/6
Mr A Stillman	Dec 18	3 years	31/7/20	Independent Member	Audit & Assurance Committee Quality & Standards Committee	4/6
Mrs E Taylor	May 08 Reappointed May 11, May 14 & May 17	3 years	30/4/20	Independent Member	Quality & Standards Remuneration, Search & Governance	3/3
Miss B Thompson	2019/20	1 year		HE Student Member		5/6
Mr J Tirrell	Sept 11 Reappointed Sep 14, Sep 17, & Sep 20	3 years		Independent Member	Quality & Standards Finance & Resources Remuneration Chair: Search & Governance Chair from 1/8/15	6/6
Mrs L Wyatt	Sep 17	3 years	31/7/20	Independent Member	Quality & Standards	2/6
Mrs V Gifford	July 10	N/A		Clerk		6/6

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 has met 6 times this year, with further updates and urgent decisions undertaken via the Governors' Virtual Office (GVO).

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

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 are in place in case a Special Committee has to be called. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available 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.

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

All Governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk 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 Accounting Officer are separate.

The Corporation, and its Committees, has continued to meet virtually during Covid-19 and upheld their duties in the usual way.

APPOINTMENTS TO THE CORPORATION

Any new member 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 82%, 12% higher than the target set by governors. Governors also completed an annual skills audit survey which provided the basis of the future appointments and a training programme.

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2020 at its meeting on 20 October 2020, and graded itself as 'Good' on the Ofsted scale.

REMUNERATION COMMITTEE

Throughout the year ending 31 July 2020, 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 2020 are set out in note 7 to the financial statements.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

The Committee has regard to the AoC Colleges Senior Staff Remuneration Code adopted by the Corporation on 5 March 2019.

AUDIT & ASSURANCE COMMITTEE

The Audit & Assurance Committee comprises three members of the Corporation (excluding the Principal and Chair and members of the Finance and Resources Committee) and two co-opted members. 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 between 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 2020 and up to the date of approval of the annual report and accounts.

The capacity to handle risk

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

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 2020 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.

The Audit & Assurance Committee has advised the board of governors that the Corporation has an effective framework for governance and risk management in place. The Audit & Assurance Committee believes the Corporation has effective internal controls in place.

The specific areas of work undertaken by the Audit & Assurance Committee in 2019/20 and up to the date of approval of the financial statements are:

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

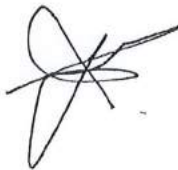
oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The 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 2020 meeting the Corporation will carry out the Annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2020.

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 19 January 2021 and signed on its behalf by:



James Tirrell
Chair



Luke Rake
Accounting Officer

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

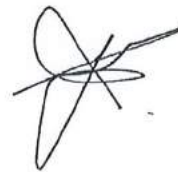
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of any material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreement and contracts with ESFA. As part of our consideration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

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.

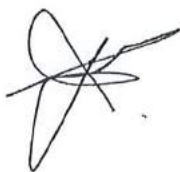
The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

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 19 January 2021 and signed on its behalf by:



James Tirrell
Chair

INDEPENDENT AUDITOR'S 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 2020 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 2020 and of the College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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 is 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.

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF KINGSTON MAURWARD COLLEGE

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; 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 is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the 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.

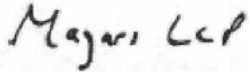
Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. This report is made solely to the Corporation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

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF KINGSTON MAURWARD COLLEGE

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 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
Date 27 January 2021

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 2019 to 31 July 2020 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 2019 to 31 July 2020 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.

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY (Continued)

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

The work undertaken to draw to our conclusion includes:

- 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 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Mazars LLP

Mazars LLP
90 Victoria Street
Bristol
BS1 6DP

Date 27 January 2021

KINGSTON MAURWARD COLLEGE

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body income	2	5,911	5,911	6,005	6,005
Tuition fees and education contracts	3	1,045	1,045	1,070	1,070
Other Income	4	2,537	2,082	3,090	2,317
Investment Income	5	1	1	1	1
Donations and Endowments	6	24	24	107	107
Total Income		9,518	9,063	10,273	9,500
EXPENDITURE					
Staff costs	7	6,369	6,026	6,026	5,609
Fundamental restructuring costs	7	1	1	8	8
Other operating expenses	8	3,688	3,542	3,961	3,621
Depreciation and amortisation	11	666	637	701	685
Interest and other finance costs	9	213	213	238	238
Total Expenditure		10,937	10,419	10,934	10,161
Deficit before other gains and losses		(1,419)	(1,356)	(662)	(662)
Gain on disposal of assets	11	311	311	11	11
Deficit before tax		(1,108)	(1,045)	(651)	(651)
Taxation	10	0	0	0	0
Deficit for the year		(1,108)	(1,045)	(651)	(651)
Unrealised surplus on revaluation of assets					
Actuarial (loss)/gain in respect of pensions schemes		(3,957)	(3,957)	147	147
Total Comprehensive Income for the year		(5,065)	(5,002)	(504)	(504)

KINGSTON MAURWARD COLLEGE

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Group			
Balance at 1 August 2018	(3,625)	4,346	721
Deficit from the income and expenditure account	(651)	-	(651)
Other comprehensive income	147	-	147
Transfers between revaluation and income and expenditure reserves	19	(19)	-
	<u>(485)</u>	<u>(19)</u>	<u>(504)</u>
Balance at 31 July 2019	(4,110)	4,327	217
Deficit from the income and expenditure account	(1,108)	-	(1,108)
Other comprehensive income	(3,957)	-	(3,957)
Transfers between revaluation and income and expenditure reserves	19	(19)	-
	<u>(5,046)</u>	<u>(19)</u>	<u>(5,065)</u>
Total comprehensive income for the year			
Balance at 31 July 2020	<u>(9,156)</u>	<u>4,308</u>	<u>(4,848)</u>
College			
Balance at 1 August 2018	(3,625)	4,346	721
Deficit from the income and expenditure account	(651)	-	(651)
Other comprehensive income	147	-	147
Transfers between revaluation and income and expenditure reserves	19	(19)	-
	<u>(485)</u>	<u>(19)</u>	<u>(504)</u>
Balance at 31 July 2019	(4,110)	4,327	217
Deficit from the income and expenditure account	(1,045)	-	(1,045)
Other comprehensive income	(3,957)	-	(3,957)
Transfers between revaluation and income and expenditure reserves	19	(19)	-
	<u>(4,983)</u>	<u>(19)</u>	<u>(5,002)</u>
Total comprehensive income for the year			
Balance at 31 July 2020	<u>(9,093)</u>	<u>4,308</u>	<u>(4,785)</u>

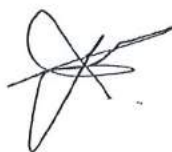
KINGSTON MAURWARD COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2020 £000s	2019 £000s
Cash inflow from operating activities			
Deficit for the year		(1,108)	(651)
Adjustment for non cash items			
Depreciation and amortisation	11	666	701
Deferred capital grants released to income		(230)	(254)
(Increase)/Decrease in stocks	13	(3)	(15)
(Increase) in debtors	14	(188)	(75)
Increase/(Decrease) in creditors due within one year	15	5	(10)
FRS 102 pension charge	24	610	556
Adjustment for investing or financing activities			
Interest payable		213	238
Profit on sale of fixed assets		(311)	(11)
Net cash flow from operating activities		<u>(347)</u>	<u>479</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		375	40
Deferred Capital Grants received		111	10
Investment income		0	0
Payments made to acquire fixed assets	11	<u>(351)</u>	<u>(744)</u>
		<u>135</u>	<u>(694)</u>
Cash flows from financing activities			
Interest paid		(73)	(75)
Interest element of finance lease rental payments		(2)	(3)
New unsecured loans		0	250
New Hire Purchase		0	53
Repayments of amounts borrowed		(213)	(184)
Capital element of finance lease rental payments		<u>(15)</u>	<u>(22)</u>
		<u>(303)</u>	<u>19</u>
Increase / (decrease) in cash and cash equivalents in the year		<u><u>(514)</u></u>	<u><u>(196)</u></u>
Cash and cash equivalents at beginning of the year		412	607
Cash and cash equivalents at end of the year		(102)	412
Increase / (decrease) in cash and cash equivalents in the year		<u><u>(514)</u></u>	<u><u>(195)</u></u>

KINGSTON MAURWARD COLLEGE
BALANCE SHEET AS AT 31 JULY 2020

	Notes	Group	College	Group	College
		2020	2020	2019	2019
		£000s	£000s	£000s	£000s
Fixed assets					
Tangible assets	11	15,831	15,831	16,200	16,200
Intangible assets	11	148	148	94	94
Total fixed assets		15,979	15,979	16,294	16,294
Current assets					
Assets held for resale	12	0	0	64	64
Stocks	13	374	363	371	362
Trade debtors and other receivables	14	668	719	480	526
Cash and cash equivalents	19	121	54	412	408
Total current assets		1,163	1,136	1,327	1,360
Less : Creditors - amounts falling due within one year	15	(1,838)	(1,748)	(1,666)	(1,699)
Net current liabilities		(675)	(612)	(339)	(339)
Total assets less current liabilities		15,304	15,367	15,955	15,955
Less : Creditors - amounts falling due after more than one year	16	(8,651)	(8,651)	(8,941)	(8,941)
Provisions					
Defined benefit obligations	18	(11,501)	(11,501)	(6,796)	(6,796)
Total net assets		(4,848)	(4,785)	218	218
Unrestricted reserves					
Income and expenditure account		(9,156)	(9,093)	(4,109)	(4,109)
Revaluation reserve		4,308	4,308	4,327	4,327
Total unrestricted reserves		(4,848)	(4,785)	218	218

The financial statements on pages 28 to 31 were approved and authorised for issue by the Corporation on 19 January 2021 and were signed on its behalf on that date by:-



James Tirrell
Chair



Luke Rake
Principal

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 and 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 2018 to 2019 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 £1.5m 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. In addition the College has a LEP loan of £0.25m repayable by October 2023. The College's forecasts and financial projections indicate that after a difficult year in 2019/20 cash reserves will be increased and it will work to 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.

KINGSTON MAURWARD COLLEGE NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

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 2019.

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

Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from Office for Students 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.

KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

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.

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.

1. Accounting policies (continued)

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to 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.

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
- Leasehold 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 2019. 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:

KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

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.

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 & software development costs - 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 1 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.

**KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS**

1. Accounting policies (continued)

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.

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.

**KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS**

1. Accounting policies (continued)

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.

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 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS

2. Funding body income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	466	466	544	544
Education and Skills Funding Agency - 16-18	4,473	4,473	4,593	4,593
Education and Skills Funding Agency - apprenticeships	536	536	683	683
Office for Students	81	81	0	0
Teacher Pension Scheme contribution grant	126	126	0	0
Education and Skills Funding Agency - Employer Support	59	59	0	0
Releases of government capital grants	170	170	185	185
Total	5,911	5,911	6,005	6,005

Office for Students also totalled £81K in 2019. The College did not receive a Teachers Pension Scheme contribution grant in 2019.

3. Tuition fees and education contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult Education fees	333	333	353	353
Apprenticeship fees and contracts	4	4	18	18
Fees for FE loan supported courses	137	137	127	127
Fees for HE loan supported courses	373	373	294	294
International students fees	0	0	0	0
Total tuition fees	847	847	792	792
Education contracts	198	198	278	278
Total	1,045	1,045	1,070	1,070

4. Other Income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Residences and catering	258	258	298	298
Other government capital grants	60	60	69	69
Farming activities	663	663	690	690
Other income generating activities	612	133	1,034	261
Other income	841	904	999	999
Coronavirus Job Retention Scheme grant	103	64	0	0
Total	2,537	2,082	3,090	2,317

The corporation furloughed mainly the commercial events staff along with some of the catering and cleaning staff under the government's Coronavirus Job Retention Scheme. The funding received of £103K relates to staff costs which are included within the staff costs note below as appropriate.

KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS

5. Investment Income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Interest receivable	1	1	1	1
Total	1	1	1	1

6. Donations and endowments

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Unrestricted donations	24	24	107	107
Total	24	24	107	107

Following recommendation by the Board on 10 July 2018 it was decided to wind up the charitable foundation; Kingston Maurward Foundation (KMF) and to transfer the assets to another charity with similar objectives. Accordingly on 23 November 2018 the balance of monies held in the KMF bank account was transferred to the college. Monies transferred are not regarded as restricted reserves.

7. 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

	2020	2019
	No.	No.
Teaching staff	54	49
Non teaching staff	156	152
	210	201

The average total number of persons employed by the College for 2019/20 was 280 (2018/19 - 273)

Staff costs for the above persons	2020	2019
	£'000	£'000
Wages and salaries	4,651	4,501
Social security costs	337	326
Other pension costs (including FRS102 adjustment of £610,000 - 2019 £556,000)	1,351	1,184
Payroll sub-total	6,339	6,011
Contracted out staffing services	30	15
	6,369	6,026
Exceptional restructuring costs	1	8
Total Staff costs	6,370	6,034

7. Staff Costs - Group and College (cont)

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 includes £48K compensation paid to key management personnel for loss of office.

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

	2020 No.	2019 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	
	2020 No.	2019 No.	2020 No.	2019 No.
£70,001 to £75,000	1	1	0	0
£75,001 to £80,000	0	0	0	0
£80,001 to £85,000	1	0	0	0
£85,001 to £90,000	0	0	0	0
£90,001 to £95,000	0	0	0	0
£95,001 to £100,000	0	0	0	0
£100,001 to £105,000	1	0	0	0
£105,001 to £110,000	0	1	0	0
	<u>3</u>	<u>2</u>	<u>0</u>	<u>0</u>

Key management personnel compensation is made up as follows:

	2020 £'000	2019 £'000
Salaries - gross of salary sacrifice and waived emoluments	274	213
Employers National Insurance	34	27
Benefits in kind	<u>0</u>	<u>0</u>
	308	240
Pension contributions	<u>50</u>	<u>34</u>
Total emoluments	<u>358</u>	<u>274</u>

There were no amounts due to key management personnel that were waived in the year. Salary sacrifice of £954.96 related to the Principal.

KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS

7. Staff Costs - Group and College (cont)

Key management personnel (cont)

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

	2020	2019
	£'000	£'000
Salary	101	101
Exceptional one off award	0	6
Benefits in kind	0	0
	<u>101</u>	<u>107</u>
Pension contributions	<u>23</u>	<u>18</u>

The exceptional one off sum of £6k was awarded by the Corporation in recognition of the Principal's additional workload during the period 1 January to 31 July 2019, when he covered the vacant post of Deputy Principal (Curriculum & Quality)

The governing body has adopted the AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future. The remuneration package of key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance. The Principal and Chief Executive reports to the Chair of Governing Body, who undertakes an annual review of his performance against the college's overall objectives using both qualitative and quantitative measures of performance.

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

	2020	2019
	£'000	£'000
Principal's basic salary as a multiple of the median of all staff	5.6	5.3
Principal and CEO's total remuneration as a multiple of the median of all staff	6.1	5.7

8. Other Operating Expenses

	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
	Group	College	Group	College
Teaching costs	704	704	855	855
Non teaching costs	2,295	2,086	2,442	2,102
Premises costs	689	689	664	664
Loss on KME	0	63	0	0
Total	3,688	3,542	3,961	3,621

**KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS**

Other operating expenses include:	2020 £'000	2019 £'000
Auditors remuneration :		
Financial Statements audit*	23	16
Internal audit	6	9
Other services provided by the financial statements auditors	2	2
Other services provided by the internal auditors	0	0
Hire of plant and machinery - operating leases	<u>151</u>	<u>141</u>

* includes £20,316 in respect of the College (2018/19 - £15,078)

9. Interest and other finance costs	2020 £'000	2019 £'000
On bank loans, overdrafts and other loans:		
Repayable within five years, not by instalments:	17	18
Repayable within five years, by instalments:	6	4
Repayable wholly or partly in more than five years:	<u>50</u>	<u>53</u>
	73	75
On finance leases	2	3
Net interest on defined pension liability (note 24)	<u>138</u>	<u>160</u>
Total	<u>213</u>	<u>238</u>

10. Taxation	2020 £'000	2019 £'000
United Kingdom corporation tax at 21%	0	0
Provision for deferred corporation tax in the accounts of the subsidiary company	<u>0</u>	<u>0</u>
Total	<u>0</u>	<u>0</u>

**KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS**

11. Tangible Fixed Assets (Group and College)

	Land and Buildings		Equipment	Assets in the	TOTAL
	Freehold	Long Leasehold		Course of Construction	
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 August 2019	20,199	130	4,316	447	25,092
Additions	119		100	63	282
Transfers	304		60	(364)	0
Disposals					0
At 31 July 2020	20,622	130	4,476	146	25,374
Depreciation					
At 1 August 2019	5,305	69	3,518	0	8,892
Charge for the year	405	3	243		651
Transfers					0
Eliminated on disposal					0
At 31 July 2020	5,710	72	3,761	0	9,543
Net Book Value at 31 July 2020	14,912	58	715	146	15,831
Net Book Value at 31 July 2019	14,894	61	798	447	16,200

	Land and Buildings		Equipment	Assets in the	TOTAL
	Freehold	Long Leasehold		Course of Construction	
	£'000	£'000	£'000	£'000	£'000
Inherited	4,054	58			4,112
Financed by capital grant	7,350		89	39	7,478
Other	3,508		626	107	4,241
Net Book Value at 31 July 2020	14,912	58	715	146	15,831

There are £146k of assets under construction within fixed assets. This includes £56k for the OEC Climbing Wall, £8k for the University Centre & Rural Business Hub and £55k for the Estates Masterplan.

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 £4,053,908 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

11. Intangible Fixed Assets (Group and College)

	Land and Buildings Freehold £'000	Buildings Long Leasehold £'000	Equipment £'000	Assets in the Course of Construction £'000	TOTAL £'000
Cost or Valuation					
At 1 August 2019	0	0	323	0	323
Additions	0	0	2	67	69
Transfers	0	0	(40)	40	0
Disposals	0	0	0	0	0
At 31 July 2020	0	0	285	107	392
Depreciation					
At 1 August 2019	0	0	229	0	229
Charge for the year	0	0	15	0	15
Eliminated on disposal	0	0	0	0	0
At 31 July 2020	0	0	244	0	244
Net Book Value at 31 July 2020	0	0	41	107	148
Net Book Value at 31 July 2019	0	0	94	0	94

	Land and Buildings Freehold £'000	Buildings Long Leasehold £'000	Equipment £'000	Assets in the Course of Construction £'000	TOTAL £'000
Inherited	0	0	0	0	0
Financed by capital grant	0	0	0	0	0
Other	0	0	41	107	148
Net Book Value at 31 July 2020	0	0	41	107	148

Intangible assets relate to purchased computer software and software development.

KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS

12. Assets held for resale

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Property held at 3 Maurward Close	0	0	64	64

13. Stocks

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Farm stocks including crops and livestock	330	330	343	343
Other stocks	44	33	28	19
	374	363	371	361

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

14. Trade debtors and other receivables

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade debtors	71	69	54	38
Amounts owed by Subsidiary undertaking	0	63	0	63
Prepayments and accrued income	211	201	158	157
Other taxation and social security	267	267	215	215
Amounts owed by the ESFA	119	119	53	53
	668	719	480	526

15. Creditors: Amounts Falling Due Within One Year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans and overdrafts	353	353	190	190
Obligations under finance leases	7	7	13	13
Payments received in advance	283	181	244	142
Trade Creditors	337	321	468	380
Other taxation and social security	261	261	215	215
Accruals	102	97	86	79
Holiday Pay accrual	211	211	176	176
Other Loans	63	63	47	47
Deferred Income - government capital grants	221	221	227	227
Amounts owed to Subsidiary undertaking	0	33	0	230
	1,838	1,748	1,666	1,699

KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS

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

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans and overdrafts	1,233	1,233	1,340	1,340
Obligations under finance leases	37	37	45	45
Other Loans	141	141	203	203
Deferred income - government capital grants	7,240	7,240	7,353	7,353
	8,651	8,651	8,941	8,941

17. Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	353	353	190	190
Between one and two years	126	126	126	126
Between two and five years	588	588	623	623
In five years or more	520	520	591	591
Total	1,587	1,587	1,530	1,530

The College has two unsecured bank loans. The first loan is at 5.5 per cent and is repayable by instalments falling due between 1 August 2020 and 1 October 2032 totalling £878k. The second loan is at 2.25 per cent above the Bank's Base Rate and is repayable by instalments falling between 1 August 2020 and July 2022 totalling £481k.

In addition the College has a Dorset Local Enterprise Loan of £203k repayable by instalments falling between October 2020 until October 2023. Interest is accruing at an annual rate of 0.75 % PA above the EU reference rate

(b) Finance leases

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

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	7	7	13	13
Between two and five years	26	26	7	7
In five years or more	11	11	38	38
	44	44	58	58

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

KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS

18. Provisions

	Group and College	
	Defined benefit obligations	Total
	£'000	£'000
At 1 August 2019	6,796	6,796
Expenditure in the period	(390)	(390)
Additions in period	5,095	5,095
At 31 July 2020	11,501	11,501

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 24.

19. Cash and cash equivalents	At 1 August 2019	Cash flow in year	At 31 July 2020
	£'000	£'000	£'000
Cash at bank and in hand	412	(291)	121
Overdrafts	0	(227)	(227)
Total	412	(518)	(106)

20. Capital Commitments	Group and College	
	2020	2019
	£'000	£'000
Commitments contracted for at 31 July 2020	0	17
Authorised but not contracted for at 31 July 2020	900	0

21. Lease obligations

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

	Group and College	
	2020	2019
	£'000	£'000
Future minimum lease payments due		
Not later than one year	168	206
Later than one year and not later than five years	212	213

None of the operating leases above related to land and buildings.

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

22. Contingent liabilities

The College does not have any contingent liabilities to report.

23. Events after the reporting period

There are three significant events to be reported, falling after the Balance Sheet date:

- 1) In August 2020, the College was awarded a grant of £271k by the ESFA to support the upgrading of the estate.
- 2) In 2020 the College was awarded £3.5M from the LEP to invest in a new development focused around a new University Centre and Rural Business Hub
- 3) In December 2020, the College was approved for a CBILS Loan of £1,200k.

24. 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	2019/20 £'000	2018/19 £'000
Teachers Pension Scheme: contributions paid	390	259
Local Government Pension Scheme:		
Contributions Paid	363	369
FRS 102 charge	610	556
Charge to the Statement of Comprehensive income	1,000	925
Total Pension Cost for Year within staff costs	1,390	1,184

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2019 and of the LGPS 31 March 2019.

Contributions amounting to £43,442 (2019: £43,658) were payable to the LGPS scheme and contributions amounting to £47,218 (2019: £35,323) were payable to the TPS as at 31 July 2020 and are included in creditors.

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.

KINGSTON MAURWARD COLLEGE

NOTES TO THE ACCOUNTS

24. Defined benefit obligations (cont)

Teachers' Pension Scheme (cont)

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) on 5 March 2019. The key results of the valuation are:

- New employer contribution rates were set at 23.68% 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 £218,100 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196,100 million giving a notional past service deficit of £22,000 million.
- an employer cost cap of 10.9% of pensionable pay;
the assumed real rate of return is 2.4% above consumer price index and 2% in excess of earnings; the rate of real earnings growth is assumed to be 2.2%. The assumed nominal rate of return is 4.45%.

The new employer contribution rate for the TPS was implemented in September 2019. Additional funding has been received from the ESFA in the year 2019/20 to cover the cost of this increase.

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 £380,506 (2019: £392,059)

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 2020 was £509,324 of which employer's contributions totalled £366,632 and employees' contributions totalled £142,692. 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 2020 by a qualified actuary.

Principal Actuarial Assumptions	At 31 July 2020	At 31 July 2019
Rate of increase for salaries	1.50%	1.50%
Rate of increase for pensions in payment/inflation	2.20%	2.35%
Discount rate for scheme liabilities	1.40%	2.10%
Inflation assumption (CPI)	2.20%	2.35%
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 2020	At 31 July 2019
<i>Retiring today/current pensioners</i>		
Males	23.3	22.9
Females	24.8	24.8
<i>Retiring in 20 years/future pensioners</i>		
Males	24.7	24.6
Females	26.2	26.6

KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS

24. Defined benefit obligations (cont)

Local Government Pension Scheme (cont)

The College's share of 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 2020	Value at 31 July 2020	Long-term rate of return expected at 31 July 2019	Value at 31 July 2019
		£'000		£'000
Equities	52.0%	6,855	51.0%	6,913
Gilts	19.0%	2,434	19.0%	2,565
Other Bonds	8.0%	1,056	7.0%	965
Property	10.0%	1,319	10.0%	1,413
Cash	1.0%	138	3.0%	352
Infrastructure/Hedge/Multi Asset	12.0%	1,503	10.0%	1,336
Total market value of assets		13,305		13,544

Actual return on plan assets	(427)	900
-------------------------------------	--------------	------------

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

	2020 £'000	2019 £'000
Fair value of plan assets	13,305	13,544
Present value of plan liabilities	(24,806)	(20,340)
(Present value of unfunded liabilities)	0	0
Net pensions liability (Note 18)	(11,501)	(6,796)

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service costs	991	915
Past service costs	0	0
Total	991	915

Amounts included in investment costs

Net interest cost	138	160
	138	160

Amount recognised in Other Comprehensive Income

Return on pension plan assets	(714)	570
Change in demographic assumptions	405	1,175
Experience (gain)/loss arising on defined benefit obligations	(533)	0
Other actuarial gains/(losses)	(19)	0
Changes in assumptions underlying the present value of plan liabilities	(3,096)	(1,598)
Amount recognised in Other Comprehensive Income	(3,957)	147

KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS

24. Defined benefit obligations (cont)

Local Government Pension Scheme (cont)

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

	2020	2019
	£'000	£'000
Deficit in scheme at 1 August	(6,796)	(6,227)
Movement in year:		
Current service cost	(991)	(915)
Employer contributions	390	369
Past service cost	0	0
Net interest on the defined liability	(138)	(160)
Actuarial (loss)/gain	(3,957)	147
Administration expenses	(9)	(10)
Curtailments and settlements	0	0
Net defined benefit liability at 31 July	(11,501)	(6,796)

Asset and Liability Reconciliation

	2020	2019
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	20,340	18,481
Current service cost	991	915
Interest cost	425	490
Contribution by Scheme participants	143	142
Experience gains and losses on defined benefit obligations	533	0
Changes in financial assumptions	3,096	1,598
Estimated benefits paid	(317)	(111)
Past service cost	0	0
Change in demographic assumptions	(405)	(1,175)
Curtailments and settlements	0	0
Defined benefit obligations at end of period	24,806	20,340

	2020	2019
	£'000	£'000
Change in fair value of plan assets		
Fair value of plan assets at start of period	13,544	12,254
Interest on plan assets	287	330
Return on plan assets	(714)	570
Other actuarial losses	(19)	0
Administration expenses	(9)	(10)
Employer contributions	390	369
Contribution by Scheme participants	143	142
Estimated benefits paid	(317)	(111)
Fair value of plan assets at end of period	13,305	13,544

25. 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.

KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS

25. Related Party Transactions (cont)

The total expenses paid to or on behalf of the Governors during the year was £789: 4 governors (2019: £1,252: 5 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
Synergy Farm Health Ltd	Governor is a Director	Expenditure relating to veterinary services	30	
Dorset Studio School	Governors act as Members of the School	Income relates to Service Level Agreements	(353) / 1	(56)
Dorset Studio School	The Principal of DSS is a Governor	Income relates to Service Level Agreements	(353) / 1	(56)
Symonds & Sampson LLP	Governor is a Partner	Income relates to Christmas Party / Expenditure relates to professional services	(7) / 2	
Dorset County Hospital, NHS Foundation Trust	Co-opted Governor is the deputy Director of Finance	Income relates to tuition fees	(5)	
Frome Livestock Auctioneers Ltd	Governor is a Director	Income relates to Sales of beef and lambs	(3)	
Dorset Local Enterprise Partnership CIC	Principal, as a Governor, is a member	Expenditure relates to loan and interest repayments	19	
Landex Land Based Colleges	Principal, as a Governor, is a member	Expenditure relates to staff training and subscription fees	10	

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.

26. Amounts disbursed as agents:

Learner support funds

		2020 £'000	2019 £'000
Funding body grants	- bursary support	115	95
Funding body grants	- residential bursary	43	42
		<u>158</u>	<u>137</u>
Disbursed to Students		(137)	(126)
Administration Costs		(3)	(2)
Balance unspent at 31 July		<u><u>18</u></u>	<u><u>9</u></u>

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

KINGSTON MAURWARD COLLEGE
NOTES TO THE ACCOUNTS

27. Access and Participation Plan

The following amounts have been spent on the College Access and Participation Plan. The College received £81k from the Office for Students and this is shown in note 2 to the accounts.

	2020
	£'000
Access Investment	71
Financial Support	3
Disability Support	6
Research and Evaluation	1
	<hr/>
	81
	<hr/>