



**Annual Report
and
Consolidated Financial Statements**

**For the year ended
31 July 2020**

DUDLEY COLLEGE OF TECHNOLOGY

Annual Report and Consolidated Financial Statements For the Year Ended 31 July 2020

	Page
Operating and Financial Review	03
Statement of Corporate Governance and Internal Control	14
Statement of Responsibilities of the Members of the Corporation	21
Independent Auditor's Report to the Corporation of Dudley College of Technology	23
Reporting Accountant's Report on Regularity to the Corporation of Dudley College of Technology	26
Consolidated and College Statements of Comprehensive Income	28
Consolidated and College Statements of Changes in Reserves	29
Balance Sheets as at 31 July 2020	31
Consolidated Statement of Cash Flows	32
Notes to the Financial Statements	33

DUDLEY COLLEGE OF TECHNOLOGY

Operating and Financial Review For the Year Ended 31 July 2020

CORPORATION MEMBERS REPORT

Nature, Objectives and Strategies

The Members present their report and the audited financial statements for the year ended 31 July 2020.

Public Benefit

Dudley College of Technology (the College) is an exempt charity under the Part 3 of the Charities Act 2011 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, who are trustees of the charity, are disclosed starting on page 15.

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:

- Good-quality teaching and strong student support systems.
- Strong links with local employers, industry and commerce providing "job ready" students.
- Widening participation and tackling social exclusion.

The delivery of public benefit is covered further within this Members Report and Operating and Financial Review.

Legal Status:

The Corporation was established under *The Further and Higher Education Act 1992* to conduct the business of Dudley College of Technology. The College is an exempt charity for the purposes of the *Part 3 of the Charities Act 2011*.

Mission:

In December 2019, following a thorough consultation process involving the College's stakeholders, students and staff, the Corporation agreed a revised Strategic Plan 2020-23. The mission statement is:

"Our mission: outstanding technical and professional learning, which raises aspirations, develops skills and changes lives."

"...by 2023 we will be firmly recognised regionally, nationally and internationally simply as a 'great College'. With our focus on apprentices, full-time programmes for young people, adult learning and higher technical skills, we will constantly make a real difference to the lives of our learners, raising their aspirations and promoting their prosperity. As a driving force in the regional economy we will continue to improve business productivity, adding gross value".

DUDLEY COLLEGE OF TECHNOLOGY

Operating and Financial Review For the Year Ended 31 July 2020

Implementation of the Strategic Plan & Performance Indicators:

The Corporation oversees the development and implementation of an annual operational plan (the College operational development plan) which outlines actions to be completed during the year in pursuit of the College's strategic objectives. The operational development plan also details key performance indicators for the year which the Corporation uses to measure performance and distance travelled towards the strategic objectives. These performance indicators can be viewed on the College web site via the College performance dashboard.

The dashboard web address is <http://www.dudleycol.ac.uk/Dashboard.aspx>.

Financial objectives

In addition to the key performance indicators the College recognises the importance of maintaining a strong financial base from which the College can continue to invest in its future to help effectively deliver its mission. The College's Strategic Plan 2020-23 includes a section on the College's financial strategy, which sets out the financial targets for the College over the next 3 years. The College's strategic plan and financial targets were set prior to the COVID 19 outbreak and pandemic. The impact of COVID 19 on the College has been significant, causing a reduction in forecast income in the early years of the plan of approximately £6m per annum. The College has undertaken a range of mitigating actions to minimise the impact of COVID 19 on its finances and has prepared a re-forecast of its 3-year plan ending 31 July 2023, which means that the financial targets set in the Strategic Plan 2020-23 are now out of date. As referenced in the plan, the College will however continue to undertake a range of actions to further improve its financial strength over the course of the strategic plan, but the targets now in place are lower than originally set to incorporate the impact of COVID 19, so that by 2023 the College will:-

- Profitably grow income to over £50m and Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) to over £4m (8%+ of income).
- Increase year-end cash to over £4m and year-end cash days to more than 30 days.
- Reduce borrowing to below 35% of income.
- Achieve Good financial health under the existing ESFA financial health assessment grading system.

Performance Indicators

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

The College is required to complete the annual finance record for the Education & Skills Funding Agency (ESFA) for the 2019/20 results to be submitted by 31 January 2021, which this year will not only report on the historical 2019/20 results but also provide an in-year forecast for the expected out turn in 2020/21, prepared as part of the College's revised 3-year financial plan noted above. The College will continue to meet all ESFA reporting requirements.

FINANCIAL POSITION

Financial results

The Group generated an education specific EBITDA of £2.203m in 2019/20 (compared to £3.175m in 2018/19). This level of EBITDA is 4.5% of income as measured by the ESFA's Financial Health Assessment (compared to 7.3% in 2018/19). Overall, the College's financial health is classified as

DUDLEY COLLEGE OF TECHNOLOGY

Operating and Financial Review For the Year Ended 31 July 2020

requires improvement under the ESFA model (compared to requires improvement in 2018/19). The EBITDA is based on the Group operating deficit in 2019/20 of £4.878k (2018/19 deficit £1.939k) shown in the Statement of Comprehensive Income, and adding back depreciation of £3.403m, interest and finance costs of £1.114m, FRS102 adjustments of £3.003m and deducting the release of capital grants of £0.438m.

	2019-20 (£000's)	2018-19 (£000's)
Total deficit for the year	(4,878)	(1,939)
Add back (Gain)/loss on disposal of fixed assets	-	-
Deficit after interest, tax, depreciation and amortisation costs but before gain/loss on disposal of fixed assets	(4,878)	(1,939)
Add back:		
Depreciation and amortisation	3,403	3,291
Interest and other finance costs	1,114	1,118
Taxation	-	-
Earnings before interest, tax, depreciation and amortisation costs (EBITDA)	(361)	2,470
Add back: Bank interest and investment income	(1)	-
Add back: Other FRS102 adjustments	3,003	1,172
Add back: Release of capital grants	(438)	(467)
EBITDA – education specific	2,203	3,175

The Group has accumulated reserves of -£11.834m (2018/19 £11.630m) and cash of £3.668m (equivalent to approximately 29 cash days under the financial metrics measure) (2018/19 £2.228m and 20 cash days).

Tangible fixed asset additions during the year amounted to £9.44m. This was split between land and buildings acquired of £2.686m and equipment purchased of £1.375m and assets in course of construction of £5.379m.

The College places significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the funding bodies provided 85% of the College's total income.

The College had two subsidiary companies during the year, Dudley College Enterprises Limited and Transformational Technologies Partnership Limited. Transformational Technologies Partnership Limited was incorporated on 8 November 2019 and was set up to oversee the activity and operation of the Black Country and Marches Institute of Technology. Both Dudley College Enterprises Limited and Transformational Technologies Partnership Limited did not trade in the year ended 31 July 2020. Any surplus generated by a subsidiary is transferred to the College under Gift Aid.

DUDLEY COLLEGE OF TECHNOLOGY

Operating and Financial Review For the Year Ended 31 July 2020

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 Accounting Officer. All borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

The College experienced a net inflow of operating cash in the year of £4.67m (2018/19 £2.07m inflow). The overall cash increase of £1.44m was primarily the result of a cash conservation exercise undertaken during the first COVID 19 lockdown to manage cash through the financial challenges created by the pandemic.

Liquidity

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. This is also monitored annually through the bank covenant tests in place with Santander UK plc. The College met all 4 bank covenant tests in place at 31 July 2020. One of the bank covenant tests, net assets including pension liability, was met only after including the agreed "add back" of an exceptional COVID 19 related matter to the calculation following the increase in the College's Local Government Pension Scheme this year of £22m from £18.8m to £40.8m as illustrated in the Balance Sheet.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in this Annual Report. The financial position of the College, its cash flows, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The Corporation has prepared cash flow forecasts for a period of 31 months from the date of approval of these financial statements. After reviewing these forecasts, the Corporation is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19, the College will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements.

In reaching this conclusion the Corporation has taken the following factors into account:

- a potential downturn in recruitment for apprenticeships, adults, commercial and Higher Education learners resulting from COVID 19:

DUDLEY COLLEGE OF TECHNOLOGY

Operating and Financial Review For the Year Ended 31 July 2020

- additional costs associated with the pandemic such as cleaning, hygiene supplies, PPE, covering staff absence and the costs of making the estate COVID 19 safe to enable socially distanced learning to take place; and
- the receipt of additional funding from the ESFA to upgrade the quality of the estate through the Further Education Capital Allocation grant, which has reduced the College's cash contribution towards planned capital expenditure in the 2020/21 academic year.

In all scenarios modelled the College remains in compliance with its loan covenants.

Consequently, the Corporation is confident that the College will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

The College has a performance dashboard on its website called the Dudley Dashboard, which provides an overview of the College's performance in fourteen strategic areas. The dashboard is designed to give governors, staff and other relevant stakeholders up to date and easily accessible data on the College's performance. The dashboard is updated quarterly where appropriate and wherever possible provides an analysis of in-year performance.

The dashboard web address is <http://www.dudleycol.ac.uk/Dashboard.aspx>

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent.

During the accounting period 1 August 2019 to 31 July 2020, the College did not achieve this target, however the College did not incur any interest charges in respect of late payment in this period.

Future Developments

The College ESFA funding for 2020/21 has been confirmed at £32.8m for young people, 16-18 Apprenticeships and Adult Skills Provision (including Additional Learning Support). This figure excludes the levy funded apprenticeships as there is no contract allocation to deliver this provision. Following devolution of the Adult Skills Budget (AEB), the College has also secured a further £6.6m allocation of core AEB provision delivery from the West Midlands Combined Authority.

The College would like to reduce dependency on the funding agencies and is continuing to seek alternative opportunities particularly in the areas where the College currently performs well, for example with regard to full cost commercial courses.

RESOURCES

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

DUDLEY COLLEGE OF TECHNOLOGY

Operating and Financial Review For the Year Ended 31 July 2020

resources include the main College sites at Advance I, Advance II, Broadway, Dudley Sixth, Enhance, Evolve, Wolverhampton Street and at the Waterfront and Art & Design Centre in Brierley Hill.

Financial

The group has net liabilities of £11.834m taking into account a net pension liability of £40.849m and bank borrowings of £17.68m as at 31st July 2020.

People

The College employs 783 people (expressed as full time equivalents), of whom 522 are teaching staff (including assessors).

Reputation

The College has an excellent reputation locally and nationally and was inspected in 2016/2017 by Ofsted and graded 'OUTSTANDING'. Maintaining a quality brand is essential for the College's success at attracting learners and developing external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has continued to develop and embed the system of internal controls into daily College operations, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the College Senior Leadership Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions.

In addition to the annual review, the Senior Leadership Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College, government policy decisions or macro-economic factors.

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

This is supported by a risk management training programme to raise awareness of risks throughout the College.

RISKS

Major risks to the College

The COVID 19 pandemic and subsequent national lockdown in March 2020 has had a significant impact on the College. This was not something that could have been foreseen, however the

DUDLEY COLLEGE OF TECHNOLOGY

Operating and Financial Review For the Year Ended 31 July 2020

College and staff responded quickly and positively to the forced closure of the College on 20th March 2020.

Some aspects of the activity undertaken are shown below. This is not an exhaustive list but is intended to give an overview of the speed and nature of work carried out by College staff to meet the risks posed by COVID 19.

- Immediate move to remote working for academic and business support staff, including ensuring continuity of key functions such as finance and payroll.
- Move to online learning with some excellent practice seen from staff and good engagement from learners.
- The College remained open for a small number of learners, specifically those children of key workers, those supported by social services or those with EHCPs.
- The College had held its first ever virtual staff conference which was hugely successful with over 500 attendees to various workshops.
- Completion of technical assessments on re-opening College in June 2020.

The size and scale of the College's apprenticeship and commercial provision, which have driven much of the growth seen by the College over the last few years, have been significantly impacted by COVID 19, resulting in a forecast reduction in annual income levels of approximately £6m by 2021/22 compared to pre COVID 19 plans.

The College has taken a series of mitigating actions to remedy the financial position, which re-align costs with the lower income levels and reduce capital expenditure payments to maximise cash retention. The College has prepared a revised 3-year financial plan noted earlier, which demonstrates that the College returns to a robust and sustainable financial position reasonably quickly within 2020-21.

In developing the Strategic Plan 2020-23, the College identified the high level risks which may potentially impede the College in achieving the outcomes detailed in that plan. In total, twelve high level risks and the proposed mitigation strategies were identified, the top four of which are set out below. As demonstrated by COVID 19, not all the factors are within the College's control. Other factors besides those listed below and in the new strategic plan may also adversely affect the College. Rather than remove these risks, the occurrence of COVID 19 has heightened these risks and the College remains vigilant of them.

I. Weak finances and liquidity position from failure to achieve income targets and control costs, compounded by uncertainties in public funding.

Historically we have a high degree of budgeting and forecasting accuracy from careful management of our finances and frequent monitoring of our cash flow. We will continue to undertake regular robust financial reviews and take any appropriate mitigating actions to limit the College's financial and liquidity risks.

Whilst we have no direct control over Government funding allocations, we will continue to promote the value of funding further and higher skills development both locally and nationally through our extensive networks and the Association of Colleges, Love Our Colleges campaign.

DUDLEY COLLEGE OF TECHNOLOGY

Operating and Financial Review For the Year Ended 31 July 2020

We will ensure we maintain the very strong track record of revising our plans and managing our finances in line with any changes in public funding.

We will continue to work progressively with our bank, Santander UK plc, to ensure we have cash headroom in facilities.

2. The combination of the increasing complexity in apprenticeship delivery and funding rules, along with the high financial dependency placed on apprenticeships given they form a significant proportion of the College's overall income, could lead to financial loss and reputational damage caused by non-compliance and divert leadership time away from other core matters.

College senior leaders, through the Apprenticeship Executive Team, have the responsibility for overseeing all aspects of the apprenticeship programme delivery and compliance to ensure apprenticeships are at the heart of decision making. Compliance is reported through internal and external auditing of programmes and procedures to management, audit committee and the Corporation.

3. Failure to maintain the necessary leadership and management skills and capacity to optimise performance and outcomes in a larger distributed business model with geographically remote campuses.

Succession planning is in place to ensure that governance and executive leadership and management are highly effective. We will ensure our successful regional Dudley operating model is replicated across all campuses with senior leaders highly visible and fully engaged in strategic and operating decisions in all locations.

4. Failure to recruit sufficient high calibre industry standard staff to deliver higher technical and professional learning.

We will continue with arrangements to attract and recruit industry specialists to deliver on key technical and professional programmes, through enhanced conditions of service. This will include a programme of dedicated recruitment activity targeted at specific shortage areas such as advanced engineering, modern construction methodologies and science, particularly at higher skills levels. We will also develop partnership with employers for the co-delivery of highly specialised technical programmes.

The College's Executive and Senior Leadership Groups, as well as Audit Committee and Corporation regularly review the mitigations and other planned actions that are in place to manage these and other identified risks.

STAKEHOLDER RELATIONSHIPS

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

- Learners.
- Education sector funding bodies.
- Staff.
- Employers (with specific links).

DUDLEY COLLEGE OF TECHNOLOGY

Operating and Financial Review For the Year Ended 31 July 2020

- The Black Country Local Enterprise Partnership.
- Local Authorities, including the newly created West Midlands Combined Authority.
- Dudley Academies Trust and other Dudley Sixth feeder schools.
- The local community.
- Other FE Colleges and Universities.
- Trade Unions.
- Professional bodies.

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

In September 2017, the College became the sponsor of a newly created multi academy trust called Dudley Academies Trust, which has brought together four central Dudley secondary schools, Castle High School and Visual Arts College (now called St. James Academy), The High Arcal School (now called Beacon Hill Academy), Hillcrest School and Community College (now called The Link Academy) and The Holly Hall Academy (now called Pegasus Academy). In February 2020 Blowers Green Primary School also joined the Trust.

Equal opportunities and employment of disabled persons

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where the individual meets the essential criteria in the person specification they are automatically offered an interview.

Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees.

Disability Statement

Dudley College of Technology has an open and welcoming policy towards applicants who may have a physical or learning disability or mental health issues and recognises the rights of all learners to be treated equally regardless of disability. It seeks to encourage learners with disabilities throughout the College and is committed to supporting and enhancing their learner experience. The College is committed to continuous quality improvement and has an on-going programme of works in order to further improve access. Every effort is made to meet individual needs and to ensure the environment is as accessible and as welcoming as possible.

There are a wide range of support services and facilities available across the College including:

- Individual learning support.
- Specialist tutors.
- Communicators or facilitators.
- Dyslexia support.
- Loan of specialist equipment for use in College.
- Special arrangements for examinations.

DUDLEY COLLEGE OF TECHNOLOGY

Operating and Financial Review For the Year Ended 31 July 2020

- Resource Based Learning Centres (or iPoints).
- Advice, guidance and counselling.
- Dedicated disabled parking facilities.
- Dedicated accessible toilet facilities generally available via RADAR keys.
- Specialist medical support available from the College medical service.
- Care assistance available through Dudley Aspire.
- Special dietary provision available through catering facilities.
- Specialised software to aid visually impaired learners.
- Text in different formats such as Braille, large text, or on tape or disk.
- Deaf Alerter on the Broadway Campus (paggers are available from Reception).
- A portable loop system communicator for hearing impaired learners available for Classrooms.
- Induction loops to reception areas, theatres, hall and main conference rooms.

The College disability statement is reviewed each year by the Strategic Impact Committee.

Staff and Learner Involvement:

The College considers good communication with its staff to be very important and to this end publishes regular Principal's briefings that are available to all staff.

The College also has an Intranet site on its staff network and most College documents and procedures, as well as the staff briefing notes are published on the site. The College has a detailed and effective 'learner voice' strategy and learner members participate freely in the work of the Corporation. The College encourages staff and learner involvement through membership of formal committees. There are two staff members and two learner members elected to the College Corporation.

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 information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 8th December 2020 and signed on its behalf by:



D Whatton
Chair of the Corporation

DUDLEY COLLEGE OF TECHNOLOGY

Operating and Financial Review For the Year Ended 31 July 2020

Professional advisers:

Financial Statement &
Regularity Auditors

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Internal auditors

RSM Risk Assurance Services LLP
St Phillips Point
Temple Row
Birmingham
West Midlands
B2 5AF

Bankers

Santander UK Plc
Customer Service Centre
Bootle
Merseyside
L30 4GB

Solicitors

Eversheds Sutherland
1 Wood Street
London
EC2V 7WS

George Green & Co
195 High Street
Cradley Heath
West Midlands
B64 5HW

Gowling WLG
Two Snowhill
Birmingham
B4 6WR

Shakespeare Martineau
1 Colmore Square
Birmingham
B4 6AA

VWV
3 Brindleyplace
Birmingham
B1 2JB

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2020

CORPORATE GOVERNANCE

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.

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 accordance with the English Colleges' Code of Good Governance ("the Colleges' Code") and;
- iii. having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the Corporation has adopted and complied with the Colleges' Code. We have not adopted and therefore do not apply the UK Corporate Governance Code 2018. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code 2018 we consider to be relevant to the further education sector and best practice.

In the opinion of the governors, the College complies with all the provisions of the Colleges' Code and it has complied throughout the year ended 31 July 2020 and up to the date of these financial statements. The Corporation 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, the Corporation takes full account of The Colleges' Code of Governance issued by the Association of Colleges in March 2015, which it formally adopted in July 2015.

The Colleges' Code is voluntary. However, the Accounts Direction 2019/20 sets out that a College must comply with it (Annex A) or have due regard to the UK Corporate Governance Code 2018.

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

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the English Colleges' Code of Good Governance and the UK Corporate Governance Code issued by the Financial Reporting Council in July 2018. Its purpose is to help the reader of the accounts understand how the principles have been applied. In the opinion of the Corporation, the College complies with all the provisions of the Codes in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31st July 2020.

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2020

CORPORATE GOVERNANCE

The Corporation

The members who served on the Corporation during the year and subsequent to the year-end were as follows:

Name	Status	Date appointed/ reappointed	Term Years	Committees served	No. of meetings attended 19/20(%)
Liam BUTLER	External	11.02.20	4	Audit	7/7 (100%)
Katharine CLOUGH	External	10.11.19 [Note 1]	4	Standards	9/11 (82%)
Peter DAVIES	External	21.09.16 [Notes 1&2]	4	Remuneration (Ch) Audit (V-ch) (Note 7) Finance & Estates (Ch)	18/18 100%
Martin DUDLEY	External	27.03.16 [Note 1 and 6]	4	Remuneration Audit	7/8 (88%)
Aldrich GONSALVES	Student	01.08.19 [Note 1]	1	Standards	7/10 (70%)
Charlie HARVEY	External	10.12.18 [Note 1]	4	Audit (Ch)	2/4 (50%)
Alison HODGE	External	02.10.19 [Note 1]	4	Standards	10/12 (83%)
Helen LAWLEY	Student	01.08.19	2	Standards Audit	9/12 (75%)
Valerie LITTLE	External	13.12.16	4	Finance & Estates (V-Ch)	14/14 (100%)
Jason PARKER	External	11.02.20	4	Finance & Estates Remuneration	8/9 (89%)
Suhail RANA	Teaching Staff	25.03.18 [Note 1]	4	Standards (V-ch)	10/10 (100%)
Andy ROBINSON	External	08.11.16 [Note 4]	4		2/4 (50%)
Jonathan SANDHU	Support Staff	22.04.16 [Note 3]	4	Finance & Estates	10/10 (100%)
Liz SITHOLE	External	12.11.19	4	Finance & Estates	9/10 (90%)
Neil THOMAS	CE&P	01.01.20	N/A	Standards Finance & Estates	12/12 (100%)
Tom WESTLEY	External	09.11.17	4		5/8 (63%)
David WHATTON	External	19.03.19 [Note 1]	4	Remuneration Standards (Ch) Finance & Estates	19/20 (95%)
Lowell WILLIAMS	CEO	10.03.08 [Note 5]		Finance & Estates	4/5 (80%)

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2020

David WHATTON served as Chair of the Corporation

Gill DARWOOD served as Senior Officer – Corporation Governance (Clerk to the Corporation).

Note 1 - Members serving a second or subsequent term of office

Note 2 – Term of office extended up to 20.09.21 (approved at Corporation Meeting 24.03.20)

Note 3 – Term of office extended until 31.08.20 (approved at Corporation Meeting 28.04.20)

Note 4 – Resigned as a Corporation Member 04.03.20

Note 5 – Term of office finished 31.12.19

Note 6 – Term of office finished 27.03.20

Note 7 – Moved from Audit Committee to newly established Finance and Estates Committee December 2020

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation held 7 meetings in the year to 31 July 2020.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. During the Academic Year 2019/20, the committee structure consisted of the Standards Committee, Finance and Estates Committee (established from December 2019), Search Committee, Audit Committee, and Remuneration Committee. All committees met at least termly. To ensure transparency full minutes of all meetings by the Corporation are published on the College's website (except those deemed to be confidential) and are available from the Clerk to the Corporation at:

Dudley College
The Broadway
Dudley
West Midlands
DY1 4AS

The Clerk to the Corporation maintains a register of financial and personal interests of both the members of the Corporation, the senior managers of the College and the Clerk. The register is available for inspection at the College. 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 Corporation 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 agenda, papers and reports are supplied to governors in a timely manner, prior to Corporation and committee meetings. Briefings are also provided on an ad-hoc basis.

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

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2020

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Chief Executive & Principal are separate.

Corporation obtains assurance over the adequacy and effectiveness of the arrangements for corporate governance, risk management and oversight of statutory and other regulatory responsibilities through their inclusion on the College's internal audit plan with reviews conducted in accordance with the plan by the College's appointed internal auditors (currently RSM) and reviewed by Audit Committee.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search committee, which is responsible for the selection and recommendation of any new member for the Corporation's consideration except for the Student and Staff governors. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years, except in exceptional circumstances.

Remuneration Committee

The Remuneration Committee has responsibility to make recommendations to the Corporation on the remuneration and benefits of the Chief Executive & Principal and other senior post holders. The Corporation has adopted the AoC's Colleges' Senior Post Holder Remuneration Code. Details of remuneration for the year ended 31st July 2020 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee, which excludes the Chief Executive & Principal and Chair of the Corporation, operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

The Committee meets on at least a termly basis and provides a forum for reporting by the College's internal, regularity and financial statement auditors, who have the right of 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 monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed audit plan and report their findings to management and the Audit Committee. Management are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statement auditors and their remuneration for both audit and non-audit work.

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2020

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 Chief Executive & Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement the College has with the Education and Skills Funding Agency. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The College's system of internal controls and governance structures ensure regularity and propriety in the use of funds, including all public funds, via the following processes:

- The Corporation is responsible for maintaining a sound system of internal control that safeguards the public and other funds and assets for which it has responsibility.
- The College maintains a set of Financial Regulations and Procedures, giving control over the totality of the College's resources and providing an appropriate financial regulatory framework which ensures that resources are used with due regard to propriety, regularity and value for money.
- The College is required to adhere to key funder rules, in addition to the requirements of its own Financial Regulations and Procedures, and operates various controls to do this.
- The College's Internal Audit function provides assurance to management and the Audit Committee. Internal Audit makes recommendations for improvement in key management processes. It particularly aims to ensure that key risks are being appropriately managed, including those in relation to the use of funds and value for money.

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 on-going 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 to manage them efficiently, effectively and economically.

The system of internal control has been in place in the College for the year ended 31st July 2020 and up to the date of approval of the annual report and accounts.

The College's External Audit and Internal Audit providers both make recommendations for improvement in key management and internal control processes. Internal audit reviews include periodic reviews of the College's approach to delivering value for money. In addition to the annual assurance report received from Internal Audit, the Audit Committee and Governors receive benchmarking and sector specific reports from both Internal and External Auditors to assist them

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2020

in discharging their responsibility to monitor the College's performance in delivering value for money

Capacity to Handle Risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31st July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The Risk and Control Framework

The system of internal control is based on 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 Corporation.
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts.
- Setting targets to measure financial and other performance.
- Clearly defined capital investment control guidelines.
- The adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based upon this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At least annually, the Head of Internal Audit provides the Corporation with a report on internal audit activity in the College. The report includes the Head of Internal Audit'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 Chief Executive & Principal has responsibility for reviewing the effectiveness of the system of internal control. The Chief Executive & Principal's review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors.
- The work of the executive leadership group within the College who have responsibility for the development and maintenance of the internal control framework.
- Comments made by the College's financial statement auditors and the regularity auditors, in their management letters and other reports.

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

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2020

The Executive Leadership Group receives reports setting out the 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 Executive Leadership Group and the Audit Committee also receive regular reports from internal audit which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control.

The Corporation's agenda includes a regular item for consideration of risk and control and it receives reports thereon from the Executive Leadership Group and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for risk management, governance and internal 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'.

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

The Corporation has considered its responsibility to notify the Education & Skills Funding Agency of material irregularity, impropriety and non-compliance with Education & Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Education & Skills Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education & Skills Funding Agency'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 Education & Skills Funding Agency.

Approved by order of the members of the Corporation on 8th December 2020 and signed on its behalf by:



D Whatton
Chair of the Corporation



N Thomas
Accounting Officer

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Responsibilities of the Members of the Corporation For the Year Ended 31 July 2020

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

Within the terms and conditions of the College's Grant Funding Agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2019 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2019 to 2020* issued by the ESFA, and which give a true and fair view of the state of affairs of the group and the parent College and the result for that year.

In preparing the group and parent College 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
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.

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 adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the parent College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the group 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 funds from the ESFA are used only in accordance with the Grant Funding Agreements and contracts with the ESFA and any other conditions that may be prescribed from time to time.

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Responsibilities of the Members of the Corporation For the Year Ended 31 July 2020

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 they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the group and parent 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 8th December 2020 and signed on its behalf by:



D Whatton
Chair of the Corporation

DUDLEY COLLEGE OF TECHNOLOGY

Independent Auditor's Report to the Corporation of Dudley College of Technology

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Dudley College ("the College") for the year ended 31 July 2020 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheets and Consolidated Statement of Cash flow and related notes, including the accounting policies in note I.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2020, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*.
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the OfS Accounts Direction').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Corporation has prepared the financial statements on the going concern basis as it does not intend to liquidate the Group or the College or to cease their operations, and as it has concluded that the Group and the College's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Corporation's conclusions, we considered the inherent risks to the Group's business model, and analysed how those risks might affect the Group and College's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the College will continue in operation.

DUDLEY COLLEGE OF TECHNOLOGY

Independent Auditor's Report to the Corporation of Dudley College of Technology

Other information

The Corporation is responsible for the other information, which comprises the Members' Report and the Corporation's statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2019 to 2020 (July 2020) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent College; or
- the parent College's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 21, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

DUDLEY COLLEGE OF TECHNOLOGY

Independent Auditor's Report to the Corporation of Dudley College of Technology

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the OfS Accounts Direction.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

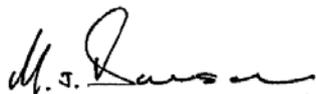
Matters on which we are required to report by exception

We are required by the OfS Accounts Direction to report to you where the results of our audit work indicate that the Group's and the College's grant and fee income, as disclosed in note 2 to the financial statements has been materially misstated.

We have nothing to report in this respect.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Corporation, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation for our audit work, for this report, or for the opinions we have formed.



Mark Dawson
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date: 21 December 2020

DUDLEY COLLEGE OF TECHNOLOGY

Reporting Accountant's Report on Regularity to the Corporation of Dudley College of Technology and the Secretary of State for Education acting through the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 25 November 2020 and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Dudley College during the 01 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Dudley College and 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 Dudley College and 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 Dudley College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Dudley College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. 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 01 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

DUDLEY COLLEGE OF TECHNOLOGY

Reporting Accountant's Report on Regularity to the Corporation of Dudley College of Technology and the Secretary of State for Education acting through the Education and Skills Funding Agency

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

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 01 August 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Mark Dawson

For and on behalf of KPMG LLP, Reporting Accountant

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

Date: 21 December 2020

DUDLEY COLLEGE OF TECHNOLOGY

Consolidated and College Statements of Comprehensive Income For the Year Ended 31 July 2020

	Notes	Year ended 31 July		Year ended 31 July	
		2020	2020	2019	2019
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	42,113	42,113	36,718	36,718
Tuition fees and education contracts	3	3,701	3,701	3,936	3,936
Other income	5	3,525	3,525	3,415	3,415
Investment income	6	1	1	-	-
Total income		49,340	49,340	44,069	44,069
EXPENDITURE					
Staff costs	7	35,352	35,352	27,840	27,840
Other operating expenses	8	14,349	14,349	13,759	14,147
Depreciation and amortisation	11	3,403	3,403	3,291	3,291
Interest and other finance costs	9	1,114	1,114	1,118	1,118
Total expenditure		54,218	54,218	46,008	46,396
Deficit on continuing operations after depreciation of assets at valuation, exceptional items but before disposal of assets and tax		(4,878)	(4,878)	(1,939)	(2,327)
Profit/(loss) on disposal of assets	11	-	-	-	-
Deficit on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		(4,878)	(4,878)	(1,939)	(2,327)
Taxation	10	-	-	-	-
Deficit on continuing operations after depreciation of assets at valuation and tax		(4,878)	(4,878)	(1,939)	(2,327)
Actuarial loss in respect of pension scheme	20	(18,586)	(18,586)	(2,382)	(2,382)
Total Comprehensive Income and Expenditure for the year		(23,464)	(23,464)	(4,321)	(4,709)

The income and expenditure account is in respect of continuing activities

DUDLEY COLLEGE OF TECHNOLOGY

Consolidated and College Statements of Changes in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Group			
Balance at 1st August 2018	9,684	6,267	15,951
Deficit from the income and expenditure account	(1,939)	-	(1,939)
Other comprehensive income	(2,382)	-	(2,382)
Transfers between revaluation and income and expenditure reserves	162	(162)	-
	<u>(4,159)</u>	<u>(162)</u>	<u>(4,321)</u>
Total comprehensive income for the year			
Balance at 31st July 2019	5,525	6,105	11,630
Balance at 1st August 2019	5,525	6,105	11,630
Deficit from the income and expenditure account	(4,878)	-	(4,878)
Other comprehensive income	(18,586)	-	(18,586)
Transfers between revaluation and income and expenditure reserves	161	(161)	-
	<u>(23,303)</u>	<u>(161)</u>	<u>(23,464)</u>
Total comprehensive income for the year			
Balance at 31st July 2020	(17,778)	5,944	(11,834)
College			
Balance at 1st August 2018	10,111	6,267	16,378
Deficit from the income and expenditure account	(2,327)	-	(2,327)
Other comprehensive income	(2,382)	-	(2,382)
Transfers between revaluation and income and expenditure reserves	162	(162)	-
	<u>(4,547)</u>	<u>(162)</u>	<u>11,669</u>
Total comprehensive income for the year			
Balance at 31st July 2019	5,564	6,105	11,669

DUDLEY COLLEGE OF TECHNOLOGY

Consolidated and College Statements of Changes in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Balance at 1st August 2019	5,564	6,105	11,669
Deficit from the income and expenditure account	(4,878)	-	(4,878)
Other comprehensive income	(18,586)	-	(18,586)
Transfers between revaluation and income and expenditure reserves	161	(161)	-
Total comprehensive income for the year	(23,303)	(161)	(23,464)
Balance at 31st July 2020	(17,739)	5,944	(11,795)

DUDLEY COLLEGE OF TECHNOLOGY

Balance Sheets

For the Year Ended 31 July 2020

	Notes	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Fixed assets					
Tangible assets	11	68,466	68,466	62,429	62,429
Total fixed assets		68,466	68,466	62,429	62,429
Current assets					
Trade and other receivables	13	2,786	2,825	4,864	4,903
Cash and cash equivalents	18	3,668	3,668	2,228	2,228
Total current assets		6,454	6,493	7,092	7,131
Less: Creditors – amounts falling due within one year	14	(7,900)	(7,900)	(7,063)	(7,063)
Net current (liabilities)/assets		(1,446)	(1,407)	29	68
Total assets less current liabilities		67,020	67,059	62,458	62,497
Less: Creditors – amounts falling due after more than one year	15	(36,052)	(36,052)	(30,138)	(30,138)
Provisions					
Defined benefit obligations	20	(40,849)	(40,849)	(18,857)	(18,857)
Other provisions	17	(1,953)	(1,953)	(1,833)	(1,833)
TOTAL NET (LIABILITIES)/ASSETS		(11,834)	(11,795)	11,630	11,669
Unrestricted reserves					
Income and expenditure account		(17,778)	(17,739)	5,525	5,564
Revaluation reserve		5,944	5,944	6,105	6,105
Total unrestricted reserves		(11,834)	(11,795)	11,630	11,669

The financial statements on pages 28 to 58 were approved by the Corporation on 8th December 2020 and were signed on its behalf on that date by:



D Whatton
Chair



N Thomas
Accounting Officer

DUDLEY COLLEGE OF TECHNOLOGY

Consolidated Statement of Cash Flows For the Year Ended 31 July 2020

	Notes	2020	2019
		£'000	£'000
Cash inflow from operating activities			
Deficit for the year		(4,878)	(1,939)
Adjustment for non-cash items			
Depreciation		3,403	3,291
Decrease/(increase) in debtors		2,508	(1,408)
(Decrease)/Increase in creditors due within one year		(124)	385
(Decrease)/increase in creditors due after one year		(21)	47
Increase in provisions		3,526	1,463
Adjustment for investing or financing activities			
Investment income		(1)	-
Interest payable		674	706
Deferred Capital grants released in income		(417)	(446)
Fixed asset reconciliation adjustment		-	(29)
		4,670	2,070
Cash flows from investing activities			
Deferred Capital grants received		4,513	-
Payments made to acquire fixed assets		(8,676)	(1,401)
		(4,163)	(1,401)
Cash flows from financing activities			
Interest paid	9	(643)	(670)
Interest element of finance lease rental payments	9	(31)	(36)
New unsecured loans		2,100	4,062
Repayments of amounts borrowed	16	(576)	(715)
Capital element of finance lease rental payments	16	83	28
		933	2,669
Increase in cash and cash equivalents in the year		1,440	3,338
Cash and cash equivalents at beginning of the year	18	2,228	(1,110)
Cash and cash equivalents at end of the year	18	3,668	2,228

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

I. ACCOUNTING POLICIES

Statement of Accounting Policies

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

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2019 – 2020 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards

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 flows, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The Corporation has prepared cash flow forecasts for a period of 31 months from the date of approval of these financial statements. After reviewing these forecasts, the Corporation is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of COVID-19, the College will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements.

In reaching this conclusion the Corporation has taken the following factors into account:

- a potential downturn in recruitment for apprenticeships, adults, commercial and Higher Education learners resulting from COVID 19;
- additional costs associated with the pandemic such as cleaning, hygiene supplies, PPE, covering staff absence and the costs of making the estate COVID 19 safe to enable socially distanced learning to take place; and

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

I. ACCOUNTING POLICIES (continued)

- the receipt of additional funding from the ESFA to upgrade the quality of the estate through the Further Education Capital Allocation grant, which has reduced the College's cash contribution towards planned capital expenditure in the 2020/21 academic year.

In all scenarios modelled the College remains in compliance with its loan covenants.

Consequently, the Corporation is confident that the College will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Basis of Consolidation

The consolidated financial statements include the College and its subsidiaries, Dudley College Enterprises Limited and TRFM Limited prior to its dissolution on 18 September 2018, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the students' union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2020.

Recognition of Income

The recurrent grants from OfS represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account. Funding body recurrent grants from ESFA are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement of the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding bodies at the end of November following the year end. 16-18 Learner Responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments, the income recognised is the allocation for the year.

Non-recurrent grants from the funding bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets. However, under FRS102 grants in respect of land acquisitions and from non-government bodies are released in the year of receipt.

Income from tuition fees is recognised in the period for which it is received, and includes all fees payable by learners or their sponsors.

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

All income from short-term deposits is credited to the income and expenditure account in the year in which it is earned.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

I. ACCOUNTING POLICIES (continued)

Post-Retirement Benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS) (until April 2016) and the assets are held separately from those of the College. The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective benefit method.

As stated in Note 20, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the College in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. In determining the valuation of the West Midlands Pension Fund, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the college:

- Discount rate;
- Inflation rate; and
- Life expectancy

The asset values are reported using estimated asset allocations prepared by the scheme Actuary. This asset value is calculated at each triennial valuation. Thereafter it is rolled forward to accounting dates using investment returns, contributions received, and benefits paid out. During each annual reporting period between triennial valuations, asset returns are estimated using 11 months of market experience and one month of extrapolation being assumed. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs.

Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Enhanced Pensions

The actual cost of any enhanced on-going pension to a former member of staff is paid by the College annually. In the case of staff who were members of the TPS, an estimate of the expected

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

I. ACCOUNTING POLICIES (continued)

future cost of any enhancement to the on-going pension of a former member of staff is charged in full to the income and expenditure account in the year that the member of staff retires.

In subsequent years a calculated charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies. In the case of staff who were members of the WMMAPF, the effect of payment of enhanced pensions is dealt with through the FRS102 entries.

Non-Current Assets - Tangible Fixed Assets

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2019 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

a] Land and buildings

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

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 income and expenditure 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 after more than one year.

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset 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.

b] 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.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

I. ACCOUNTING POLICIES (Continued)

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account 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.

Buildings owned by third parties.

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

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

c] Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority and valued at more than £1,000 per item is included in the balance sheet at valuation.

Inherited equipment is depreciated on a straight line basis over its remaining useful economic life to the College of ten years. All other equipment is depreciated over its useful economic life as follows:

- General Equipment, Fixtures and Fittings, 10 per cent per year on a straight line basis.
- Motor Vehicles, 25 per cent per year on a straight-line basis.
- Computer Equipment, 20 per cent per year on a straight-line basis.
- Computer Software, 50 per cent per year on a straight line basis.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the relevant depreciation policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment. Depreciation is charged from the month of acquisition to the month of disposal.

Borrowing costs

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

Leased Assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

I. ACCOUNTING POLICIES (Continued)

and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st 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.

Investments

The College owns 100% of the issued share capital of Dudley College Enterprises Limited which was acquired on 16th March 1993.

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

I. ACCOUNTING POLICIES (Continued)

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definitions 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 Chapter 3 Part 11 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 to exclusively 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 cost of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Both College subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Deferred Taxation

Deferred taxation is recognised on all timing differences between accounting profits and profits for the calculation of corporation tax that have materialised, but not reversed, at the balance sheet date. Deferred tax is not recognised on permanent differences.

Provisions

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

Agency Arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to learners are excluded from the Income and Expenditure account and are shown separately in Note 25, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant and the discretionary bursary funding for adults, which from 2017/18 is now incorporated into the Adult Education Budget Block Grant. The College employs four members of staff dedicated to the administration of Learner Support Fund applications and payments.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

I. ACCOUNTING POLICIES (Continued)

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- 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 20, will impact the carrying amount of the net pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the net pension liability.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

2. FUNDING BODY GRANTS

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent Grants				
Education and Skills Funding Agency – adult	7,166	7,166	5,985	5,985
Education and Skills Funding Agency – 16-18	22,947	22,947	20,326	20,326
Education and Skills Funding Agency – apps	10,101	10,101	9,448	9,448
Office for Students	262	262	298	298
Non-Recurrent Grants				
ESFA Apprenticeship Non-Levy COVID relief	220	220	-	-
Specific Grants				
Office for Students	21	21	21	21
ESF Co-Financing	(6)	(6)	53	53
Releases of government capital grants	417	417	446	446
Free School Meals	149	149	141	141
Teachers' Pension Scheme 1619	836	836	-	-
Total	42,113	42,113	36,718	36,718

3. TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	146	146	129	129
Apprenticeship fees and contracts	170	170	642	642
Fees for FE loan supported courses	706	706	465	465
Fees for HE loan supported courses	857	857	818	818
International student fees	550	550	1,098	1,098
Total tuition fees	2,429	2,429	3,152	3,152
Education contracts	1,272	1,272	784	784
Total	3,701	3,701	3,936	3,936

4. GRANT AND FEE INCOME

Grant income from the Office for Students	283	283	319	319
Grant income from other bodies	41,830	41,830	36,399	36,399
Fee income for taught awards (exclusive of VAT)	2,022	2,022	2,190	2,190
Fee income for research awards (exclusive of VAT)	-	-	-	-
Fee income from non-qualifying courses (exclusive of VAT)	407	407	962	962
Total	44,542	44,542	39,870	39,870

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

5. OTHER INCOME

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Catering and residences	34	34	46	46
Other Income generating activities	2,809	2,809	3,262	3,262
Other grant income (COVID-19 Furlough Grant income)	632	632	-	-
Other grant income (NCOP)	-	-	101	101
Miscellaneous income	50	50	6	6
Total	3,525	3,525	3,415	3,415

The College furloughed staff in roles identified as being unable to support the continued learning of students or not linked to an essential business support service following the impact of COVID 19, including for example: catering staff and full-cost commercial delivery and administration staff, under the government's Coronavirus Job Retention Scheme in 2019/20. The funding received of £632,000 (2018/19 £nil) relates to staff costs which are included within the staff costs note below as appropriate.

6. INVESTMENT INCOME

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Other interest receivable	1	1	-	-
Total	1	1	-	-

7. STAFF COSTS – Group and College

The average number of persons (including senior post-holders) employed by the College during the year, on an average headcount basis, was:

	2020 No.	2019 No.
Teaching staff	456	378
Non-teaching staff	442	400
	898	778

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

7. STAFF COSTS – Group and College (Continued)

Staff costs for the above persons

	2020 £'000	2019 £'000
Wages and salaries	24,289	21,220
Social security costs	2,285	1,958
Other pension costs	8,131	4,644
Payroll sub total	34,705	27,822
Restructuring costs	647	18
Total staff costs	35,352	27,840

The number of staff the restructuring costs related to was 42 (2019: 2)

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Chief Executive Officer & Principal, Vice Principals and Executive Director of Estates & Capital Projects.

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	10	6

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

	Key Management Personnel		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£60,001 to £65,000	-	-	5	1
£65,001 to £70,000	2	-	1	1
£75,001 to £80,000	-	1	-	1
£80,001 to £85,000	3	1	-	-
£85,001 to £90,000	2	-	-	-
£95,001 to £100,000	-	-	1	-
£115,000 to £120,000	-	1	-	-
£120,001 to £125,000	-	2	-	-
£130,001 to £135,000	1	-	-	-
£140,001 to £145,000	1	-	-	-
£155,001 to £160,000	1	-	-	-
£185,001 to £190,000	-	1	-	-
	10	6	7	3

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

7. STAFF COSTS – Group and College (Continued)

Key management personnel emoluments are made up as follows:

	2020 £'000	2019 £'000
Salaries	929	707
Employers National Insurance	117	93
	<u>1,046</u>	<u>800</u>
Pension contributions	149	114
Total emoluments	<u><u>1,195</u></u>	<u><u>914</u></u>

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid senior post-holder) of:

Current post holder (from 1st January 2020)

	2020 £'000	2019 £'000
Salaries	88	-
Benefits in kind	-	-
	<u>88</u>	<u>-</u>
Pension contributions	<u>17</u>	<u>-</u>

Previous post holder (to 31st December 2019)

	2020 £'000	2019 £'000
Salaries	105	187
Payment in lieu of notice	54	-
	<u>159</u>	<u>187</u>
Pension contributions	<u>-</u>	<u>28</u>

The pension contributions in respect of the Accounting Officer and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and the West Midlands Metropolitan Authorities' Superannuation Scheme and are paid at the same rate as for other employees.

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

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

7. STAFF COSTS – Group and College (Continued)

Approach to Remuneration

The College's remuneration committee is concerned with all aspects of the employment of senior post holders, including recruitment, promotion, retention, setting and reviewing performance targets. The committee is also responsible for reviewing and making decisions on the remuneration, terms and conditions of employment of senior post holders, taking account of affordability, comparative information on the remuneration, benefits and conditions of employment from within the further education sector and other organisations of a comparable size/turnover. The Corporation has adopted the AoC's Colleges' Senior Post Holder Remuneration Code and considers that it is compliant with its guidelines.

The Performance Management Policy sets out the framework under which performance reviews for all staff are carried out three times per year and explains the alignment of individual objectives with the College's strategic priorities and plans. In respect of senior post holders, the performance objectives are agreed by the remuneration committee and reports on the termly reviews, including summative reviews, are provided to the committee to inform their decision making in respect of the consideration of salary progression.

The College's Pay Policy applies to all staff including senior post holders. In conjunction with the performance management policy, it is designed to motivate staff to achieve the College's strategic objectives. The Pay Policy was reviewed in March 2019.

Decisions on the salaries of the Accounting Officer and senior post holders are informed by market data including data on other further education Colleges of a comparable size, institutional and personal performance and affordability. The committee's aim is to pay a competitive salary but a significant part of this is dependent upon performance. The College pays a competitive salary based on the market median (informed by appropriate market intelligence, in particular reference to the AoC Senior Pay Survey which is produced annually).

The Chief Executive & Principal has performed very well during 2019/20, with increased challenges posed by the COVID-19 pandemic, meeting the College's objectives and ensuring robust financial health and management, as well as, maintaining quality teaching and learning provision, excellent support for learners and ensuring positive positioning of the College locally, regionally and nationally.

In respect of recruitment, the College aims to recruit senior post holders using remuneration packages that are market-competitive and consistent with the existing remuneration structure. In doing so, the College seeks to pay no more than necessary to attract talented individuals. Newly recruited senior post holders are subject to a probationary period and are eligible to receive the same remuneration elements as existing senior post holders, namely salary, set at an appropriate level taking into account the experience and quality of the candidate, and membership of the appropriate pension scheme.

The College does not expect to make special recruitment arrangements outside the standard policy, but may do so in exceptional circumstances in order to secure the appointment of the right candidate.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

7. STAFF COSTS – Group and College (Continued)

Ratio to median pay of all employees

In addition, in accordance with the College's Senior Post Holder Remuneration Code and the College Accounts Direction, the Corporation is required to disclose the relationship between the CEP emoluments and that of all other employees as a pay multiple, expressed as follows:

- CEP's basic salary divided by the median pay of all other Corporation employees (all on a full-time equivalent basis): and

- CEP's total emoluments divided by the median pay of all other Corporation employees (all on a full-time equivalent basis)

The College's median pay for all other Corporation employees in 2019/20 was £32,508 per annum (2018/19: £30,435).

The Fair Pay Review published in the Hutton Report for the public sector recommended that an organisation's pay multiple should be no greater than 1:20. The College's pay multiple based on the CEP basic salary in 2019/20 was 1:4.6 (2018/19: 1:6.1) and based on the CEP's total emoluments was 1:5.4 (2018/19: 1:7.0).

8. OTHER OPERATING EXPENSES

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	3,227	3,227	3,441	3,441
Non-teaching costs	7,734	7,734	7,702	8,090
Premises costs	3,388	3,388	2,616	2,616
Total	14,349	14,349	13,759	14,147

Other operating expenses include:

	2020 £'000	2019 £'000
Auditors' remuneration:		
Financial statements audit*	46	32
Internal audit**	30	14
Other services provided by the financial statements auditors	-	-
Other services provided by the internal auditors	1	-
	<u> </u>	<u> </u>

* includes £46,200 in respect of the College (2018/19 £32,280)

** includes £30,484 in respect of the College (2018/19 £13,824)

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

9. INTEREST PAYABLE – GROUP AND COLLEGE

	2020 £'000	2019 £'000
On bank loans, overdrafts and other loans:		
Ordinarily repayable wholly or partly in more than five years	643	670
	<u>643</u>	<u>670</u>
Pension finance costs (note 20)	403	374
Interest on provision for Enhanced pension payments	37	38
On finance leases	31	36
	<u>31</u>	<u>36</u>
Total	<u>1,114</u>	<u>1,118</u>

10. TAXATION

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

11. TANGIBLE FIXED ASSETS

Cost or Valuation	Freehold land and buildings	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
At 1 August 2019	64,415	17,975	-	82,390
Additions	2,686	1,375	5,379	9,440
	<u>2,686</u>	<u>1,375</u>	<u>5,379</u>	<u>9,440</u>
At 31 July 2020	<u>67,101</u>	<u>19,350</u>	<u>5,379</u>	<u>91,830</u>
Depreciation				
At 1 August 2019	10,336	9,625	-	19,961
Charge for the year	1,308	2,095	-	3,403
	<u>1,308</u>	<u>2,095</u>	<u>-</u>	<u>3,403</u>
At July 2020	<u>11,644</u>	<u>11,720</u>	<u>-</u>	<u>23,364</u>
Net book value at 31 July 2020	<u>55,457</u>	<u>7,630</u>	<u>5,379</u>	<u>68,466</u>
Net book value at 31 July 2019	<u>54,079</u>	<u>8,350</u>	<u>-</u>	<u>62,429</u>

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

11. TANGIBLE FIXED ASSETS (continued)

The depreciation charge for the year shown in the Consolidated Income and Expenditure Account comprises:

	2020 £'000	2019 £'000
Depreciation charge on tangible fixed assets as above	3,403	3,291
	<u>3,403</u>	<u>3,291</u>

Inherited Land and Buildings and other Tangible Fixed Assets inherited from the LEA were valued for the purposes of the Financial Statements at depreciated replacement cost by the Valuation Office.

Land and buildings with a net book value of £151,345 (2019: £155,943) have been partly financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Funding Agreement with the ESFA, to surrender the proceeds.

If the inherited Land and Buildings had not been valued, they would have been included at the following amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	<u><u>Nil</u></u>

The net book value of tangible fixed assets includes an amount of £1,572,839 (2019: £1,325,036) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £436,441 (2019 £285,585).

12. INVESTMENTS

The College owns 100 per cent of the issued £1 shares of Dudley College Enterprises Limited, a company incorporated in England and Wales. This company does not actively trade and is effectively dormant.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

13. DEBTORS

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	753	753	1,322	1,322
Amounts owed by group undertakings:				
Subsidiary undertakings	-	39	-	39
Amounts owed by the ESFA	803	803	1,804	1,804
Sundry debtors	687	687	1,336	1,336
Prepayments and accrued income	543	543	402	402
Total	<u>2,786</u>	<u>2,825</u>	<u>4,864</u>	<u>4,903</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans and overdrafts	568	568	471	471
Obligations under finance leases	428	428	321	321
Trade payables	756	756	1,404	1,404
Sundry creditors	1,069	1,069	1,075	1,075
Other taxation and social security	547	547	493	493
Accruals and deferred income	4,114	4,114	2,875	2,875
Deferred income – government capital grants	418	418	424	424
Total	<u>7,900</u>	<u>7,900</u>	<u>7,063</u>	<u>7,063</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans	17,112	17,112	15,685	15,685
Obligations under finance leases	333	333	357	357
Deferred income – government capital grants	18,510	18,510	13,978	13,978
Accruals and deferred income	73	73	68	68
Sundry Creditors	24	24	50	50
Total	<u>36,052</u>	<u>36,052</u>	<u>30,138</u>	<u>30,138</u>

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

16. BORROWINGS

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	568	568	471	471
Between one and two years	568	568	484	484
Between two and five years	5,703	5,703	5,388	5,388
In five years or more	10,841	10,841	9,813	9,813
Total	<u>17,680</u>	<u>17,680</u>	<u>16,156</u>	<u>16,156</u>

Bank loans totalling £17,680 (2019: £16,156,250), repayable from 2015, are secured as follows:

- £7.767m fixed rate, repayable over 5 years (£0.039m), 10 years (£2.268m) and 15 years (£5.46m);
- £5.913m variable rate at 1.75% over LIBOR.
- Revolving Credit Facility £4.0m.

(b) Finance leases

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

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	428	428	321	321
Between two and five years	333	333	357	357
Total	<u>761</u>	<u>761</u>	<u>678</u>	<u>678</u>

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

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

17. PROVISIONS FOR LIABILITIES

Group and College	Defined benefit Obligations	Enhanced Pensions	Total
	£'000	£'000	£'000
At 1 August 2019	18,857	1,833	20,690
Expenditure in the period	3,406	120	3,526
Transferred from income and expenditure account	18,586	-	18,586
At 31 July 2020	40,849	1,953	42,802

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

The principal assumption for the calculations are:

	2020	2019
Interest rate	1.3%	2.0%
Inflation rate	2.2%	2.2%

18. CASH AND CASH EQUIVALENTS

Group and College	At 1 August 2019	Cash flows	At 31 July 2020
	£'000	£'000	£'000
Cash and cash equivalents	2,228	1,440	3,668
Debt due within 1 year	(471)	(97)	(568)
Debt due after 1 year	(15,685)	(1,427)	(17,112)
Total	(13,928)	(84)	(14,012)

19. CAPITAL COMMITMENTS

	Group and College	
	2020	2019
	£'000	£'000
Commitments contracted for at 31 July	1,131	26

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

20. DEFINED BENEFIT OBLIGATIONS

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

Total pension cost for the year	2020 £'000	2019 £'000
Teachers' Pension Scheme: contributions paid	2,839	1,710
Local Government Pension Scheme:		
Contributions paid	1,963	1,649
Deficit recovery/other movement	120	145
FRS 102 (28) charge	3,003	1,149
	<hr/>	<hr/>
Charge to the Statement of Comprehensive Income	5,086	2,943
Enhanced pension charge to Statement of Comprehensive Income	206	(9)
	<hr/>	<hr/>
	8,131	4,644

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

Contributions amounting to £235,000 (2019: £394,000) were payable to the LGPS scheme and are included within creditors.

Teachers' Pension Scheme

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

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

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

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

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

20. DEFINED BENEFIT OBLIGATIONS (continued)

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019). The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

The pension costs paid to TPS in the year amounted to £2,839,000 (2019: £1,710,000).

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Wolverhampton City Council. The total contribution made for the year ended 31 July 2020 was 2,652,289 (of which employer's contributions totalled £2,030,750 and employees' contributions totalled £621,539). The agreed contribution rates for future years are 20.3% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions of £269,000 per annum in addition to normal funding levels until the next full valuation at which point the situation will be reviewed.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2020 by a qualified independent actuary.

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.20%	3.85%
Rate of increase for pensions in payment / inflation	2.20%	2.35%
Discount rate for scheme liabilities	1.40%	2.10%
Inflation assumption	2.20%	2.35%
Commutation of pensions to lump sums	50%	50%

The College has updated its approach to setting RPI and CPI inflation in light of the RPI reform proposals published on the 4th September 2019 by the UK Chancellor and UK statistics Authority. The College continued to set RPI inflation in line with the market break-even expectations less an inflation risk premium. The inflation risk premium has been increased from 0.2% at 31 December 2018 to 0.4% at 31 December 2019, reflecting an allowance for additional market distortions caused by the RPI referral proposals. For CPI, the College has proposed a long term gap between RPI and CPI of 80 basis points, compared to the 100 basis points at the prior year end.

The estimated impact of the change in the methodology is approximately a £4.25m increase in the defined benefit obligation in respect of the LGPS scheme.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

20. DEFINED BENEFIT OBLIGATIONS (continued)

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

The assumed life expectations on retirement age 65 are:

	At 31 July 2020	At 31 July 2019
Retiring today		
Males	21.90	20.90
Females	24.10	23.20
Retiring in 20 years		
Males	23.80	22.60
Females	26.00	25.00

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

	Percentage of fund assets at 31 July 2020	Value at 31 July 2020	Percentage of fund assets at 31 July 2019	Value at 31 July 2019
		£'000		£'000
Equities	56%	27,344	60%	28,722
Government Bonds	11%	5,281	9%	4,524
Other Bonds	4%	1,888	4%	1,808
Property	8%	3,669	8%	3,900
Cash	7%	3,229	4%	1,725
Other	15%	7,264	15%	7,095
		<u>48,675</u>		<u>47,774</u>
Total market value of assets		48,675		47,774
Actual return on plan assets		<u>1,051</u>		<u>1,174</u>

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

	2020 £'000	2019 £'000
Fair value of plan assets	48,675	47,774
Present value of plan liabilities	(89,458)	(66,580)
Present value of unfunded liabilities	(66)	(51)
	<u>(40,849)</u>	<u>(18,857)</u>
Net Pensions liability	<u>(40,849)</u>	<u>(18,857)</u>

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

20. DEFINED BENEFIT OBLIGATIONS (continued)

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

	2020 £'000	2019 £'000
Current service cost	3,621	2,798
Past service cost	-	467
Total operating charge	<u>3,621</u>	<u>3,265</u>

Past service costs above include £Nil (2019: £467,000) in relation to the estimated impact of the recent McCloud judgement. This represents approximately Nil% (2019: 0.7%) of total liabilities.

Amounts included in investment income

	2020 £'000	2019 £'000
Net interest income	(403)	(374)
	<u>(403)</u>	<u>(374)</u>

Amounts recognised in other comprehensive income

Return on pension plan assets	(26)	1,626
Experience losses arising defined benefit obligations	(3,349)	-
Changes in assumption underlying the present value of plan liabilities	(12,025)	(3,756)
Liabilities assumed on settlements	(3,186)	-
Amount recognised in Other Comprehensive Income	<u>(18,586)</u>	<u>(2,130)</u>

Amounts included in investment income

Local Government Pension Scheme

Movement in net defined benefit liability during the year

	2020 £'000	2019 £'000
Deficit in scheme at 1 August	(18,857)	(15,181)
Movement in year:		
Current service cost	(3,621)	(2,798)
Employer contributions	1,963	2,116
Past service cost	-	(467)
Admin expenses	(28)	(23)
Net interest on the defined benefit liability	(403)	(374)
Actuarial loss	(18,586)	(2,130)
Liabilities assumed on settlements	(1,317)	-
Net defined benefit liability at 31 July	<u>(40,849)</u>	<u>(18,857)</u>

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

20. DEFINED BENEFIT OBLIGATIONS (continued)

Asset and Liability Reconciliation

	2020 £'000	2019 £'000
Movement in the present value of defined benefit obligations were as follows		
Defined benefit obligations at start of period	66,631	58,778
Current service cost	3,621	2,798
Interest cost	1,454	1,548
Contributions by Scheme participants	610	578
Changes if financial assumptions	10,169	7,272
Changes in demographic assumptions	1,856	(3,516)
Experience loss on defined benefit obligation	3,349	-
Estimated benefits paid	(937)	(1,287)
Past Service cost	-	467
Curtailments and settlements	-	(7)
Liabilities assumed on settlements	2,771	-
	<u>89,524</u>	<u>66,631</u>
Fair value of plan assets at start of period	47,774	43,597
Interest on plan assets	1,051	1,174
Return on plan assets less interest	(26)	1,626
Other actuarial loss	(3,186)	-
Administration expenses	(28)	(23)
Employer contributions	1,963	2,116
Contributions by Scheme participants	610	578
Estimated benefits paid	(937)	(1,294)
Settlement prices received	1,454	-
Assets at end of period	<u>48,675</u>	<u>47,774</u>

The estimated value of employer contributions for the year ended 31 July 2021 is £2,142,000.

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

21. POST-BALANCE SHEET EVENTS

There are no post balance sheet events to report.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

22. LEASE OBLIGATIONS

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

	2020 £'000	2019 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than 5 years	-	-
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>
Other		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than 5 years	-	-
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

23. CONTINGENT LIABILITIES

The group and College had no contingent liabilities at 31st July 2020 (2019 : £nil)

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2020

24. RELATED PARTY TRANSACTIONS

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

The total expenses paid to or on behalf of the Governors during the year was £194; 15 governors (2019: £51; 17 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2019: None).

Transactions with the ESFA and OfS are detailed in notes 2, 3 and 4.

In September 2017, the College became the sponsor of a newly created multi academy trust called Dudley Academies Trust, which has brought together four central Dudley secondary schools, Castle High School and Visual Arts College (now called St. James Academy), The High Arcal School (now called Barr Beacon Academy), Hillcrest School and Community College (now called The Link Academy) and The Holly Hall Academy (now called Pegasus Academy).

The Service Level Agreement in respect of support services and supplier staff time provided to Dudley Academies Trust by the College for the year 2019/20 amounted to £284,000 (2018/19: £282,000). This has been invoiced and appears in these financial statements.

25. AMOUNTS DISBURSED AS AGENT

Learner support funds

	2020 £'000	2019 £'000
ESFA grants – hardship funds	1,207	1,030
ESFA grants – childcare	-	-
ESFA grants – discretionary ESOL	-	-
	<u>1,207</u>	<u>1,030</u>
Disbursed to students	(1,150)	(981)
Administration costs	(57)	(49)
	<u>-</u>	<u>-</u>
Balance unspent as at 31 July, included in creditors	<u>-</u>	<u>-</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure consolidated in the College's financial statements relates to the discretionary bursary funding for adults, which from 2017/18 is now incorporated into the Adult Education Budget Block Grant, and is included in the ESFA – Adults income line in note 2.