

KINGSTON MAURWARD COLLEGE
CONSOLIDATED ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

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Kingston Maurward College

Reference and Administrative Details For the year ended 31 July 2021

Board of Governors

R Barker
R Bourne
J Bullen
H Crocker
A Davies
A Foot
F Jenkins
D Knight
R Lasseter (Chair)
G Ledden
A Minard
B Murphy
L Rake
K Taylor
D Thomas
D Vickers

Clerk
V Gifford

Senior Management Team

Luke Rake	Principal and CEO & Accounting Officer
Oliver Symons	Deputy Principal (resigned 31 August 2021)
Tom Barlow	Interim Deputy Principal Finance & Commercial Services (1 March 2020 – 23 October 2020)
Nicola Porter	Assistant Principal
Gavin Teasdale	Interim Finance Director (2 November 2020 – 22 January 2021)
Anna Bowen	Finance Director (appointed 19 January 2021)

Principal and Registered Office

Kingston Maurward, Dorchester, Dorset DT2 8PY

Professional Advisors

External Auditors	Bishop Fleming, Salt Quay House, Plymouth, PL4 0BN
Internal Auditors	ICCA Education Training and Skills
Bankers	NatWest Bank, Dorchester Barclays Bank, Cardiff
Solicitors	Blanchards Bailey LLP, Blandford Forum

Kingston Maurward College

Board Report

For the year ended 31 July 2021

OBJECTIVES AND STRATEGY

The governing body present their consolidated annual report together with the financial statements and auditor's report for Kingston Maurward College for the year ended 31 July 2021.

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 one mile 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 College has opened an Estate shop supporting internships for students with learning disabilities and additional catering outlets. 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.

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For the year ended 31 July 2021

- Students are supported and nurtured in a **caring** environment. Within this environment they are given the tools to become more resilient.
- **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 has been 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' – not achieved during 2020-2021 academic year (as a result loss of income due to Covid-19 and the £850k ESFA apprenticeship income clawback)
- Meet requirements of bank covenants – not achieved during 2020-21 (as a result loss of income due to Covid-19)
- Meet Dorset Area Review criteria
 - Operating surplus of 3% or greater by 2020 – not achieved due to negative operating surplus as a result of loss of income due to lockdown and the apprenticeship income clawback accrual.
 - Borrowing as a % of Income at less than 40% - achieved (29.8%).
 - Staff Costs as a % of turnover below 65% – achieved (63.1%).
 - Current ratio greater than 1 – not achieved. The current ratio for 2020/21 was 0.81 (0.63 2019/20).

Kingston Maurward College

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- 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.

Due to continued restrictions caused by Covid-19 the College was forced to close down several revenue generating areas during the financial year in question, and also had restrictions on scale and scope of events, such as weddings, due to COVID legislation. The College has lost much of its commercial income since March 2020 due to government restrictions on trade and this amounts to a significant deficit on budgeted income. One or two small wedding ceremonies have taken place during this period but these have not had an impact on the finances. Commercial activities resumed post lockdown in April 2021.

Curriculum delivery resumed face to face from September 2020 but was interrupted again with the second lockdown in November 2020 when online remote delivery resumed.

With the challenges presented by unknown and rapidly changing directives from the DfE, the College performed well in its duty to students' education, providing a hybrid curriculum from September 2020 and then additional remote delivery during various lockdown periods, as well as supplemented student support and welfare with the addition of evening support via Zoom and Teams. Student retention for the year increased from 82.9% the preceding year to 86%, demonstrating the effectiveness of this support.

Resources

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

The College employs 175 staff (expressed as full time equivalents), of which 62 are employed as teaching staff and 113 are employed in support functions and activities relating to the College's commercial activities.

The College enrolled approximately 727 full time students with an increase of 8.18% 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 Group has (£6,586k) of net liabilities (2019/20 (£4,848k)). This negative position is partly due to an increase in defined benefit obligations and partly due to the £850k ESFA clawback. This includes £12,099k pension liability (2019/20 £11,501k) an increase of £598k in the 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, as the College did not choose to revalue as at 1 August 2014 under the provisions of FRS 102.

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.

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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; and
- 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 page 1. 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 1,000 students, including 130 with high needs. The College provides courses without charge to young people, to those who are unemployed and adults taking English and maths courses. The College adjusts its courses to meet the needs of local employers and provides training to over 120 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 Results

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2020/21 the funding bodies provided 55% (2019/20 62%) of the College Group's total income.

The group was heavily impacted by COVID-19 and this led to the generation of a deficit (before a gain on disposal of assets) of (£2,252k) in the year (2019/20 deficit of (£1,419k)).

Included within the College Group's net liabilities of (£6,586k) are cash balances of £1,009k (2019/20 (£121k)).

The College has experienced a reduction in its reserves position as at 31 July 2021 compared with 31 July 2020. This position follows an actuarial valuation resulting in a negative impact of (£598k).

Tangible fixed assets held at the year-end amounted to £15,819k split between land £14,598k, assets in course of construction £442k and equipment purchased of £779k.

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The college secured two large capital grants in year, one from Salix (£2.1m for a ground source heat pump solution) and the other from the Dorset Local Enterprise Partnership (£3.5m for the building of a University Centre and Rural Hub). Capital grants fully funded the projects hence no matched funding was required. The completion date for both projects was summer 2022.

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 2020/21 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 mitigated but did not completely alleviate the harm to budget income vs expenditure.

The pandemic had a negative impact on the majority of commercial activities of the College. The Gardens and Animal Park closed to visitors in March 2020, as well as the café and Playbarn situated within the park. With the exception of the Playbarn, these functions all reopened in April 2021. Weddings and conferences ceased in March 2020 with weddings commencing again in June 2021.

The pandemic and lockdown had a significant impact on delivery and uptake of Adult Education courses, with courses ceasing during lockdown.

The impact of loss of income due to lockdown is estimated at £600k, which is a substantial amount for the college. This has had a negative impact on 2020/21 EBITDA, reserves, and financial health grade.

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 inflow from operating activities was £189k (2019/20 outflow £347k).

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.

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Developments

Despite significantly difficult trading conditions, the College has been extremely 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. Two major capital projects started in year. The first was a £3.5m University Centre and Rural Hub which was fully grant funded through a Dorset Local Enterprise grant. The project completed in August 2022. The second was a £2.1m project to implement a ground source heat pump solution for a proportion of the college estate. This was fully grant funded through a Salix grant the project completed in July 2022.

The College has a fully approved Estate Master Plan, working closely with the Local Authority so that its plans will be incorporated within the overall Local Plan which is currently in consultation. Relationships with planners and statutory bodies such as Historic England are excellent.

Reserves

The group has accumulated negative income and expenditure reserves of (£10,875k) and cash balances of £1m. The group wishes to continue to accumulate positive reserves and cash balances in order to create a contingency fund to meet future capital requirements.

Sources of income

The group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2020/2021, ESFA provided 53% of the group's total income.

Group companies

The College has one subsidiary company, Kingston Maurward Enterprises Limited, of which the principal activity 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 £39k (2019/20 deficit £310).

FUTURE PROSPECTS

Future developments

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 as well as student number growth. It will always be a high priority to reach out for capital funding from the LEP and the DfE, although the current governmental review of LEPs suggest future capital will primarily come from central government as well as local authorities. 2021/22 is expected to be a difficult year, after which the College should start to reap the reward of its careful strategic positioning.

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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.

Financial plan

The college governors approved a financial plan in July 2021 which sets objectives for the period to 2022. The college aims to achieve a health rating of 'Good' and maintain positive EBITDA in the year to 31 July 2022. Neither of these objectives were achieved in 2022. The college aims to achieve a health rating of "Requires Improvement" in 2023 with a positive EBITDA.

Commercial income is forecasted to increase next year, with the addition of a new catering outlet and shop.

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. All long term borrowing requires the specific authorisation of the corporation.

The College increased borrowing in 2020/21 through securing a CBILs loan for £1.2m. The College consolidated both of its Natwest loans and its Barclays loan in September 2022. This is explained further in note 18 to the accounts.

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, gearing ratio of less than 20% and performance ratio in excess of 4%. 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.

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.

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,

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For the year ended 31 July 2021

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.

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 and there is nothing yet announced for subsequent years. The relatively small size of the organisation puts additional pressure on the College in responding to these challenges. In particular, management of the College's cashflow is crucial in ensuring the overall viability of the organisation is maintained, including delivering at least a satisfactory health rating and adhering to the bank covenants.

This risk is mitigated by:

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

2. Safeguarding and Data Protection

The College has a good safeguarding and data protection record, however the type and range of activities undertaken mean that this remains a significant area of focus for the organisation. In addition, the nature and the extent of the campus and the diversity of our student profile particularly in terms of age and vulnerability, present specific safeguarding issues. 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;
- Appointment of a Data Protection Officer
- 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;
- 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.

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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 OFSTED 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.

Key risks associated with Covid-19:

- Lockdown of college
 - Cessation of all commercial activities, loss of income
 - Cessation of all adult education, loss of income
- Staff absence due to illness
- Failure to facilitate open days due to lockdown

These risks are to some extent mitigated by:

- Rigorous hygiene control
- Implementation of government initiatives re pandemic/infectious diseases
- Availability of on line learning if required
- Staff and students taking lateral flow tests twice weekly
- Key staff cover contingency plans
- Facilitate on line open events

KEY PERFORMANCE INDICATORS

Key performance indicator	Measure/Target	Actual for 2020/21
Student number targets (16-19)	+5%	+8.18%
Student achievement/progression	85%	75%
Operating surplus/EBITDA as % of income	2.25%	-8%
Staff satisfaction (via survey)	85+	N/A
Ofsted rating	Good	Good

The impact of lockdown is reflected in the operating surplus/EBITDA ratio being negative for 2020/21.

Student Achievements

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

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both part-time and full-time programmes for adult students in land-based and other sectors, particularly Construction, Blacksmith and 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.

The College has a broad range of excellent partnerships and outstanding relationships with local employers which enables it to expand its presence in the region.

It is a sponsor of the Dorset Studio School (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 good, with headline achievement rates on most 16-18 Study Programmes, 19+ Adult Programmes and Apprenticeships at or above national and specialist group averages. There are no significant achievement gaps in terms of gender, disability or ethnicity. Progression is 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.

Student numbers

In 2020/21 the College has delivered activity that has produced £5,651k in funding body main allocation funding (2019/20 - £5,740k). The College had 1,019 Education Skills Funding Agency funded students both full time and part time (2019/20 1,358).

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 444 such students in 2020/21 (2019/20 260).

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 2020 to 31 July 2021, based on a sample the College paid 95 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

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EQUALITY AND DIVERSITY

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.

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.

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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

Financial performance since 31 July 2021 has been challenging, with an anticipated deficit at 31 July 2022 being £1,313k and EBITDA deficit being £234k.

The Financial Plan indicates that the college should have sufficient cash reserves to meet its liabilities as they fall due for at least the next twelve months, although as with the previous year, the College's cash position towards the end of March sees cash resources at the lowest level. However, there is no requirement for a short-term overdraft facility to manage its cash flows during this period.

The risk that the College may not be a going concern due to lack of available finance is therefore considered low.

Certain key assumptions underpin the financial forecasts:

- The College's revenue streams are sensitive to student numbers. Whilst not unusual for the student numbers to vary during the course of an academic year, it is unlikely that there will be such a significant movement in year so as to have a material effect on going concern. The actual full-time student numbers in October are only slightly lower than anticipated. With 16-18 funding lagging by a year any variation in student numbers this year will not impact until 2023/24.
- The College revenue streams are sensitive to the performance of its commercial activities. Again, whilst it is not unusual for an area of College commercial activity to under-perform it would normally be unlikely that all of the commercial operations under-perform in the period of the review – the exception being in recent years where Covid caused the temporary closure of many operations.

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- The 2022-23 budget has been set at a prudent level, albeit there is some risk that inflation will rise higher than anticipated which will have a negative impact on many areas in the budget. There are also challenges with respect to energy costs which management are looking to mitigate.
- ESFA clawback in respect of apprenticeship funding is included at £850k. Further provision may be necessary if discussions progress with the ESFA although we are still awaiting a detailed response to evidence submitted to support our funding claims. In the meantime, the ESFA have confirmed that they would not seek to recover funds in a way that would destabilise the College's finances.

The financial performance in both 2020/21 and 2021/22 meant that both NatWest and Barclays loan covenants were breached. Both loans and the CBILs loan were refinanced in September 2022 into a single NatWest loan with the Barclays loan being fully repaid.

The new NatWest secured loan for £2.49m is over a 20-year period, with a capital repayment holiday during the first 12 months. The impact of the new loan is positive on annual cash flow. There are no bank covenants attached to the new loan. NatWest fully support the College with new loan and there is no evidence to suggest that NatWest would not be willing to provide additional financial support in the future.

The sale of two non-current assets will benefit cash flows early in 2022-23. An Options Agreement for the sale of land at Maurward Close was agreed in December 2021 with receipts from the sale due in November 2022. Gardeners Cottage went onto the market in September 2022, and with immediate offers being received over the asking price. The sale is anticipated to complete in early 2023.

The Governors have reviewed the strategic plan, activity and financial projections and consider that the College has adequate resources to meet its ongoing liabilities and continue operations for at least the next twelve months.

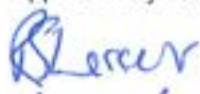
EVENTS AFTER THE REPORTING PERIOD

There are no events to report after the reporting period.

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 31 October 2022 and signed on its behalf by



Robert Lasseter
Chair

Statement of Corporate Governance and Internal Control For the year ended 31 July 2021

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 2020 to 31 July 2021 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 2021. This opinion is based on an internal review of compliance with the Code reported to the board on 19 October 2021. 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

Members of the corporation

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

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served	Corporation Meeting Attendance
Mr R Barker	Dec 18	3 years		Independent Member	Estate Finance & Resources Governance, Remuneration & Search	8/8
Miss H Baxler	Aug 20	1 year	31/07/21	Independent Member	Quality & Standards	4/8
Mr R Bourne	Feb 20	3 years		Independent Member	Estate Finance & Resources	8/8
Mr J Bullen	July 20	3 years		Independent Member	Audit & Assurance Estate	8/8
Miss H Crocker	Sept 21	3 years		Staff Member		0/0
Mr A Davies	Jan 15 Reappointed Jan – 18 & Jan 21	3 years		Independent Member	Estate	6/8

Statement of Corporate Governance and Internal Control

For the year ended 31 July 2021

Mr A Foot	Jun 12 Reappointed Jun 15, June 18 & June 21	3 years		Independent Member	Quality & Standards Governance, Remuneration & Search	7/8
Mr A Jackson	Oct 19	3 years	15/03/21	Staff Member	Finance & Resources	3/4
Ms F Jenkins	May 21	3 years		Staff Member		4/4
Mr J Kenderdine	Dec 19	3 years	15/03/21	Staff Member	Quality & Standards	4/4
Mr D Knight	March 20	3 years		Independent Member	Audit & Assurance (Chair)	7/8
Mr R Lassefer	Jun – 14 Reappointed Jun – 17 & June 20	3 years		Independent Member	Finance & Resources (Chair) Quality & Standards Governance, Remuneration & Search Vice Chair Corporation from 1/08/18 Chair from 01/08/21	7/8
Mr G Ledden	July 19	3 years		Independent Member	Estate Finance & Resources	8/8
Dr A Minard	Sep 17 Reappointed Sept 20	3 years		Independent Member	Audit & Assurance	8/8
Mr B Murphy	Oct 15 Reappointed Oct 18 & Oct 21	3 years		Independent Member	Estate	7/8
Mrs N Newman	Jan 22	3 years		Independent Member		-
Ms L Payne	Oct 20	3 years	05/05/21	Independent Member	Quality & Standards	2/4
Mrs V Prior	Mar 17 Reappointed Mar 20	3 years	11/02/21	Independent Member	Quality & Standards (Chair) Governance, Remuneration & Search	1/3
Mr L Rake	Aug 16	Ex-officio		Principal	Estate Finance & Resources, Quality & Standards, Governance, Remuneration & Search	8/8
Mr A Robinson	Jan 17 Reappointed Jan 20	3 years	19/10/20	Independent Member	Finance & Resources	0/1
Mr C Rose	Nov 20	1 year	23/04/21	Student Member		2/4
Mrs K Taylor	Feb 21	3 years		Independent Member	Quality & Standards (Chair from 1/8/21)	5/5
Mrs D Thomas	Sept 21	3 years		Independent Member		0/0
Mr J Tirrell	Sept 11 Reappointed Sep 14, Sep 17, & Sep 20	3 years	31/07/21	Independent Member	Quality & Standards Finance & Resources Governance, Remuneration & Search Corporation Chair from 1/8/15	7/8
Ms D Vickers	May 21	3 years		Staff Member		3/4
Mrs V Gifford	July 10	N/A		Clerk		8/8

Statement of Corporate Governance and Internal Control For the year ended 31 July 2021

The governance framework

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation has met 8 times this year, with further updates and urgent decisions undertaken via the Governors' Virtual Office (GVO).

The Corporation conducts its business through a number of committees. Each committee has terms of reference which have been approved by the Corporation. These committees are Audit & Assurance, Estate, Finance & Resources, Quality & Standards and Governance, Remuneration & Search. 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 Governance, Remuneration & Search 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 Governance Remuneration & Search Committee once past performance is reviewed to ensure the Corporation has the skilled members necessary to carry out its functions.

Statement of Corporate Governance and Internal Control For the year ended 31 July 2021

Corporation performance

The Corporation self-assessment reviewed committee performance and governor attendance and training and skills.

Overall governor attendance was 80%, 10% higher than the target set by governors. Governors also completed an annual skills audit survey which has 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 31st July 2021 and graded itself as Good on the Ofsted scale.

Remuneration committee

The Remuneration Committee has been merged with the Search & Governance Committee. Throughout the year ending 31 July 2021, the College's Remuneration Committee comprised six 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 2021 are set out in note 6 to the financial statements.

The Committee has regard to the AoC Colleges Senior Staff Remuneration Code adopted by the Corporation on 5th 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 auditors, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the 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 auditors, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation. The Audit & Assurance Committee met five times in the year to 31 July 2021. The members of the committee and their attendance are shown below.

Committee member	Meetings attended
Mr D Knight (Chair)	5
Mr J Bullen	5
Dr A Minard	5
Miss R King (co-opted)	4
Mr H Cox (co-opted)	4

Statement of Corporate Governance and Internal Control For the year ended 31 July 2021

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 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 2021 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2021 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.

Statement of Corporate Governance and Internal Control For the year ended 31 July 2021

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.

Risks faced by the Corporation

The Corporation has appointed an Audit & Assurance Committee which identifies, evaluates and manages risk by regularly reviewing the Corporate Risk Register which is updated by the College's Risk Management Group. The Corporation receives the Corporate Risk Register and is assured by the Audit & Assurance Committee that the risks are being appropriately managed. The Chair of the Audit and Assurance Committee attends the Risk Management Group meetings which are held on a termly basis to review the Corporate Risk Register in detail. Going forward the Risk Register will be linked to the strategic aims of the College with each risk being mapped to different Corporation committees to review the relevant risks. The main risks to the College are identified under the Principal Risks and Uncertainties section of this report on page 8.

The Audit and Assurance Committee sets a programme of internal audit reviews, carried out by externally appointed auditors, to evaluate performance and risk for different areas of the College on an annual basis. All reports are reviewed by the Committee and an Annual Audit Committee report produced for submission to the Corporation.

Control weaknesses identified

The Annual Internal Audit report identified one key risk relating to the completion of an ongoing Balance Sheet Review to ensure that a robust Forecast outturn and rolling 24 month cashflow forecast is in place. This action has now been put in place by the Finance Director. The Internal Auditors confirmed that they can provide the Corporation with reasonable assurance that Kingston Maurward College's governance, risk management and systems of internal control were operating adequately and effectively and that there were no instances where any breakdown of control resulted in any material discrepancy.

During the year the College suffered a financial fraud and the process was reviewed by Bishop Fleming. The Auditors found that the college had insurance for cyber fraud and an investigation was carried out by PWC's cyber security department. This investigation was able to detect the breakdown in controls and how the fraud had occurred. It was found that this was done in a timely manner and that any recommendations by the investigation were acted upon. Bishop Fleming found that the College acted appropriately and contacted the relevant organisations once the fraud was discovered. At its meeting on 23 November 2021 the Audit and Assurance Committee received the update on the fraud and were content with the actions carried out by the college. The Committee were satisfied with the process followed by external auditors and that the Committee could rely on the external assurance.

Responsibilities under funding agreements

The Corporation of the College has met its responsibilities under funding agreements through due diligence and appropriate corporate governance models and activities. The Corporation has at all times co-operated with the requirements of contracts provided for and by the ESFA, and applied appropriate audit assurance and recovery of funds for the ESFA where required. Appropriate care and due diligence has been applied in the delivery of funded activities to ensure they meet the requirements of the ESFA, alongside the needs of any additional requirements dependent on the funding models, stream or partners involved. These requirements are monitored through tiers of assurance, including the Senior Management Team, appropriate Corporation committees such as Finance & Resources and Audit & Assurance, and a third tier on internally support audit correlating with external audit activity if undertaken.

Statement of Corporate Governance and Internal Control For the year ended 31 July 2021

The College has complied with all of its funding agreements.

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 2020/21 and up to the date of approval of the financial statements are:

1. 16-18 Learner Journey	Reasonable Assurance Opinion
2. HR & Payroll	Substantial Assurance Opinion
3. ALS & High Needs Students	Reasonable Assurance Opinion
4. Student Retention & Intervention	Reasonable Assurance Opinion
5. Risk Management	Reasonable Assurance Opinion
6. Fundamental Financial Controls	Reasonable Assurance Opinion
7. Cashflow Forecasting	Reasonable Assurance Opinion
8. Follow Up	Substantial Assurance Opinion

Statement from the audit committee

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 2020/21 and up to the date of the approval of the financial statements are:

Kingston Maurward College – Internal Audit Opinions and Recommendations 2020/21					No of recommendations & priority			
Ref	Audit Title	Design	Application/ Compliance	Overall Assurance	H	M	L	A
1.	16-18 Student Journey: Enquiry to Enrolment	Adequate	Adequate	Reasonable	0	2	0	0
2.	HR & Payroll	Adequate	Good	Substantial	0	0	2	2
3.	Learning Support and High Needs Funding	Adequate	Adequate	Reasonable	0	3	2	0
4.	16-18 Student Journey: Retention & Intervention	Good	Adequate	Reasonable	0	3	0	0
5.	Risk Management	Adequate	Adequate	Reasonable	0	1	4	0
6.	Key Financial Controls	Adequate	Weak	Reasonable	0	5	3	0
8.	Follow-up of Previous Internal Audit Recommendations	N/A	N/A	Substantial	0	2	0	0
9.	Cashflow Forecasting and Bank Covenant Monitoring	Good	Adequate	Reasonable	1	0	0	0
Total Number of Recommendations					1	16	11	2

Statement of Corporate Governance and Internal Control For the year ended 31 July 2021

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
- Comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

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 December 2021 meeting the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2021.

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 31 October 2022 and signed on its behalf by:



Robert Lasseter
Chair



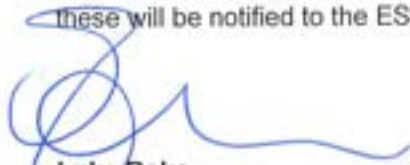
Luke Rake
Accounting Officer

Statement of Regularity, Propriety and Compliance For the year ended 31 July 2021

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 unable 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



Robert Lasseter
Chair

Statement of Responsibilities of the Members of the Corporation For the year ended 31 July 2021

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 31 October 2022 and signed on its behalf by:



Robert Lasseter
Chair

Independent auditors' report to the corporation of Kingston Maurward College

Opinion

We have audited the financial statements of Kingston Maurward College (the 'corporation') for the year ended 31 July 2021 which comprise the Consolidated and College Statements of Comprehensive Income, the Consolidated and College Balance Sheets, the Consolidated and College Statements of Changes in Reserves, the Consolidated Statement of Cash Flows and the 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' (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice: Accounting for Further and Higher Education (the 'FE HE SORP') and the College Accounts Direction for 2020 to 2021.

In our opinion, the financial statements:

- give a true and fair view of the state of the group and corporation's affairs as at 31 July 2021 and of the group and corporation's income and expenditure, gains and losses, changes in reserves, and of the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the FE HE SORP, College Accounts Direction 2020 to 2021 and the Office for Students' Accounts Direction.

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 group and corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusion relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The members are responsible for the other information. 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

Independent auditors' report to the corporation of Kingston Maurward College

we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the corporation, or returns adequate for our audit have not been received from branches not visited by us; or
- the corporation's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

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

In our opinion:

- Funds from whatever source administered by the corporation for the specific purposes have been applied to those purposes and managed in accordance with relevant legislation; and
- Funds provided by the Office for Students ('OfS') and Research England have been applied in accordance with the relevant terms and conditions and any other terms and conditions attached to them.

We have nothing to report in respect of the following matters in relation to which the Office for Students' Accounts Direction requires us to report to you if, in our opinion:

- the corporation's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated; or
- the corporation's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation Board, the corporation is 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the corporation is responsible for assessing the group and corporation'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 either intend to liquidate the group and corporation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Independent auditors' report to the corporation of Kingston Maurward College

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the sector, control environment and the group and corporation's performance;
- results of our enquiries of management and the members, including the committees charged with governance over the group and corporation's finance and control, about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group and corporation's documentation of their policies and procedures relating to: identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- how the corporation ensured it met its obligations arising from it being financed by and subject to the governance requirements of the ESFA and OfS, and as such material compliance with these obligations is required to ensure the corporation will continue to receive its public funding and be authorised to operate, including around ensuring there is no material unauthorised use of funds and expenditure;
- how the group and parent corporation ensured it met its obligations to its principal regulator, the Secretary of State for Education; and
- the matters discussed among the audit engagement team and involving relevant internal corporation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the group and corporation for fraud, which included incorrect recognition of revenue and management override of controls using manual journal entries and these were identified as having the greatest potential for fraud.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. We also obtained an understanding of the legal and regulatory frameworks that the group and corporation operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the College Accounts Direction, the Office for Students' Accounts Direction, and the FE HE SORP.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the corporation's ability to operate or to avoid a material penalty. These included safeguarding regulations, data protection regulations, occupational health and safety regulations, education and inspections legislation, and employment legislation.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- reviewing the financial statement disclosures and testing to supporting documentation to assess the recognition of revenue;
- enquiring of group and corporation's management and members concerning actual and potential litigation and claims;
- performing procedures to confirm material compliance with the requirements of the ESFA and OfS;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of the members and reviewing internal control reports; and

Independent auditors' report to the corporation of Kingston Maurward College

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; and assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

These procedures were considered at both the parent corporation and subsidiary level as appropriate.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

This report is made solely to the corporation, 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 it 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 corporation, for our audit work, for this report, or for the opinions we have formed.

Bishop Fleming LLP

Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
Stratus House
Emperor Way
Exeter Business Park
Exeter
Devon
EX1 3QS

Date: 31st October 2022

Reporting accountant's assurance report on regularity to the Corporation of Kingston Maurward ("the College") and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 30 June 2021 and further to the requirements of funding agreement 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 the College during the period 1 August 2020 to 31 July 2021 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 returns, for which the Department has other assurance arrangements in place.

This report is made solely to the Corporation of the College and Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of the 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 the College and the Department for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of the College and the reporting accountant

The Corporation of the 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 2020 to 31 July 2021 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 jointly by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

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

Reporting accountant's assurance report on regularity to the Corporation of Kingston Maurward ("the College") and Secretary of State for Education acting through the Department for Education ("the Department")

The work undertaken to draw our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across the College's activities;
- Evaluation and validation of the processes and controls in place to ensure regularity and propriety for the use of public funds, including the consideration of the College's self-assessment questionnaire (SAQ);
- Testing transactions with related parties;
- Sample testing of income to ensure that funds have been applied for the purposes that they were awarded, focused on areas assessed as high risk;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referenced to our regularity report.

The list is not exhaustive, and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Code.

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 2020 to 31 July 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Bishop Fleming LLP

Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
Stratus House
Emperor Way
Exeter Business Park
Exeter
Devon
EX1 3QS

Date: 31st October 2022

Consolidated and College Statements of Comprehensive Income for the year ended 31 July 2021

	Notes	Year ended 31 July 2021		Year ended 31 July 2020	
		Group £'000	College £'000	Restated Group £'000	College £'000
INCOME					
Funding body grants	2	4,799	4,799	5,911	5,911
Tuition fees and education contracts	3	706	706	1,045	1,045
Other grants and contracts	4	1,143	1,122	229	190
Other income	5	2,036	1,869	2,308	1,892
Investment income	6	-	-	1	1
Donations and Endowments	7	38	38	24	24
Total income		8,722	8,534	9,518	9,063
EXPENDITURE					
Staff costs	8	6,305	6,305	6,370	6,026
Other operating expenses	9	3,793	3,630	3,688	3,542
Depreciation	12	662	662	666	637
Interest and other finance costs	10	214	214	213	213
Total expenditure		10,974	10,811	10,937	10,418
(Deficit) before other gains		(2,252)	(2,277)	(1,419)	(1,355)
Profit on disposal of assets	12	-	-	311	311
(Deficit) before tax		(2,252)	(2,277)	(1,108)	(1,044)
Taxation	11	-	-	-	-
(Deficit) for the year		(2,252)	(2,277)	(1,108)	(1,044)
Actuarial gain/(loss) in respect of pensions	24	514	514	(3,957)	(3,957)
Total Comprehensive (Expense) for the year		(1,738)	(1,763)	(5,065)	(5,001)

All items of income and expenditure relate to continuing activities.

Consolidated and College Statement of Changes in Reserves for the year ended 31 July 2021

	Income and expenditure account	Revaluation reserve	Restricted reserves	Total
	£'000	£'000	£'000	£'000
Group				
Balance at 1 August 2019	(4,110)	4,327	-	217
Surplus/(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)		-
	(5,046)	(19)	-	(5,065)
Balance at 31 July 2020	(9,156)	4,308	-	(4,848)
(Deficit) from the income and expenditure account	(2,252)		-	(2,252)
Other comprehensive income	514	-	-	514
Transfers between revaluation and Income and expenditure reserves			-	
	19	(19)		-
Total comprehensive expense	(1,719)	(19)	-	(1,738)
Balance at 31 July 2021	(10,875)	4,289	-	(6,586)
College				
Balance at 1 August 2019	(4,110)	4,327	-	217
Surplus/(deficit) from the income and expenditure account	(1,045)	-	-	(1,045)
Other comprehensive expense	(3,957)	-	-	(3,957)
Transfers between revaluation and Income and expenditure reserves			-	
	19	(19)		-
	(4,983)	(19)	-	(5,002)
Balance at 31 July 2020	(9,093)	4,308	-	4,785
(Deficit) from the income and expenditure account	(2,277)	-	-	(2,277)
Other comprehensive income	514	-	-	514
Transfers between revaluation and Income and expenditure reserves	19	(19)	-	-
Total comprehensive expense	(1,744)	(19)	-	(1,763)
Balance at 31 July 2021	(10,837)	4,289	-	(6,548)

Consolidated and College Balance Sheets as at 31 July 2021

	Notes	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Non-current assets					
Tangible Fixed assets	12	15,819	15,819	15,831	15,831
Intangible Fixed assets	12	141	141	148	148
		15,960	15,960	15,979	15,979
Current assets					
Stocks	14	502	490	374	363
Trade and other receivables	15	612	743	668	719
Cash and cash equivalents	19	1,009	1,005	121	54
		2,123	2,238	1,163	1,136
Creditors – amounts falling due within one year	16	(2,628)	(2,705)	(1,838)	(1,748)
Net current (liabilities)		(505)	(467)	(675)	(612)
Total assets less current liabilities		15,455	15,493	15,304	15,367
Creditors – amounts falling due after more than one year	17	(9,942)	(9,942)	(8,651)	(8,651)
Provisions					
Defined benefit obligations	24	(12,099)	(12,099)	(11,501)	(11,501)
Total net (liabilities)		(6,586)	(6,548)	(4,848)	(4,785)
Unrestricted Reserves					
Income and expenditure account		(10,875)	(10,837)	(9,156)	(9,093)
Revaluation reserve		4,289	4,289	4,308	4,308
Total unrestricted reserves		(6,586)	(6,548)	(4,848)	(4,785)

The financial statements on pages 31 to 58 were approved and authorised for issue by the corporation on 31 October 2022 and were signed on its behalf on that date by:



Robert Lasseter
Chair



Luke Rake
Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2021 £'000	2020 £'000
Cash flow from operating activities			
(Deficit) for the year		(2,252)	(1,108)
Adjustment for non-cash items			
Depreciation		662	666
Deferred capital grants released to income		(243)	(230)
(Increase)/decrease in stocks		(128)	(3)
(Increase)/decrease in debtors		56	(188)
Increase/(decrease) in creditors due within one year		927	5
Pensions costs less contributions payable		953	610
Adjustment for investing or financing activities			
Interest payable		214	213
Profit on sale of fixed assets		-	(311)
Net cash flow from operating activities		<u>189</u>	<u>(347)</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	375
Deferred capital grants received		614	111
Payments made to acquire fixed assets		(643)	(351)
		<u>(29)</u>	<u>135</u>
Cash flows from financing activities			
Interest paid		(54)	(73)
Interest element of finance lease rental payments		(2)	(2)
New unsecured loans		1,200	-
Repayments of amounts borrowed		(186)	(213)
Capital element of finance lease rental payments		(7)	(15)
		<u>950</u>	<u>(303)</u>
Increase / (decrease) in cash and cash equivalents in the year		<u>1,111</u>	<u>(514)</u>
Cash and cash equivalents at beginning of the year	19	(102)	412
Cash and cash equivalents at end of the year	19	1,009	(102)
Increase / (decrease) in cash and cash equivalents in the year		<u>1,111</u>	<u>(514)</u>

Notes to the Accounts for the year ended 31 July 2021

1. Accounting policies

General Information

Kingston Maurward College was established under the Further and Higher Education Act 1992. The College is situated one mile 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 and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice. Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2020-21 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

Basis of consolidation

The consolidated financial statements include the college and its subsidiary, Kingston Maurward Enterprises Limited, controlled by the group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation.

In accordance with FRS 102, the activities of the student union have not been consolidated because the college does not control those activities.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the College, its cash flow, liquidity and borrowings are presented in the financial statements and accompanying notes. In 2020/21 Covid-19 had an adverse impact in the operating financial performance of the College and its subsidiary. The College received a financial health notice from the Education and Skills Funding Agency (ESFA) and was also put into formal financial intervention with a Notice to Improve. The College has also instructed a Commissioner-Led Structure and Prospects Appraisal (SPA) review, to enable the Trustees to effectively consider the future strategic and financial options available.

Notes to the Accounts for the year ended 31 July 2021

Following the financial performance for the year ending 31 July 2021, the College has breached its banking covenants with both Natwest and Barclays. Both banks issued waivers for these breaches. However, the current financial forecasts show that College is planning to deliver a deficit of £465,000 and also expects to breach the same covenants in the year ending 31 July 2022. Therefore, the College consolidated its debt into one secured loan with Natwest in September 2022 (excluding the LEP loan). The new loan has no associated covenants. The College also has an ongoing review by the ESFA in relation to apprenticeships, which could lead to further clawbacks.

The College has made assumptions in forecasting performance for the coming 12 months and has sought to be prudent in making these judgements. For this reason, the going concern basis has been adopted for preparing the accounts.

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 involved. 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 funding is not 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.

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 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.

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.

Notes to the Accounts for the year ended 31 July 2021

Investment income

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 updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of the scheme introductions, benefit changes, settlements and curtailments. They are included as part of the staff costs 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 the 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 costs.

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

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by 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.

Notes to the Accounts for the year ended 31 July 2021

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 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 2015.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment 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.

Notes to the Accounts for the year ended 31 July 2021

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 and software development costs – 5 years on a straight-line basis

Borrowing costs

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

Investments

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Leased assets

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

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

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

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

Inventories

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 cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Cash and Cash equivalents

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

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

Notes to the Accounts for the year ended 31 July 2021

Financial liabilities and equity

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

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

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.

Provision 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 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 is not probable that an overflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Notes to the Accounts for the year ended 31 July 2021

Judgement 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 generation unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- 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.
- 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 25, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact the carrying amount of the pension liability.

2a Funding body grants

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	466	466	466	466
Education and Skills Funding Agency – 16 -18	4,240	4,240	4,473	4,473
Education and Skills Funding Agency - apprenticeships	(400)	(400)	536	536
Office for students	93	93	81	81
Specific Grants				
Covid 19 testing grant	21	21	-	-
Teacher pension scheme contribution grant	136	136	126	126
Releases of government capital grants	243	243	59	59
HE grant	-	-	170	170
Total	4,799	4,799	5,911	5,911

The apprenticeship income line is negative as it includes the anticipated ESFA clawback.

Notes to the Accounts for the year ended 31 July 2021

2b Grant and fee income

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Grant income from the Office for Students	93	93	81	81
Grant income from other bodies	-	-	-	-
Fee income for taught awards (exclusive of VAT)	430	430	373	373
Fee income for research awards (exclusive of VAT)	-	-	-	-
Fee income from non-qualifying courses (exclusive of VAT)	-	-	-	-
Total	523	523	454	454

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	139	139	333	333
Apprenticeship contracts	-	-	4	4
Fees for FE loan supported courses	117	117	137	137
Fees for HE loan supported courses	430	430	373	373
Total tuition fees	686	686	847	847
Education contracts	20	20	198	198
Total	706	706	1,045	1,045

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grant income	1,052	1,052	126	126
Coronavirus Job Retention Scheme grant	91	70	103	64
Total	1,143	1,122	229	190

5 Other income

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Residencies and catering	141	141	258	258
Other government capital grants	-	-	60	60
Farming activities	597	597	663	663
Other income generating activities	910	610	612	133
Other income	388	521	715	778
Total	2,036	1,869	2,308	1,892

Notes to the Accounts for the year ended 31 July 2021

6 Investment income

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other investment income	-	-	1	1

7 Donations - College only

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Unrestricted donations	38	24
Total	38	24

8 Staff costs - Group and College

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

	Year ended 31 July 2021 No.	Year ended 31 July 2020 No.
Teaching staff	62	54
Non-teaching staff	113	156
	175	210

	2021 £'000	2020 £'000
Staff costs for the above persons		
Wages and salaries	4,368	4,651
Social security costs	319	337
Other pension costs	1,443	1,351
Payroll sub total	6,130	6,339
Contracted out staffing services	40	30
	6,170	6,369
Restructuring costs - contractual	135	1
	6,305	6,370

The corporation does not have any salary sacrifice arrangements in place.

Notes to the Accounts for the year ended 31 July 2021

Key management personnel

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

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

	2021 No.	2020 No.
The number of key management personnel including the Accounting Officer was:	3	3

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

	Senior post-holders		Other staff	
	2021 No.	2020 No.	2021 No.	2020 No.
£60,001 to £65,000 p.a.	-	1	-	-
£65,001 to £70,000 p.a.	-	-	-	-
£70,001 to £75,000 p.a.	-	-	-	-
£80,001 to £85,000 p.a.	2	1	-	-
£100,001 to £105,000 p.a.	1	1	-	-
	3	3	-	-

Key management personnel compensation is made up as follows:

	2021 £'000	2020 £'000
Basic salary	204	274
Pension contributions	32	50
Total key management personnel compensation	236	324

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

	2021 £'000	2020 £'000
Basic salary	101	101
Pension contributions	10	23
	111	124

The governing body adopted AoC's Senior Staff Remuneration Code in July 2019 and assess pay in line with its principles.

Notes to the Accounts for the year ended 31 July 2021

The remuneration package of key management staff, including the Principal and Chief Executive, is subject to annual review by the Governance Remuneration & Search Committee of the governing body who undertake an annual review of 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

	2021 £'000	2020 £'000
Principal's basic salary as a multiple of the median of all staff	5.6	5.6
Principal and CEO's total remuneration as a multiple of the median of all staff	5.0	6.1

9a Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	662	662	704	704
Non-teaching costs	2,333	2,169	2,295	2,149
Premises costs	798	798	689	689
Total	3,793	3,630	3,688	3,542

Other operating expenses include:

	2021 £'000	2020 £'000
Auditors' remuneration:		
Financial statements audit*	53	23
Internal audit**	17	6
Other services provided by the external auditors	7	14
Hire of assets under operating leases	121	151

* includes £24k in respect of the college (2020 £20k)

** includes £17k in respect of the college (2020 £6k)

9b Access and Participation Plan

	2021 £'000	2020 £'000
Access Investment	7	71
Financial Support	16	3
Disability Support	-	6
Research and Evaluation	3	1
	<u>26</u>	<u>81</u>

Notes to the Accounts for the year ended 31 July 2021

10 Interest payable - Group and College

	2021 £'000	2020 £'000
On bank loans, overdrafts and other loans:	54	73
On finance leases	1	2
Net interest on defined pension liability (note 24)	159	138
Total	214	213

11 Taxation

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

12 Tangible fixed assets (Group and College)

	Land and Freehold £'000	Buildings Long leasehold £'000	Equipment £'000	Assets in the course of construction £'000	TOTAL £'000
Cost or valuation					
At 1 August 2020	20,622	130	4,476	146	25,374
Additions	41	-	306	296	643
At 31 July 2021	20,663	130	4,782	442	26,017
Depreciation					
At 1 August 2020	5,710	72	3,761	-	9,543
Charge for the year	412	1	242	-	655
At 31 July 2021	6,122	73	4,003	-	10,198
Net book value at 31 July 2021	14,541	57	779	442	15,819
Net book value at 31 July 2020	14,912	58	715	146	15,831

Notes to the Accounts for the year ended 31 July 2021

Included in assets in the total for assets in the course of construction are the two capital projects – University Centre and the Ground Source Heat Pump, as well as software development.

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 Education and Skills Funding Agency to surrender the proceeds.

12 Intangible fixed assets (Group and College)

	Software	Assets in the course of construction	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2020	285	107	392
Reclassifications	107	(107)	-
At 31 July 2021	392	-	392
Depreciation			
At 1 August 2020	244	-	244
Charge for the year	7	-	7
At 31 July 2021	251	-	251
Net book value at 31 July 2021	141	-	141
Net book value at 31 July 2020	41	107	148

13 Investments

The College has an investment of £1 (2020: £1) in its wholly owned subsidiary company Kingston Maurward Enterprises Limited.

14 Stocks

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Farm stocks including crops and livestock	475	475	330	330
Other stocks	27	15	44	33
Total	502	490	374	363

Notes to the Accounts for the year ended 31 July 2021

15 Trade and other receivables

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Trade receivables	91	91	71	69
Amounts owed by subsidiary undertakings	-	133	-	63
Prepayments and accrued income	159	159	211	201
Other taxation and social security	-	-	267	267
Other debtors	362	362	119	119
Total	612	743	668	719

16 Creditors: amounts falling due within one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank loans and overdrafts	264	264	353	353
Obligations under finance leases	6	6	7	7
Payments received in advance	105	32	283	181
Trade payables	167	163	337	321
Amounts owed to Subsidiary undertaking	-	158	-	33
Other taxation and social security	365	365	261	261
Accruals and deferred income	1,464	1,039	313	308
Other loans	62	62	63	63
Deferred income - government capital grants	195	195	221	221
Total	2,628	2,705	1,838	1,748

17 Creditors: amounts falling due after one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank loans	2,180	2,180	1,233	1,233
Obligations under finance leases	31	31	37	37
Other loans	94	94	141	141
Deferred income - government capital grants	7,637	7,637	7,240	7,240
Total	9,942	9,942	8,651	8,651

Notes to the Accounts for the year ended 31 July 2021

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
In one year or less	415	415	353	353
Between one and two years	515	515	126	126
Between two and five years	1,454	1,454	588	588
In five years or more	216	216	520	520
Total	2,600	2,600	1,587	1,587

The College had the following loans at the balance sheet date:

Natwest £600k (July 2017 to Dec 2030) rate 2.25% above the base rate; Natwest CBILs £1.2m (Nov 2021 to Dec 2026) rate 3.96% above the base rate; Barclays £1.649m (Oct 2017 to Oct 2032) fixed rate 5.5%; Dorset Local Enterprise Partnership £250k (Nov 2018 to Oct 2023) rate 0.75% above EU reference rate. The Natwest loan had a supplementary amendment (the original agreement being for £650k).

There were covenants on the Natwest £600k loan and the Barclays loan. The College breached covenants on both these loans at year end 31 July 2021.

In September 2022 the College entered into an agreement with Natwest to consolidate all its loans other than the LEP loan. The new £2.4m loan is repayable over a period of 20 year. The agreement was finalised in September 2022.

(b) Finance leases

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

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
In one year or less	9	9	7	7
Between one and two years	9	9	-	-
Between two and five years	19	19	26	26
In five years or more	-	-	11	11
Total	37	37	44	44

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

19 Cash and cash equivalents

	At 1 August 2020 £'000	Cash flows £'000	At 31 July 2021 £'000
Cash and cash equivalents	(102)	1,111	1,009
Total	(102)	1,111	1,009

Notes to the Accounts for the year ended 31 July 2021

20 Capital commitments**Group and College**

2021	2020
£'000	£'000

Commitments contracted at 31 July

5,306	900
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The commitments are with regard to two capital projects which are both fully grant funded. The projects are the construction of a University Centre and Rural Hub (funded by Dorset LEP) and the installation of a Ground Source Heat Pump funded by Salix. The Ground Source Heat Pump project completed in July 2022 with the University Centre project completing in August 2022.

21 Lease Obligations

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

Group and College

2021	2020
£'000	£'000

Future minimum lease payments due**Other**

Not later than one year

191	168
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Between two and five years

65	212
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In five years or more

-	-
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Total lease payments due

256	380
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None of the operating leases above related to land and buildings.

22 Contingencies

The College does not have any contingent liabilities to report.

23 Events after the reporting period

In September 2022 the college entered into an agreement with Natwest to consolidate all loans with the exception of the Dorset Local Enterprise Partnership loan. The new £2.4m loan is repayable over a period of twenty years, with no capital repayments in the first twelve months. The agreement was signed in September 2022.

Notes to the Accounts for the year ended 31 July 2021

24 Defined benefit obligations

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

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

Total pension cost for the year	2021	2020
	£000	£000
Teachers' Pension Scheme: contributions paid	358	390
Local Government Pension Scheme:		
Contributions paid	344	390
FRS 102 (28) charge	953	610
Charge to the Statement of Comprehensive Income	1,297	1,000
Enhanced pension charge to Statement of Comprehensive Income	-	-
Total Pension Cost for Year within staff costs	1,655	1,390

Teachers' Pension Scheme

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

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

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

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

Notes to the Accounts for the year ended 31 July 2021

The latest actuarial review of the TPS was carried out as at 31 March 2019. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation

reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year. A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £358k (2020: £390k)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Dorset Local Authority. The total contributions made for the year ended 31 July 2021 were £474k, of which employer's contributions totalled £344k and employees' contributions totalled £130k. The agreed contribution rates for future years are 17.3% for the college and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by Barnett Waddingham.

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	1.50%	1.50%
Future pensions increases	2.85%	2.20%
Discount rate for scheme liabilities	1.60%	1.40%
Inflation assumption (CPI)	2.85%	2.20%
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 2021 Years	At 31 July 2020 Years
<i>Retiring today</i>		
Males	23.10	23.30
Females	24.60	24.80
<i>Retiring in 20 years</i>		
Males	24.40	24.70
Females	26.10	26.20

Notes to the Accounts for the year ended 31 July 2021

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

	Long-term rate of return expected at 31 July 2021	Fair Value at 31 July 2021 £'000	Long-term rate of return expected at 31 July 2020	Fair Value at 31 July 2020 £'000
Equity instruments	9.3%	8,652	9.3%	6,855
Debt instruments	4.33%	3,842	4.33%	3,490
Property	3.46%	3,176	3.46%	2,822
Cash	0.17%	221	0.17%	138
Total fair value of plan assets		15,891		13,305
Weighted average expected long term rate of return	17.3%		-3.0%	
Actual return on plan assets		2,324		(427)

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

	2021 £'000	2020 £'000
Fair value of plan assets	15,891	13,305
Present value of plan liabilities	(27,990)	(24,806)
Net pensions (liability)/asset	(12,099)	(11,501)

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

	2021 £'000	2020 £'000
Amounts included in staff costs		
Current service cost	1,194	991
Past service cost	91	0
Total	1,285	991
Amounts included in investment income		
Net interest income	159	138
	159	138

Notes to the Accounts for the year ended 31 July 2021

Amount recognised in Other Comprehensive Income

	2021 £'000	2020 £'000
Return on pension plan assets	2,136	(714)
Experience gains/(losses) arising on defined benefit obligations	492	(533)
Changes in assumptions underlying the present value of plan liabilities	(2,114)	(2,710)

Amount recognised in Other Comprehensive Income

514	(3,957)
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Movement in net defined benefit (liability)/asset during year

	2021 £'000	2020 £'000
Net defined benefit (liability)/asset in scheme at 1 August	(11,501)	(6,796)
Movement in year:		
Current service cost	(1,194)	(991)
Employer contributions	344	390
Past service cost	(91)	0
Administration expenses	(12)	(9)
Net interest on the defined (liability)/asset	(159)	(138)
Actuarial gain or loss	514	(3,957)
Net defined benefit (liability) at 31 July	(12,099)	(11,501)

Asset and Liability Reconciliation

	2021 £'000	2020 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	24,806	20,340
Current service cost	1,194	991
Interest cost	347	425
Contributions by Scheme participants	130	143
Experience gains and losses on defined benefit obligations	(492)	533
Changes in financial assumptions	2,413	3,096
Estimated benefits paid	(200)	(317)
Past Service cost	91	-
Change in demographic assumptions	(299)	(405)
Defined benefit obligations at end of period	27,990	24,806

Notes to the Accounts for the year ended 31 July 2021

	Changes in fair value of plan assets	
Fair value of plan assets at start of period	13,305	15,544
Interest on plan assets	188	287
Return on plan assets	2,136	(714)
Other actuarial losses	-	(19)
Administration expenses	(12)	(9)
Employer contributions	344	390
Contributions by Scheme participants	130	143
Estimated benefits paid	(200)	(317)
Fair value of plan assets at end of period	<u>15,891</u>	<u>13,305</u>

These accounts show a past service cost of £230 million in respect of the McCloud / Sergeant judgement which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 2% of the total scheme liability as at 31 July 2020. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

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

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

If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pa increase would increase the estimated cost by 65%.

25 Amounts disbursed as agent Learner support funds (College only)	2021 £'000	2020 £'000
16-18 bursary grants	264	158
Disbursed to students	(78)	(137)
Administration costs	(6)	(3)
Balance unspent as at 31 July, included in creditors	<u>180</u>	<u>18</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.

Notes to the Accounts for the year ended 31 July 2021

26 Related party transactions

Due to the nature of the college's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the college's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £0; (2020: £789 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from the college or its subsidiaries during the year (2020: None).

Name	Nature of Interest	Detail	(Income) / Expenditure	(Debtor) / Creditor
Synergy Farm Health Ltd	Governor is a Director	Expenditure relation to veterinary services	25 / (12)	
Synergy Farm Health Ltd	Governor is the Chair	Expenditure relation to veterinary services	25 / (12)	
Dorset Studio School	Governors acts as Members of the school	Income relates to Service Level Agreements	(433)	
Dorset Studio School	The Principal of DSS is a Governor	Income relates to Service Level Agreements	(433)	
Dorset Local Enterprise Partnership CIC	Principal, as a Governor, is a member	Expenditure relates to loan and interest repayments	2	
Landex Land Based Colleges	Principal, as a Governor, is a member	Expenditure relates to staff training and subscription fees	5	

27 Prior year adjustment

A prior year adjustment has been made to correctly include a separate "Other grants and contracts income" note showing income of £229k for the Group and £190k for the College for the year ended 31 July 2020. This had previously been included within the "Other income" note.