



**Kendal College**  
a brighter future

# Annual Report and Financial Statements for the year ended 31 July 2021

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## Reference and Administrative Details

### Board of Governors

Alex Bergus  
Neil Boggin  
Kevin Boles (Appointed 7 July 2021)  
Harrison Brooks  
Leonie Burton-Blake  
Pam Duke  
Cath Dutton (Chair until 31 July 2021)  
Michael Hume  
John Mansergh (Appointed 7 July 2021)  
Eve Martin  
Ben Harris (Appointed 7 July 2021)  
James Metcalfe  
Kelvin Nash  
Amanda O'Brien  
Ben Rockcliffe  
Jon Thedham  
Michael Watts

### Clerk/Company Secretary

Carole Drury, Director of Governance

### Key Management Personnel

Key Management Personnel are defined as members of the College Senior Leadership team and were represented by the following in 2020/21: -

Kelvin Nash, Principal  
Craig Owen, Vice Principal – Data, Funding and Information  
Richard Evans, Vice Principal – Education and Standards  
Matt Burke, Director of Curriculum  
Gayle Salt, Director of Curriculum  
Graham Wilson, Director of Finance and Resources (Appointed 28 June 2021)  
Tam Breeze, Director of Learner Experience and Quality (Appointed 1 July 2021)  
Louise Shrapnel (Resigned 2 July 2021)

**Principal and Registered Office:** Milnthorpe Road, Kendal

### Professional Advisers

External Auditors	RSM UK Audit LLP, Preston
Internal Auditors	ICCA Education, Training and Skills Ltd, Birmingham
Bankers	National Westminster, Kendal
Bankers	Lloyds TSB, Newcastle (Capital Loan)
Solicitors	Oglethorpe, Sturton and Gillibrand LLP, Lancaster
Solicitors	Harrison Drury LLP, Preston

## **STRATEGIC REPORT**

### **NATURE, OBJECTIVES AND STRATEGIES**

The members present their report and the audited financial statements 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 Kendal College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation was incorporated as Kendal College.

#### **Mission, Vision, Strategy & Objectives**

The College's mission statement is as follows:

Unlocking potential – Transforming lives – Creating brighter futures

The College's key values are:

- Excellence
- Ambition
- Respect
- Diversity
- Partnership
- Honesty

#### **Public Benefit**

Kendal College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Governance changes in July 2016; and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body are disclosed on page 16.

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. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

- High quality teaching, experience and environment
- Growth in partnerships and engagement to secure the best possible education and training for the community
- Innovation and continuous improvement to the curriculum offer
- Development of the business and to be financially sustainable in the future
- Continuous development and investment in all staff and learners to be active partners in College work.

## **Implementation of Strategic Plan**

In 2019 the College adopted a revised strategic plan for the period 1 August 2019 to 31 July 2022. This strategic plan includes underpinning property, financial and curriculum plans. The Corporation monitors the performance of the College against these plans. In order to achieve the vision, the College focuses on the following key priorities:

- An outstanding learner experience and high-quality learning environments
- Development and growth of partnerships
- An innovative curriculum offer
- Financial viability and future sustainability
- Investment in staff, support learners and be active with partners

In June 2017 Kendal College was judged “Good” by Ofsted and in 2019 was number one college in the country according to the annual league tables published by leading educational publication FE Week. The College has received numerous other accolades including Beacon Status for excellence and innovation, Matrix Award for advice and guidance and at the last Higher Education Review was judged to meet all the UK expectations.

## **Financial Objectives**

The College’s financial objectives are to:

- Improve the financial sustainability of the College through robust and prudent practices to secure future investment and delivery of the College Mission Statement
- Generate cash and build reserves
- Seek further growth opportunities with less reliance on government funding
- Not breach bank covenants in relation to borrowings as a percentage of income
- Maximise the income generation opportunities of curriculum areas and College campuses
- Re-purpose Kendal Museum
- Review costs by challenging current processes and ratios and investing in IT to improve operational efficiencies
- Invest in resources and structures to support apprenticeship expansion in response to national reforms, including supply chain opportunities
- Expand recruitment in all curriculum areas including new and innovative programmes
- Ensure financial efficiency ratios are in line with sector norms
- Source externally funded contracts throughout the life of this plan including through collaborative bidding and delivery
- Maximise the take-up of Advanced Learner Loans
- Through robust recording and monitoring processes, maximise funding to enable ongoing sustainability.

The College will achieve its financial objectives by:

- Prudent budgeting and careful monitoring of expenditure, as well as improved procurement.
- Monitoring covenants via the risk management process.
- Ensuring that funding contracts are met and the College tenders for new funding streams.
- Monitoring turnover and growth

## Key Performance Indicators

The College uses a range of KPIs to measure and assess financial performance. These are set out below:

Key Performance Indicator	Budget	Actual for 2020/21
Operating surplus/sector EBITDA as % of income	0.05%	1.10%
Staff costs as % of income	70.65%	70.47%
Operating Cash balance	£1,487k	£1,822K
Cash days in hand/liquidity (adjusted current ratio)	50.19	60.51
Borrowing as % of income	20.32%	18.69%
Reliance on ESFA income	80%	81%
Financial Health Grade	Good	Good
Financial Health Score	210	230

The College is committed to observing the importance of the measures and indicators and is monitoring these through the completion of the annual Finance Record for the Education and Skills Funding Agency (“ESFA”). The current rating of “Outstanding” is considered an appropriate outcome.

## FINANCIAL POSITION

### Financial Results

The College generated an operating surplus of £132k before the actuarial adjustment required under FRS102 (see note 27). The pension adjustments total £578k resulting in a deficit of £446k.

In achieving its result, the College also charged £837k in depreciation and amortisation and £89k for loss on disposal of assets for the year. These are non-cash items which, whilst impacting on the statement of comprehensive income, do not affect cash.

During the year the College also invested £933k in tangible and intangible fixed assets.

The additional costs of Covid-19 in the 2020/21 results amounted to approximately £150K (2019/20 £10k) and the main income streams affected were those such as the café, restaurant, and salons. Apprentice income has held up well due to robust management of the function and whilst the Adult Education Budget was on target to be exceeded, it out turned within the ESFA parameters which means it has been paid in full. The College has also been able to make savings on heat, light, power, staff travel and resources which overall have led to the College making a slightly better than budget operating surplus.

During the year the corporation furloughed some of the catering and support staff under the government’s Coronavirus Job Retention Scheme, to avoid making redundancies. The funding received was £144k (2019/20 £293k).

During 2020/21, the College delivered a range of online and face to face classes whilst adhering to government guidelines. This was challenging and cost more to deliver but ensured that the students got the best experience possible in the circumstances.

The balance sheet is showing net current assets of £314k (2019/20 £204k). The year end cash balance is £1,822 compared to £1,062 at the end of 2020. National Westminster provides an overdraft facility of up to £200K.

During the year a formal lease arrangement peppercorn rent until 2141 was agreed with the museum meaning that the college now has full responsibility for the building. The building has been included as a fixed asset as at 31 July 2021 resulting in a corresponding credit in the statement of comprehensive income of £3,000k.

### Treasury Policies and Objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Principal. All other borrowing requires the authorisation of the Corporation and complies with the requirements of the Financial Memorandum.

### Reserves Policy

The College has a reserves policy approved by the Audit and Risk Committee in November 2021 and recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. The College has no restricted reserves. As at the balance sheet date the income and expenditure reserve stands at £5,120k (2020 £1,594k).

### Current and Future Developments and Performance

In 2020/21 the College has delivered activity that has produced £8,988K in funding body main allocation funding (2019/20 – £8,136K). The College had approximately 2,131 students on funded courses (2019/20 2,833) and 432 students on non-funded courses of which 95 were H E students (2019/20 548). These figures exclude 169 students on advanced loan courses (2019/20 158) and 937 Apprentices (2019/20 779). Figures for both years are now based on ILR figures.

Key Performance Indicator	Measure/Target	Actual for 2020/21
Student number targets 16-18 Headcount	1,142	1,269
Student number targets 16-18 Full time	1,084	1,196
Student achievements 16-18	85%	86.4%
Staff satisfaction (via survey)	60% (Strategic plan)	88%
Ofsted rating (last inspection/SAR)	Grade 2 (2017)	Grade 2

### Student Achievements

Students continue to prosper at the College. Achievement rates are as follows: -

2016/17	86.5%
2017/18	86.3%
2018/19	87.1%
2019/20	84.7%
2020/21	86.1%

## **Curriculum Developments**

Courses have been designed to ensure students gain a full range of skills and qualifications to enable the best possible chance of employment or progression to higher levels. The College has a broad curriculum which is delivered flexibly to ensure financial viability and is designed to reflect local community and employment needs and Cumbria Local Enterprise Partnership (LEP) priorities.

The College continues to offer an A Level provision to meet demand, as the offer blends well with vocational courses.

## **Sources of Income**

The College had limited opening due to COVID-19 for many of its commercial activities such as the restaurant, and hair and beauty salons as well as Kendal Museum. Whilst the income generated is not budgeted to be as high as in previous years, it nevertheless is imperative that the students gain the experience required to make them job ready when they leave the College. The College has also continued to offer a range of part time and full costs courses.

## **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, the College paid supplier invoices twice per month to ensure that late payment opportunities were minimised. The College incurred no late payment fees for this period.

## **Future Prospects**

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

The College continues to demonstrate its ability to grow and sees this, alongside its actions to reduce its cost base, as reason to believe it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks. Growth continues to be monitored closely by senior managers and Governors.

The four Cumbrian Colleges and the University of Cumbria continue to collaborate.

The college has continued to see a growth in student numbers despite the effects of Covid-19. This has put a further strain on accommodation which has been addressed during the year. Temporary accommodation has been hired and a more permanent solution has now been sourced. The growth in students means that the College will experience a large increase in lag funding in 2021/22 which will bolster the College finances and cash flow.



## **RESOURCES**

The College is well resourced to deliver a high-quality curriculum. All real working environments and workshops are equipped to a high standard and not only meet the needs of the curriculum but also of employers. The College's estate has all been either rebuilt or refurbished and the focus is now on large maintenance projects.

### **Financial**

The College has £5,998k of net assets. This is after deducting £7,575k pension liability and long-term debts of £2,093k.

### **People**

The College employs 231 people of whom 154 are teaching staff. This includes apprenticeship lecturers, apprenticeship facilitators, learning assistants and technicians.

### **Reputation**

The College has an excellent reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships. The College engages significantly with its key stakeholders to ensure its curriculum and facilities are fit for purpose. Curriculum development links closely with current LEP priorities and supports local employment needs. All of this enhances the reputation of the College in its community, evidenced by its standing in the local area and its relationships with South Lakeland District Council, South Lakes Federation of Secondary Schools, Cumbria County Council and Cumbria Enterprise Partnership.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The College continues to review, develop and embed systems of internal control, financial, operational and risk management. These systems are designed to protect the assets of the College as well as its reputation.

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

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

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

2. Financial Health Falls to “Requires Improvement”

The College must be financially sustainable and resilient in order to remain independent. Monthly monitoring of finances and forecasting is therefore crucial.

2. Breach of Financial Covenants

The College must remain compliant with its loan covenants as a breach could lead to the repayment of the loan.

3. Failure to Achieve Recruitment Targets (16 – 18, Adult and HE)

The College’s growth plans contribute towards its financial sustainability and failure to meet targets could seriously impact that and its cash balances

4. Failure to Meet Apprenticeship Targets

This is a key funding stream of the College and crucial to sustainability. There is also a reputational aspect in respect of the local community and employers.

5. Failure to Meet English and Maths Targets

Failure would impact on the College’s self-assessment report and external monitoring, such as Ofsted.

6. Insufficiently Robust Advice and Guidance

Poor information, advice and guidance could lead to reduced recruitment, high drop off rates and in turn, funding targets not being met.

7. Failure to Meet Quality Targets in Respect of Teaching, Learning, Progression and Outcomes

If students become dissatisfied, they may leave, income may fall, Ofsted may be triggered, and the College reputation affected.

8. Provision Does Not Meet the Needs of Students or Local Employers

Recruitment and funding targets may not be met, affecting sustainability.

9. Insufficient Resources to Deliver High Quality Curriculum

Student experience may not be to industry standard, health and safety may be compromised and students may not choose Kendal College.

10. Failure to be Prepared for T-Levels

Pilot funding may be withdrawn, students may not apply for T-level programmes.

11. Failure to Maintain OFS Registration

Ability to deliver HE programmes may be compromised; student numbers may decline.

12. Risk of Insolvency

Governors may be disqualified; student learning would be affected, and the College may be put into special measures.

13. Failure to Take Account of Brexit

Funding may reduce, costs may increase

14. Health and Safety and Safeguarding Not Managed Robustly

The College's reputation could be put at risk, leading to a reduction in student numbers.

15. Failure to Manage the College Network and Data Securely

The College may be fined for loss or breach of data. The business may be severely disrupted.

16. Failure to Prevent Fraudulent Activity

Loss of data or resources may lead to lack of trust amongst staff and students, leading to reputational and financial damage.

17. Inability to Recruit and Retain Quality Staff

This may lead to poor student experiences, impacting on recruitment and retention.

18. Failure to Manage Succession Planning

Key areas are not recruited to and management of key areas/functions of suffers.

19. Poor Staff Morale

Staff leave, industrial action, poor staff survey results.

### **Government Funding**

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2020/21, 81% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurances that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of issues which may impact on future funding, such as apprenticeship funding reforms and the introduction of T Levels. The College mitigates these risks in a number of ways, including ensuring delivery of high-quality education and training, maintaining and managing key relationships with various funding bodies and working with all stakeholders.

### **Tuition Fee Policy**

In line with the majority of other colleges, Kendal College seeks to increase tuition fees and aims to grow in this area by ensuring rigorous delivery of high-quality training, value for money for students and the development of a full cost part time curriculum offer.

### **Maintain Adequate Funding of Pension Liabilities**

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS102. The risk is mitigated by an agreed deficit recovery plan with Cumbria County Council.

## **Failure to Maintain the Financial Viability of the College**

The College's financial health grade is currently classified as "good". This is largely the consequence of the generation of cash during the year. However, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways; regular in year budget monitoring, robust financial controls, exploring on going procurement efficiencies and rigorous budget setting procedures and sensitivity analysis.

## **Cash Flows**

The College generated a positive cash inflow of £760k (2020/21 cash inflow of £325k). Net debt at 31 July 2021 is £420k (2019/20 £1,323k) and this includes two bank loans.

## **Cash Flows and Liquidity**

During 2020/21 the College has focussed on generating cash and building reserves. The result is that the College has been successful in achieving this and the year-end cash balance is £1,822k compared to £1,062k at the end of 2019/20. National Westminster Bank continues to provide overdraft support up to £200k in 2020/21 (£200k in 2019/20). This facility was reviewed in September 2021. The College's bank loans are well within the Lloyds' loan covenant limits.

## **STAKEHOLDER RELATIONSHIPS**

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

- Students;
- Education sector funding bodies;
- Staff;
- Local, regional and national employers;
- Local authorities;
- Government Offices/ Regional Development Agencies/Local Employment Partnership;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

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

### Trade Union Facility Time

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

Numbers of Employees who were relevant in period	FTE employee number
80 – 90 members	80 – estimated as College is not aware of who members are

9 hours per week per 10 employees, multiplied by 35 weeks = 315 hours

Total cost of facility time	315 x £24 = £7,560 – estimated
Total pay bill	£7,751,000
Percentage of total bill on facility time	0.1%

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

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

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

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

## **Disability Statement**

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

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

Kendal College is fully accessible and provides specialist equipment such as hearing loops and radio aids as well as a range of assistive technologies in the learning centre.

## **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 15 December 2021 and signed on its behalf by:**

**J Thedham**

**Chair**

## **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL**

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 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) and

In the opinion of the Board, the College has complied with all the provisions of the Code, throughout the year ended 31 July 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 in May 2015.

## The Corporation

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

Name	Date of Appointment	Expiry of Office or Resignation	Term of Office	Committee Membership	Corporation Meeting Attendance
Alex Bergus (Staff)	04/04/19	03/04/23	1		44%
Neil Boggin	10/03/20	09/03/24	1	Audit & Risk	100%
Harrison Brooks (student)	1/11/21	30/6/22	1	Search & Governance	100%
Leonie Burton-Blake (Student)	16/10/19	30/6/22	1		75%
Pam Duke	10/03/20	09/03/24	1	Audit & Risk	77%
Cath Dutton	01/05/01	31/07/21	5	Chair (wef 01/09/14) Search & Governance Remuneration Finance & Resources Working Group	100%
Emily Harris (Co opted member)	26/11/18	25/11/22	1	Audit & Risk (Co-opted member)	n/a
Kirsty Heywood-MacDonald (Co opted member)	10/3/20	09/3/24	1	Audit & Risk (Co-opted)	n/a
Pat McIver	15/02/17	14/02/21	1	Remuneration	83%
Mike Hume	10/02/20	09/02/24	1	Finance & Resources Working Group	88%
Eve Martin	29/03/17	28/03/25	2	Search & Governance	100%
James Metcalfe (Student Governor)	1/11/21	30/6/22	1		71%
Kelvin Nash (Principal)	28/05/18	-	-	Search & Governance Finance & Resources Working Group	100%
Amanda O'Brien	29/03/17	28/03/25	2	Search & Governance	33% <sup>i</sup>
Ben Rockliffe	11/02/19	10/02/23	1	Audit & Risk (Chair) Finance & Resources Working Group (Chair)	100%
Michael Southworth	29/03/17	28/03/21	1	Remuneration	100%
Jon Thedham	10/02/16	09/02/24	2	Vice Chair Search & Governance (Chair) Remuneration Finance & Resources Working Group	100%
Michael Watts (staff)	10/07/19	09/07/23	1		77%

Amanda O'Brien had a break from governance roles approved due to personal circumstances.

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. During 2020/21 the Corporation met 8 times for Board meetings plus held a strategic planning event. All meetings were held virtually due to the Covid-19 pandemic. The Corporation has adopted the Code of Good Governance for English



Colleges and operates in line with its standing orders and relevant policies, including public disclosure.

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

Kendal College  
Milnthorpe Road  
Kendal  
Cumbria  
LA9 5AY

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

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

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

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

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

### **Appointments to the Corporation**

Appointments are made to the Governing body when there are vacancies. Consideration is given to skills sets which would be beneficial to the College in order that the senior managers of the College receive the appropriate challenge and enquiry at meetings. There is a process for appointment of Governors, including induction and training. During the year, 2 new student governors were appointed, one from Further Education and one from Higher Education. Three new business governors were appointed to join the Board at its July 2021 meeting to replace governors who left during the year.

Members of the Corporation are appointed for a term of office not exceeding four years, and usually complete 2 terms of office. By exception Governors are invited to continue beyond 2 terms where their expertise is required by the Board.

### **Corporation performance**

The Corporation self-assesses annually on its performance, using a variety of methods to come to an overall judgement on its performance which is then reported in its self-assessment report. The report is approved by the Corporation and is then embedded into the overall College self-assessment of leadership and management. Methods include individual governor appraisal,

assessment of the Chair's performance, review of performance against key performance indicators and the Code of Good Governance for English Colleges as well as each committee reviewing its performance against its terms of reference. Each committee prepares an annual report on its activities of the previous year.

The Corporation has carried out a self-assessment of its own performance for the year ended July 2021 that was considered at the meeting of Search & Governance on 2 November and shared with the Board at its December meeting and based on its adherence to the Code of Good Governance, meeting terms of reference and individual Governor performance review leading to an improvement action plan.

### **Search and Governance Committee**

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

The Committee meets on a termly basis to review and recommend membership of the Corporation, review Governance procedures, including training and performance and makes recommendations to the Board on compliance with statutory requirements e.g., instrument and articles of Government.

### **Remuneration Committee**

The College's Remuneration Committee comprises four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration of the Principal, Assistant Principal – Corporate Resources and Clerk as senior post-holders as well as reviewing their performance.

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

Details of remuneration for the year ended 31 July 2021 are set out in note 8 to the financial statements.

### **Audit & Risk Committee**

<b>Name</b>	<b>Corporation Meeting Attendance</b>
Neil Boggin	100%
Pam Duke	0%
Emily Harris (Co opted member)	33%
Kirsty Heywood-MacDonald (Co opted member)	100%
Mike Hume	66%
Ben Rockliffe	66%

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

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

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

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

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

## **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 Financial Memorandum/ Financial Agreement between Kendal College and the funding body and the OfS registration conditions. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

### *The Purpose of the System of Internal Control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Kendal 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 and arrangements for compliance with legal and regulatory matters including those relating to the regularity and propriety of the use of the public funding 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 a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

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

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

#### *Review of Effectiveness*

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

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the regularity auditors, 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 and Risk Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Accounting Officer and senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Accounting Officer, senior management team and the Audit and Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit and Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 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 and Risk Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

### **Going Concern**

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements. The College growth is monitored by the Education and Skills Funding Agency. The College has the support of its bankers in respect of cash flow and the College has extended its cash flow forecast to July 2023. The College believes it can and will meet its financial obligations during the next 12 months (2021/22). The College has a strong, experienced and reactive management team. The College has followed all government guidance on operating during the pandemic.

The College has been practical and prudent in making adaptations to the way it operates and carefully monitored income and expenditure. For these reasons, the College's cash flow remains, and is projected to remain, good. The growth in student numbers will also bring in lagged funding in 2021/22 though the lag. The College has demonstrated that it monitors finances closely and adapts when and where necessary and considers it can and will continue to operate successfully.

Approved by order of the members of the Corporation on 15 December 2021 and signed on its behalf by:

**J Thedham**

**Chair**

**K Nash**

**Accounting Officer**

**GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY,  
PROPRIETY AND COMPLIANCE**

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

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

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.

**J Thedham**

**Chair**

**K Nash**

**Accounting Officer**

**Date: 15 December 2021**

**Date: 15 December 2021**

## **STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION**

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

Within the terms and conditions of the College's grant funding and contract with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UKs Generally Accepted Accounting Practice. And which give a true and fair view of the state of affairs of the College and its surplus 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
- 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 the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 15 December 2021 and signed on its behalf by:

**J Thedham**

**Chair**



## **INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF KENDAL COLLEGE**

### **Opinion**

We have audited the financial statements of Kendal College (the 'College') for the year ended 31 July 2021 which comprise the college statement of comprehensive income, the college balance sheet, the college statement of changes in reserves, the college statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2021 and of the College's surplus/deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

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

### **Other information**

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this

gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

In our opinion, in all material respects:

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2020 to 2021 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion adequate accounting records have not been kept

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

- the College's grant and fee income, as disclosed in the note 4 to the accounts, has been materially misstated.

### **Responsibilities of the Governing Body of Kendal College**

As explained more fully in the Statement of the Governing Body's Responsibilities set out on pages 23 and 24, the Governing Body is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governing Body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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

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

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

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

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

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

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

### **Use of our report**

This report is made solely to the Governing Body, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 28 October 2020. Our audit work has been undertaken so that we might state to the Governing Body, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

**RSM UK AUDIT LLP**  
Chartered Accountants  
Bluebell House  
Brian Johnson Way  
Preston  
Lancashire  
PR2 5PE

Date:

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 July 2021

	Notes	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
<b>INCOME</b>			
Funding body grants	3	9,699	8,753
Tuition fees and education contracts	4	1,629	1,500
Research grants and contracts	5	144	293
Other income	6	522	587
Investment Income	7	0	2
<b>Total Income</b>		<b>11,994</b>	<b>11,135</b>
<b>EXPENDITURE</b>			
Staff Costs			
FRS102 LGPS current service cost	8	439	314
Other staff costs	8	8,177	7,592
Restructuring costs		19	7
<b>Total Staff Costs</b>	8	<b>8,635</b>	<b>7,913</b>
Other operating expenses	10	2,618	2,143
Depreciation and impairment	13, 14	837	804
Interest and other finance costs	11	261	287
<b>Total Expenditure</b>		<b>12,351</b>	<b>11,147</b>
<b>(Deficit)/Surplus before other</b>		<b>(357)</b>	<b>(12)</b>
Loss on disposal of assets		89	1
<b>(Deficit)/Surplus before tax</b>		<b>(446)</b>	<b>(13)</b>
Taxation	12	0	0
<b>(Deficit)/Surplus for the year</b>		<b>(446)</b>	<b>(13)</b>
Remeasurement of net defined benefit pension liability	27	907	(1,021)
Recognition of long leasehold property	13	3,000	0
<b>Total Comprehensive Income for the Year</b>		<b>3,461</b>	<b>(1,034)</b>
<b>Represented by:</b>			
<b>Restricted comprehensive income</b>		0	0
<b>Unrestricted comprehensive income</b>		<b>3,461</b>	<b>(1,034)</b>

**BALANCE SHEET AS AT 31 JULY 2021**

	Notes	2021 £'000	2020 £'000
<b>Fixed Assets</b>			
Tangible fixed assets	13	27,054	24,072
Intangible fixed Assets	14	61	36
		<hr/>	<hr/>
		<b>27,115</b>	<b>24,108</b>
<b>Current Assets</b>			
Stocks		18	16
Debtors	15	433	457
Cash at bank and in hand	22	1,822	1,062
		<hr/>	<hr/>
		<b>2,273</b>	<b>1,535</b>
<b>Current Liabilities</b>			
Creditors – amounts falling within one year	16	(1,959)	(1,331)
		<hr/>	<hr/>
<b>Net Current Assets/Liabilities</b>		<b>314</b>	<b>204</b>
<b>Total assets less current liabilities</b>		<b>27,429</b>	<b>24,312</b>
<b>Creditors – amounts falling due after more than one year</b>	17	<b>(13,450)</b>	<b>(13,446)</b>
<b>Provisions for Liabilities</b>			
Defined benefit pension schemes	27	(7,575)	(7,904)
Other Provisions	19	(406)	(425)
		<hr/>	<hr/>
<b>Total net assets</b>		<b>5,998</b>	<b>2,537</b>
<b>Unrestricted Reserves</b>			
Income and expenditure reserve		5,120	1,594
Revaluation reserve		878	943
		<hr/>	<hr/>
<b>Total unrestricted reserves</b>		<b>5,998</b>	<b>2,537</b>

The financial statements on pages 29 to 55 were approved and authorised for issue by the Corporation on 15 December 2021 and were signed on its behalf on that date by:

**J Thedham**  
Chair

**K Nash**  
Accounting Officer

**College Statement of Changes in Reserves  
For the Year ended 31 July 2021**

	Income and expenditure account £'000	Revaluation reserve £'000	Total £'000
<b>College</b>			
<b>Balance at 1<sup>st</sup> August 2019</b>	2,563	1,008	3,571
Deficit for the year	(13)	0	(13)
Other comprehensive income	(1,021)	0	(1,021)
Transfers between revaluation and income and expenditure reserves	65	(65)	0
<b>Balance as at 31 July 2020</b>	<b>1,594</b>	<b>943</b>	<b>2,537</b>
Deficit for the year	(446)	0	(446)
Other comprehensive income	907	0	907
Recognition of long leasehold property	3,000	0	3,000
Transfers between revaluation and income and expenditure reserves	65	(65)	0
<b>Total Comprehensive Income for the year</b>	<b>3,526</b>	<b>(65)</b>	<b>3,461</b>
<b>Balance at 31 July 2021</b>	<b>5,120</b>	<b>878</b>	<b>5,998</b>

**Statement of Cash Flow**  
**For the Year ended 31 July 2021**

	<b>Notes</b>	<b>2021</b>	<b>2020</b>
		<b>£'000</b>	<b>£'000</b>
<b>Operating Activities</b>			
Cash generated from operations	21	2,097	1,209
Taxation Paid		0	0
<b>Net Cash from Operating Activities</b>		<b>2,097</b>	<b>1,209</b>
<b>Investing Activities</b>			
Proceeds from sale of fixed assets		0	2
Interest Received		0	2
Purchase of tangible and intangible fixed assets		(933)	(428)
		<b>(933)</b>	<b>(424)</b>
<b>Financing Activities</b>			
Interest paid		(261)	(287)
Repayments of borrowings		(143)	(139)
Repayment of obligations under finance leases		0	(34)
		<b>(404)</b>	<b>(460)</b>
<b>Increase in cash and cash equivalents in the year</b>		<b>760</b>	<b>325</b>
<b>Cash and cash equivalents at beginning of the year</b>	22	<b>1,062</b>	<b>737</b>
<b>Cash and cash equivalents at the end of the year</b>	22	<b>1,822</b>	<b>1,062</b>



## **NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 July 2021**

### **1. Accounting Policies**

#### General Information

Kendal College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is Milnthorpe Road, Kendal. LA9 5AY. The nature of the College's operations is set out in the Report of the Governing Body/Strategic Report.

#### Basis of Accounting

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (F & HE SORP 2019), the *College Accounts Direction for 2020 to 2021* and Regularity Advice 9: Accounts Direction issues by the Office for Students and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) under the historical cost convention. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The principal accounting policies in the preparation of these financial statements are set out below. These policies have been applied consistently across all the years presented unless otherwise stated.

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

#### Going Concern

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

The College currently has £2,242k of loans outstanding with bankers. A loan of £2,700k negotiated at a fixed rate of 5.54% until October 2032, is payable in instalments from January 2011. A set of financial covenants are tested against the financial statements annually and the College has undertakings to the lender which include not altering its business or entering into the sale or transfer of its estate. Additional borrowings of £700k were taken out with a separate lender in March 2011. The loan became repayable in quarterly instalments in June 2014 and terms are set out for ten years until March 2021. At year end 2020/21 cash was in hand by £1,822k (2019/20 £1,062k).

The College is well supported by its main banker, Nat West, and a £200,000 overdraft facility is in place until September 2022 to assist with peaks and troughs in cash flow.

The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

### Recognition of Income

#### Grants – Government and Non-Government

##### Revenue Grant Funding

Government revenue grants are accounted for under the accrual model and are recognised where a reliable estimate of the fair value of the asset received or receivable can be made on a systematic basis over the periods in which the related costs for which the grant compensates are recognised.

Adult Education Budget (AEB) grant funding income recognised is a best estimate of the amount receivable in accordance with the annual main funding guidance published by the ESFA and either determined as part of the reconciliation process or by separate agreement between the College and the ESFA at the reporting period end date. Any subsequent agreement to determination of the AEB funding after the reporting end date which is not provided for in the annual main funding guidance is not reflected in the income recognised. For 2020/21 in light of Covid 19, the ESFA have announced that there will be a tolerance of 90% for clawback of AEB.

16 – 18 learner responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments and is recognised when receivable.

Levy-funded and ESFA funding for co-investment model apprenticeships income is measured in line with best estimates of the provision delivered in the year.

The recurrent grant from Office for Students (OfS) represents the funding allocations attributable to the current financial year and is recognised when received or receivable.

Grants from non-government sources including grants relating to assets are recognised in income when the performance related conditions have been met and the grant will be received. Income received in advance of performance related conditions being met is recognised as a liability.

##### Capital Grant Funding – Government Grants

Government capital grants for assets including land are accounted for under the accruals model. The grant income received, or receivable will be recognised over the expected useful life of the asset, with any amount of the asset related grant that is deferred being recognised as deferred income. The deferred income is allocated between creditors due within one year and those due after more than one year.

##### Fee Income

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

##### Investment Income

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

### Retirement Benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS), which are multi-employer defined benefit plans.

#### Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated to spread the cost of pensions over employees' working lives with the Group in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

#### Cumbria County Council Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

#### Short Term Employment Benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. The cost of any unused holiday entitlement the College expects to pay in the future periods is recognised in the period the employee's services are rendered.

#### Enhanced Pensions

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

## Tangible Fixed Assets

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

### *Land and buildings*

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the College of between 5 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 5 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors and are released to the comprehensive income account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due more than one year.

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

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

### *Long leasehold*

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

### *Assets under construction*

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

### *Subsequent expenditure on existing fixed assets*

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

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs

- Significant extension of the asset's life beyond that conferred by repairs and maintenance

### *Equipment*

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. Capitalised equipment is depreciated on a straight-line basis over its useful economic life as follows:

- Buildings and buildings improvements – 5 to 50 years
- Technical or other equipment – 5 to 10 years
- Motor vehicles – 5 years
- Computer equipment – 5 to 8 years
- Furniture, fixtures and fittings – 10 years
- Solar panels – 25 years

### Intangible Assets

The policy for intangible assets meets the recognition criteria of section 18 of FRS 102.

Amortisation of assets that fall into this category are software development, such as the College website, and systems implementation. Amortisation periods range between 3 to 5 years, but 5 years for the website.

### Grant Funded Assets

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

### 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. Any lease premiums or incentives relating to leases signed after 1<sup>st</sup> August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market review for leases signed before 1<sup>st</sup> August 2014.

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

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 a finance lease obligation. 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 the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

### Stocks

Stocks are stated at the lower of their 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.

### Financial Instruments

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

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

### Taxation

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

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

### Provisions and Contingent Liabilities

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

Contingent liabilities arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

### Agency Arrangements

The College acts as an agency in distributing Bursary support funds from the funding body the ESFA. Payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College, where the College does not have control of the economic benefit related to the transaction.

## **2. Critical Accounting Judgements and Estimation Uncertainty**

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

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

- Determine whether leases entered into by the College either a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

### Tangible Fixed Assets

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

### Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 27, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

### Impairment of Fixed Assets

The College considers whether tangible fixed assets are impaired where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash generating unit is required. These will require an estimation of the future cash flow and selection of an appropriate discount rate in order to calculate the net present value of those cash flows.

**3. Funding Body Grants**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Recurrent Grants</b>		
Education and Skills Funding Agency – Adult	852	806
Education and Skills Funding Agency – 16 – 18	6,130	5,270
Education and Skills Funding Agency – Apprenticeships (funded)	2,006	2,060
Office for Students	72	76
<b>Specific Grants</b>		
Advanced Learner Loans	0	0
Releases of government capital grants	356	326
European Social Fund	0	0
Teachers Pension Scheme contribution grant	241	215
Other Funds	42	0
<b>Total</b>	<b>9,699</b>	<b>8,753</b>

**4. Tuition Fees and Education contracts**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Tuition fees	1,095	1,130
Education contracts	534	370
<b>Total</b>	<b>1,629</b>	<b>1,500</b>

**4A. Total Grant and Fee Income**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Grant Income from the OfS	72	76
Grant Income from other bodies	9,627	8,677
<b>Total grants</b>	<b>9,699</b>	<b>8,753</b>
Fee income for taught awards (exclusive of VAT)	0	0
Fee income for research awards (exclusive of VAT)	0	0
Fee income from non-qualifying courses (exclusive of VAT)	1,629	1,500
<b>Total grants</b>	<b>1,629</b>	<b>1,500</b>
<b>Total grant and fee income</b>	<b>11,328</b>	<b>10,253</b>



**5. Research Grants and Contracts**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Erasmus	0	0
European Commission	0	0
Coronavirus Job Retention Scheme Grant	144	293
Other grants and contracts	0	0
	<b>144</b>	<b>293</b>

The corporation furloughed some of the catering and support staff under the government's Coronavirus Job Retention Scheme. The funding received during the year was £144k (£293k in 2019/20).

**6. Other Income**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Catering (and residencies)	162	213
Other income generating activities	64	55
Other grant income	14	38
Non-government capital grants	13	13
Miscellaneous Income	269	268
<b>Total</b>	<b>522</b>	<b>587</b>

**7. Investment Income**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Income from bank deposits	0	2
<b>Total</b>	<b>0</b>	<b>2</b>

## 8. Staff Costs and Key Management Personnel Remuneration

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

	<b>2021</b>	<b>2020</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	154	152
Non-teaching staff	77	73
<b>Total</b>	<b>231</b>	<b>225</b>
 <b>Staff costs for the above persons</b>		
	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	5,875	5,525
Casual Staffing	213	193
Social security costs	540	494
Other pension costs	1,750	1,539
<b>Payroll sub total</b>	<b>8,378</b>	<b>7,751</b>
Contracted out staffing services	238	155
Restructuring Costs - Contractual	19	7
- Non-Contractual	0	0
<b>Total Staff Costs</b>	<b>8,635</b>	<b>7,913</b>

- Included within Social Security costs is the amount the College is required to pay in respect of the Apprentice Levy. £15,531 was due in 2020/21 (£13,399 In 2019/20).
- Restructuring costs for 2020/21 comprise of redundancy costs paid to an employee.

### Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and comprise the College Senior Leadership Team (see page 3). At 31 July 2021 the College Senior Leadership Team comprises of the Principal, 2 Assistant Principal and 4 Directors. Of this team 2 of the directors were appointed in the year and 1 Assistant Principal retired on the 2 July 2021.

**Emoluments of Key Management Personnel, Accounting Officer and other higher paid staff**

	<b>2021</b>	<b>2020</b>
	<b>No.</b>	<b>No.</b>
The number of key management personnel including the Accounting Officer was:	8	5

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

	<b>Key Management Personnel</b>		<b>Other Staff</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
£0 to £45,000	2	0	0	0
£45,001 to £50,000	1	0	0	0
£50,001 to £55,000	1	1	0	0
£55,001 to £60,000	2	1	0	0
£60,001 to £65,000	1	2	0	0
£100,001 to £150,000	1	1	0	0
	<b>8</b>	<b>5</b>	<b>0</b>	<b>0</b>

Key management personnel emoluments are made up as follows:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Salaries (Gross of salary sacrifice)	402	336
Employer National Insurance	48	40
Benefits in kind	2	2
<b>Sub Total</b>	<b>452</b>	<b>378</b>
Pension contributions	87	69
<b>Total emoluments</b>	<b>539</b>	<b>447</b>

There is a salary sacrifice healthcare scheme in place for the Principal only.

**Staff Costs and Key Management Personnel Remuneration**

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	106	105
Employer National insurance	13	13
Benefits in kind	2	2
	<u>121</u>	<u>120</u>
Pension contributions	<u>25</u>	<u>24</u>

The remuneration for the Accounting Officer, the College Principal, was determined at the Remuneration Committee in November 2020 board minute 2042 recorded that a 1% pay increase be paid in March 2021 but backdated to 1 August 2020 was approved, subject to agreement for a whole College pay increase approved at the July Corporation meeting. Factors taken into account in agreeing the Accounting Officer's remuneration included achievement of performance targets and reference to the AoC Senior Staff pay survey, to ensure the salary was in line with sector norms and taking account of the AoC Remuneration Code for senior staff adopted by the Corporation. The Accounting Officer was not involved in the setting of his own remuneration.

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

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

	<b>2021</b>	<b>2020</b>
	<b>No</b>	<b>No</b>
Basic Salary as a multiple of median basic salary of staff	3.59	3.69
Total remuneration as a multiple of median total remuneration of staff	3.61	3.85

Casual and agency staffing costs have been excluded from this calculation

**9. Staff Costs and Key Management Personnel Remuneration****Compensation for loss of office paid to former Key Management Personnel**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Compensation paid to 1 former post holder – contractual	0	0
Compensation paid to 1 former post holder – non contractual	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

Governor's Remuneration

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

During the years 2020/21 and 2019/20 no Governors were paid travel and subsistence or out of pocket expenses incurred in the course of their duties.

**10. Other Operating Expenses**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Teaching costs	1,078	791
Non-teaching costs	1,044	943
Premises costs	496	409
	<hr/>	<hr/>
<b>Total</b>	<b>2,618</b>	<b>2,143</b>

<b>Deficit/Surplus before taxation is started after charging (crediting)</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
Financial statements audit	28	23
Internal audit	13	13
Operating lease rentals	0	50
Loss on disposal of fixed assets	89	1

**11. Interest and Other Finance Costs**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Interest on bank loans and overdrafts	121	134
Interest on finance leases	0	3
Net interest on defined pension liability (note 27)	140	150
	<hr/>	<hr/>
<b>Total</b>	<b>261</b>	<b>287</b>

**12. Taxation**

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

**13. Tangible Fixed Assets**

	Land and buildings		Equipment	Assets	Total
	Freehold	Long leasehold		in the course of construction	
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 August 2020	24,957	4,735	5,558	51	35,301
Additions	7	3,000	69	819	3,895
Transfers on completion	595	0	119	(716)	(2)
Disposals	(601)	0	(2,026)	0	(2,627)
<b>At 31 July 2021</b>	<b>24,958</b>	<b>7,735</b>	<b>3,720</b>	<b>154</b>	<b>36,567</b>
<b>Depreciation</b>					
At 1 August 2020	6,515	58	4,656	0	11,229
Charge for the year	584	4	236	0	824
Elimination in respect of disposals	(503)	(45)	(1,992)	0	(2,540)
<b>At 31 July 2021</b>	<b>6,596</b>	<b>17</b>	<b>2,900</b>	<b>0</b>	<b>9,513</b>
<b>Net book value at 31 July 2021</b>	<b>18,362</b>	<b>7,718</b>	<b>820</b>	<b>154</b>	<b>27,054</b>
Net book value at 31 July 2020	18,442	4,677	902	51	24,072

All College buildings were valued in October 2019 for insurance and reinstatement purposes.

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

The College occupies a building on its Arts Campus called the Allen Building. Historically this had not been included as a fixed asset in the financial statements. However, during the year ended 31 July 2019 a formal lease arrangement at a peppercorn rent until 2139 was agreed meaning the College now has full responsibility for the building. The building was professionally valued as at 31 July 2019 by a local valuation expert and the value of £4,600k was included as a fixed asset in the financial statements to 31 July 2019 with a corresponding credit in the statement of comprehensive income. It will be depreciated over the life of the lease.

The College also occupies Kendal Museum. Historically this had not been included as a fixed asset in the financial statements. However, during the year ended 31 July 2021 a formal lease arrangement at a peppercorn rent until 2141 was agreed meaning the College now has full responsibility for the building. The building was professionally valued as at 31 July 2019 by a local valuation expert at £3,000k. The Governors and management view this valuation as still appropriate as at 31 July 2021. The museum was included as a fixed asset in the financial statements to 31 July 2021 with a corresponding credit in the statement of comprehensive income. It will be depreciated over the life of the lease.

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

#### 14. Intangible Fixed Assets

	Software £'000	Assets under development £'000	Total £'000
<b>Cost</b>			
At 1 August 2020	143	1	144
Additions	0	38	38
Transfer on completion	39	(39)	0
Disposals	(84)	0	(84)
<b>At 31 July 2021</b>	<b>98</b>	<b>0</b>	<b>98</b>
<b>Amortisation</b>			
At 1 August 2020	108	0	108
Charge for the year	13	0	13
Elimination in respect of disposals	(84)	0	(84)
<b>At 31 July 2021</b>	<b>37</b>	<b>0</b>	<b>37</b>
<b>Carried forward as at 31 July 2021</b>	<b>61</b>	<b>0</b>	<b>61</b>
Carried forward as at 31 July 2020	35	1	36

#### 15. Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade debtors	42	77
Prepayments and accrued income	99	118
Amounts owed by the ESFA	198	197
Other debtors	94	65
<b>Total</b>	<b>433</b>	<b>457</b>

**16. Creditors: Amounts Falling Due within One Year**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans	149	143
Payments received in advance	286	61
Trade creditors	182	51
Learning support fund creditor	148	81
Accruals and deferred income	673	541
Other taxation and social security	141	115
Government grants (capital)	380	339
<b>Total</b>	<b><u>1,959</u></b>	<b><u>1,331</u></b>

**17. Creditors: Amounts Falling Due After One Year**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans	2,093	2,242
Government grants (capital)	11,357	11,204
<b>Total</b>	<b><u>13,450</u></b>	<b><u>13,446</u></b>

**18. Maturity of Debt – Bank Loans and Overdrafts**

The College bank loans are both “unsecured”.

**a) Bank loans and overdrafts are repayable as follows:**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less	149	143
Between one and two years	156	150
Between two and five years	512	489
In five years or more	1,425	1,603
<b>Total</b>	<b><u>2,242</u></b>	<b><u>2,385</u></b>

The Lloyds loan has a term of 22 years, paid by instalments until October 2032 at an interest rate of 5.54% and annual repayments total £99,716. The NatWest bank loan has a term of 22 years paid by instalment until March 2036, at an interest rate of 5.525% as well as annual repayments of £31,818.



**19. Provisions for Liabilities**

	<b>Defined benefit obligations</b>	<b>Enhanced Pensions</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2020	(7,904)	(425)	(8,329)
Utilised in the year	416	30	446
Additional provision in the year	(87)	(11)	(98)
<b>At 31 July 2021</b>	<b>(7,575)</b>	<b>(406)</b>	<b>(7,981)</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 27.

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

The principal assumptions for this calculation are:

	<b>2021</b>	<b>2020</b>
Price Inflation	1.6%	1.3%
Discount rate	2.6%	2.2%

**20. Financial Instruments**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Carrying Amount of Financial Assets</b>		
Debt instruments measured at amortised costs	2,223	1,566
<b>Carrying Amount of Financial Liabilities</b>		
Measured at amortised cost	1,566	14,634

**21. Notes to cash flow statement****Reconciliation of surplus after tax to net cash generated from/ (used in) operations**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
(Deficit)/Surplus after tax for year	(446)	(13)
Adjustment for:		
Depreciation	837	804
Investment income	0	(2)
Interest payable	261	287
Loss on sale of fixed assets	89	1
Increase/(Decrease) in provisions	(19)	24
Pensions costs less contributions payable	578	464
Operating cash flow before movements in working capital	1,300	1,565
Decrease/(Increase) in stocks	(2)	1
Decrease in trade and other debtors	24	58
Increase/(Decrease) in trade and other creditors	775	(415)
Cash generated from operations	2,097	1,209

**22. Analysis of changes in net funds**

	<b>At 1 August 2020 £'000</b>	<b>Cash Flows £'000</b>	<b>Other non-cash changes £'000</b>	<b>At 31 July 2021 £'000</b>
Cash in hand and at bank	1,062	760	0	1,822
	<u>1,062</u>	<u>760</u>	<u>0</u>	<u>1,822</u>
Bank Loans	(2,385)	245	(102)	(2,242)
	<u><b>(1,323)</b></u>	<u><b>1,005</b></u>	<u><b>(102)</b></u>	<u><b>(420)</b></u>

**23. Capital Commitments**

	<b>2021 £'000</b>	<b>2020 £'000</b>
Contracts for future capital expenditure not provided	<u>3,662</u>	<u>22</u>

**24. Commitments Under Operating Leases**

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

	<b>2021 £'000</b>	<b>2020 £'000</b>
<b>Payments Due</b>		
Not later than one year	63	34
Later than one year and not later than five years	150	8
Later than five years	112	0
<b>Total Lease Payments Due</b>	<u><b>325</b></u>	<u><b>42</b></u>

**25. Contingencies**

None

**26. Events after the reporting period**

None

**27. Retirement Benefits**

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

<b>Total Pension Cost for the Year</b>	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Teachers' Pension Scheme: contributions paid	886	791
Local Government Pension Scheme:		
Contributions paid	415	380
FRS 102 (28) charge	439	314
Charge to the Statement of Comprehensive Income	854	694
Enhanced pension charge to Statement of Comprehensive Income	10	54
<b>Total Pension Cost for Year within staff costs</b>	<b>1,750</b>	<b>1,539</b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2019.

Contributions amounting to £143,520 (2020 £134,285) were payable to the schemes at 31 July and are included within creditors.

### Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2014. 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. The TPS is a multi-employer pension plan, and there is insufficient information to account for the scheme on as a defined benefit plan, so it is accounted for as a defined contribution plan.

### Valuation of the Teachers' Pension Scheme

Not less than every four years, the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation was carried out as at 31 March 2016, and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directors 2014 except it has been prepared following the Government's decision to pause the operation of the cost control mechanisms at the time when legal challenges were still pending.

### Valuation of the Teachers' Pension Scheme

The valuation report was published in April 2019. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £218 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £196 billion
- Notional past service deficit of £22 billion

- Discount rate is 2.4% in excess of CPI

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2020 onwards (compared to 16.48% during 2019/20). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year and currently through to March 2022. The next valuation result is due to be implemented for 1 April 2023.

The pension costs paid to TPS in the year (including employee contributions) amounted to £1,201,384 (2020: £1,083,979)

### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Your Pension Service on behalf of Cumbria County Council. The total contribution made for the year ended 31 July 2021 were £531,679 of which employer's contributions totalled £411,043 and employees' contributions totalled £120,636. The employer's contribution figure includes £43,533 for deficit recovery. The agreed contribution rates for future years are 18.1% for employers and range from 5.5% to 8.5% for employees, depending on salary.

### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by a qualified independent actuary;

	<b>At 31 July 2021</b>	<b>At 31 July 2020</b>
Rate of increase in salaries	4.1%	3.8%
Future Pension increases	2.7%	2.4%
Discount rate for liabilities	1.6%	1.6%
Inflation assumption (CPI)	2.6%	2.3%
Commutation of Pensions to lump sum	50.0%	50.0%

The average life expectancy for a pensioner retiring at 65 on the reported date is:

	<b>As at July 2021 Years</b>	<b>As at July 2020 Years</b>
<b>Retiring today:</b>		
Males	22.7	22.6
Females	25.3	25.2
<b>Retiring in 20 years:</b>		
Males	24.3	24.2
Females	27.2	27.1

The College's share of the assets in the plan at the balance sheet date.

	<b>Fair Value at 31 July 2021 £'000</b>	<b>Fair Value at 31 July 2020 £'000</b>
Equity instruments	5,881	4,429
Government Bonds	2,758	2,502
Property	1,143	689
Cash	594	1,212
Other Bonds	0	26
Other	4,861	3,905
Total fair value of plan assets	<b>15,237</b>	<b>12,763</b>
Actual return on plan assets	2,100	(19)

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

	<b>2021 £'000</b>	<b>2020 £'000</b>
Fair value of plan assets	15,237	12,763
Present value of plan liabilities	(22,788)	(20,642)
Present value of unfunded liabilities	(24)	(25)
<b>Net pensions (liability)</b>	<b>(7,575)</b>	<b>(7,904)</b>

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

<b>Amount included in staff costs</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
Current service cost	850	689
Past Service cost	0	3
Loss on curtailments	5	7
<b>Total</b>	<b>855</b>	<b>699</b>

**Amounts included in interest and other finance costs**

Interest costs	123	135
Administrative costs	16	15
	<b>139</b>	<b>150</b>

**Amount recognised in Other Comprehensive Income**

Re-measurements (liabilities and assets)	(907)	1,021
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**Amount recognised in Other Comprehensive Income**

<b>(907)</b>	<b>1,021</b>
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**Change in the present value of defined benefit obligations**

	<b>2021 £'000</b>	<b>2020 £'000</b>
<b>Defined benefit obligations at start of period</b>	20,667	19,164
Current service cost	850	689
Interest cost	330	419
Contributions by scheme participants	121	112
Actuarial (gains)/losses	985	449
Benefits paid	(146)	(176)
Past service cost	0	3
Plan introductions, changes, curtailments and settlements	5	7
<b>Defined benefit obligations at end of period</b>	<b>22,812</b>	<b>20,667</b>

**Changes in fair value of plan assets**

<b>Fair value of plan assets at start of period</b>	12,763	12,745
Interest on income	207	284
Administration expenses	(16)	(15)
Re-measurement (assets)	1,892	(572)
Employer contributions	416	385
Contributions by scheme participants	121	112
Benefits paid	(146)	(176)
<b>Fair Value of plan assets at end of period</b>	<b>15,237</b>	<b>12,763</b>

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension (“GMP”) equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as a set out in the published (January 2018) outcome of the Government Consultation “Indexation and Equalisation of GMP in Public Sector Pension Schemes” and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised. The impact of the McCloud case has been included in the past service costs figure in 2018/19 (£251k).

## 28. 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. Any transactions involving such organisations are in accordance with the College’s financial regulations and normal procurement procedures. Governor expenses claimed from the College in the year were nil.

## 29. Amounts Disbursed as Agent Learner support funds

	<b>2021</b> <b>£’000</b>	<b>2020</b> <b>£’000</b>
<b>Balance brought forward</b>	<b>81</b>	<b>71</b>
Funding body grants – 16 – 19 bursary support	202	164
Other funding body grants	28	43
	<u>311</u>	<u>278</u>
Disbursed to students	(152)	(188)
Administration costs	(11)	(9)
	<u>(163)</u>	<u>(197)</u>
Balance unspent as at 31 July included in creditors	<u><b>148</b></u>	<u><b>81</b></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.

Both free meals and the 19+ Discretionary Learner Funds are no longer treated as agency funds. The income and expenditure is now included within the Statement of Comprehensive Income.

## **INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF KENDAL COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY**

### **Conclusion**

We have carried out an engagement, in accordance with the terms of our engagement letter dated 28 October 2020 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency ("ESFA") or any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by Kendal College during the period 1 August 2020 to 31 July 2021 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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.

### **Basis for conclusion**

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

We are independent of the Kendal College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

### **Responsibilities of governing body of Kendal College for regularity**

The corporation of Kendal College is responsible, under the grant funding agreements and contracts with the ESFA and 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. The corporation of Kendal College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

### **Reporting accountant's responsibilities for reporting on regularity**

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.

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 the procedures performed vary in nature and



timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

### **Use of our report**

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

### **RSM UK AUDIT LLP**

**Date**

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