



**Annual Report
and
Consolidated Financial Statements**

**For the year ended
31 July 2021**

DUDLEY COLLEGE OF TECHNOLOGY
Annual Report and Consolidated Financial Statements
For the Year Ended 31 July 2021

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Reference and Administrative Details

Board of Governors

A full list of Governors is given on page 16 of these financial statements.

Senior Officer Corporate Governance

G Darwood

Senior Leadership Group

N Thomas - Principal and Chief Executive

L Jones – Chief Finance Officer

D Martin - Vice Principal

C Riding - Vice Principal

S Johnson - Executive Director Estates and Capital Projects

D Goode - Executive Director Public Affairs and Marketing

K Jones - Director of Human Resources

G Barnard - Director for IoT

Principal and Registered Office The Broadway, Dudley, DY1 4AS

Professional advisors

External auditors KPMG LLP, One Snowhill, Snow Hill Queensway, Birmingham B4 6GH

Auditor RSM Risk Assurance Services LLP, St Philips Point, Temple Row,
Birmingham B2 5AF

Solicitors Shakespeare Martineau, 1 Colmore Square, Birmingham B4 6AA

Bankers Santander UK Plc, Customer Service Centre, Bootle, Merseyside L30 4GB

STRATEGIC REPORT

OBJECTIVES AND STRATEGY

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

Legal Status

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

Mission, Vision, Strategy and Objectives

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”.

The Corporation sets the key performance indicators for the year which are used 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>.

COVID-19

The College's recent financial performance has been stable, with increased cash balances and a positive trading position. The COVID-19 situation impacted negatively on this position during the financial year. During the year the College took a considered approach during the period of lockdown and a phased return for re-opening, ensuring that the safety of staff and students was prioritised. The needs of the curriculum were considered carefully and this influenced the delivery models during the College's re-opening in September. The Senior Leadership Group has carefully monitored the impact on the student experience and has overseen the work with employers and stakeholders, to support business growth as the economy has re-opened.

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 reduction in annual income levels of approximately £3.1m in 2021/22 compared to pre COVID-19 activity.

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

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retention. The College has prepared a revised 3-year financial plan, which demonstrates that as a result of these actions, the College continues to hold a robust and sustainable financial position.

Resources

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

The College employs 645 people (expressed as full time equivalents), of whom 308 are teaching staff (including assessors).

The College enrolled approximately 12,000 students. The College's student population include 4,900 16- to 18-year-old students and 7,100 adult learners, including 3,500 apprentices and 207 higher education students.

The Group has £15.614 million of net liabilities (having taken account of a £43.462 million pension liability) and long-term debt of £17.1 million. During the year the College had tangible resources including the main College sites at Advance I, Advance II, Broadway, Dudley Sixth, Enhance, Evolve, Wolverhampton Street and at the Waterfront and Inspired in Brierley Hill. The Black Country and Marches Institute of Technology is under construction and will be open in September 2021. The College received £2.025m from the FE Capital Allocation funds and this has been used to improve the condition of existing buildings.

The College has an excellent reputation locally and nationally and was inspected in 2016/17 by Ofsted and graded 'OUTSTANDING'. The College has strong relationships with Dudley Metropolitan Borough Council and with the West Midlands Combined Authority. Maintaining a quality brand is essential for the College's success at attracting learners and developing external relationships.

Stakeholders

The College has many stakeholders, including:

- Its current, future and past students;
- Its staff and their trade unions. The trade unions of which College staff are members are the University and College Union and Unison;
- The employers it works with;
- Its partner schools and universities, names Dudley Academies Trust and University of Wolverhampton and University of Worcester;
- The wider College community;
- Dudley Metropolitan Borough Council, West Midlands Combined Authority and the Black Country Local Enterprise Partnership

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

Public Benefit

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. The members of the Governing Body, who are trustees of the charity, are disclosed on page 16. In setting and reviewing the College's strategic objectives, the

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Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the College provides identifiable public benefits through the advancement of education to approximately 12,000 students, including 168 students with high needs. The College provides courses without charge to young people, to those who are unemployed and adults taking English and maths course. The College adjusts its courses to meet the needs of local employers and provides training to 3,500 apprentices. The College is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

DEVELOPMENT AND PERFORMANCE

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 for the period of the plan. 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 £3m 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 supersedes the financial targets set in the Strategic Plan 2020-23. 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 £5m and year-end cash days to more than 30 days.
- Reduce borrowing to below 37% of income.
- Achieve Good financial health under the existing ESFA financial health assessment grading system.

Financial results

The Group generated an education specific EBITDA of £2.683m in 2020/21 (2019/20: £2.203m). This level of EBITDA is 5.9% of income as measured by the ESFA's Financial Health Assessment (2019/20: 4.5%). Overall, the College's financial health is classified as requires improvement under the ESFA model (2019/20: requires improvement). Total income has decreased to £46.242m (2019/20: £49.340m), largely due to a reduction in fees and other operating income. There has been a corresponding decrease in staff costs from £35.352m to £33.424m and a decrease in other operating expenses from £14.349m to £12.182m.

Tangible fixed asset additions during the year amounted to £18.724m. This was split between land and buildings acquired of £2.046m, equipment purchased of £2.475m and assets in course of construction of £14.203m, relating to the construction of the Institute of Technology.

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The College has continued to repay its existing loans, with no new loans required. The College acquired assets with a value of £1.193m during the year, funded through finance leases. The College's total borrowing including revolving credit facilities and finance leases is £18.466m (2019/20: £18.441m).

Cash Flows and Liquidity

At £2.404m (2019/20: £4.670m) net cash flow from operating activities was reasonably strong. The positive inflow is due to careful cost control to manage cash through the financial challenges created by the pandemic.

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. The College negotiated new bank covenants with Santander UK plc during the year. The revised covenants are based on net assets value (excluding pension liability and deferred capital grants), debt service cover and interest costs as a proportion of EBITDA. The College met all three bank covenant tests in place at 31 July 2021.

Developments

The construction of the Black Country and Marches Institute of Technology resulted in fixed asset additions during the year amounting to £14.2m. This was entirely for construction of the building. This was funded through £11.42m from the Department for Education, £1.197m West Midlands Combined Authority and £1.58m from the College's own reserves.

Reserves

The Group has accumulated reserves of -£15.614m and cash and short term investment balances of £4.956m. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund to meet future capital requirements.

Sources of Income

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2020/21, the funding bodies provided 90% of the group's total income.

COVID-19 had a negative impact on non-funded income during the year with reductions in a number of areas including £0.968m reduction in tuition fee income. Overall the impact of COVID-19 was estimated at circa £3.1m during the year.

Group Companies

The College had two subsidiary companies during the year, Dudley College Enterprises Limited and Transformational Technologies Partnership Limited. Transformational Technologies Partnership Limited 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 2021. Any surplus generated by a subsidiary is transferred to the College under Gift Aid.

FUTURE PROSPECTS

Future Developments

The College has recently completed construction of new facilities at the Black Country and Marches Institute of Technology (IoT). The IoT will offer a wide range of high-quality technical education programmes with clear pathways to skilled jobs in the following transformational sectors:

- Advanced Engineering & Manufacturing
- Modern Methods of Construction
- Medical Engineering & Healthcare
- Digital Technologies as a cross-cutting theme.

Specialising in higher level technical education programmes and Apprenticeships, the new employer-led Institute combines the College's training offer in collaboration with key partners including University of Wolverhampton, University of Worcester, and Avensys UK Limited.

Financial Plan

The College governors approved a financial strategy in July 2021 which sets metrics for the period to 2025. The College aims to improve its financial position, moving to a financial health grade of Good by 2022/23 and an EBITDA of 8% of income by 2022.

The College expects income to increase over the period as a result of a continued growth trend in students aged 16-18, apprenticeship provision delivered at the IoT and the College's responsive and flexible approach to meeting adult skills needs.

The College has been able to invest substantially in new buildings through grants and borrowing in recent years. Capital expenditure up to 2023 will therefore be limited and allow a focus on increasing cash reserves and financial resilience.

Treasury policies and objectives

The College has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities. Short-term borrowing for temporary revenue purposes is authorised by the Principal/Chief Executive Officer. All other borrowing requires the authorisation of the Corporation.

The College has no plans to increase borrowings and has met all three bank covenants during the year.

Reserves

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at -£15.614m (2020: -£11.834m). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has 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

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

A risk register is maintained at the College level which is reviewed at least 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.

The main risk factors affecting the College are outlined below along with the action taken to minimise them. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College. The number of risks has been increased as a result of COVID-19 which has been included as a separate risk as well as impacting on other areas. The key risks are:

- The failure to recruit sufficient high calibre industry standard staff to deliver higher technical and professional learning.
- The threat of cyber-security risks including phishing attacks, virus attacks and data breaches.

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- Risk of deteriorating financial health including short to medium term liquidity pressures arising directly from the impact of COVID-19 including reduced activity and income levels and increased costs of delivery.

The College has put in place mitigating actions against each of these risks that aim to reduce the risk assessment from high to at least medium. The uncertainties still remain about the long-term impact of COVID-19 and the external environment impacts from changing government policy.

KEY PERFORMANCE INDICATORS

The College's key performance indicator, targets and results are set out below:

Key performance indicator	Measure/ Target	Actual for 2020/21
EBITDA as % of income	4.00%	5.87%
Staff costs as % of income (excluding restructuring costs)	68.75%	69.60%
Borrowing as % of income	40.00%	40.40%
Net capital expenditure ('000)	£1,500	£3,292
Cash days in hand	20	42
Financial health grade	Requires Improvement	Requires Improvement

The target for borrowing as a percentage of income has not been met as a result of the impact of COVID-19 on income generation. The capital expenditure of £3.292m includes additional expenditure grant funded projects including the Institute of Technology and T Levels.

Student Achievements

Students continue to prosper at the College, despite the disruption to their studies as a result of the pandemic. Achievement rates remained high in 2019/20, 84.2% of students moved into employment, further or higher education after they completed College.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations 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.

During the accounting period 1 August 2020 to 31 July 2021, the College paid 65% of its invoices within 30 days. The College did not incur any interest charges in respect of late payment in this period.

EQUALITY AND DIVERSITY

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

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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's equality and diversity policy is published on the college's intranet site.

The College publishes its student and staff workforce data on an annual basis through the dashboard available on the website. Information is also provided to the Governors on an annual basis for both the staff workforce and for the recruitment activity which has taken place during the previous academic year.

The College is very proud of its disability confident leader status and were the first FE institution and employer in the Dudley Borough to achieve this. 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 and as a minimum all employees with a declared disability are met with on an annual basis to review their support needs.

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.

The College works with the Dudley Centre for Equality and Diversity and all external job advertisements are sent to them to promote to their members. The College has a newly established Equality and Diversity working party which has developed a new equality and diversity statement and action plan which outlines the College's commitment to these. We are delighted that two of our staff were accepted on the Education and Training Foundation Leadership in Diversity programme in 2020 with another member of staff joining the 2021 programme. The College is a member of Stonewall and is currently working with them through their accreditation process and as part of this over 50 College staff have recently attended Transgender training.

The College signed up to the AoC Mental Health and Wellbeing Charter and has established a Mental Health and Wellbeing working party. The College has also trained 16 mental health first aiders and implemented both the FIKA mental fitness app and the Big White Wall for both staff and students.

Gender pay gap reporting

	Year ending 31 March 2020
Mean gender pay gap	16%
Median gender pay gap	22%
Mean bonus gender pay gap	Not applicable
Median gender bonus gap	Not applicable
Proportion of males/females receiving a bonus	Bonus paid to one male

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The proportion of males and females in each quartile of the pay distribution are:

	Males	Females
1 - Lower quartile	30%	70%
2	41%	59%
3	57%	43%
4 – Upper quartile	54%	46%

The College publishes its annual gender pay gap report on its website.

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
- 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.

Trade union facility time

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

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Numbers of employees who were TU officials in the relevant period	FTE employee number
8	7.7

Percentage of time	Number of employees
0%	0
1-50%	8
51-99%	0
100%	0

Total cost of facility time	£37,214
Total pay bill	£31,013,650
Percentage of total bill spent on facility time	0.12%

Time spent on paid trade union activities as a percentage of total paid facility time	6.60%
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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 at least 12 months from the date of approval of these financial statements. The Corporation continually reviews the financial performance of the College and takes mitigating action to address any downturn in financial performance, including the impact of reduced enrolment numbers, commercial activity and increased costs associated with COVID-19.

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.

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 7 December 2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'D Whatton', consisting of a large, stylized 'D' with a horizontal stroke extending to the right.

D Whatton
Chair of the Corporation

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Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2021

GOVERNANCE STATEMENT

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2020 to 31 July 2021 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in 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 2021 and up to the date of these financial statements. This opinion is based on an internal review of compliance with the Code. 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, it 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.

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Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2021

THE CORPORATION

Members of the Corporation

The members who served on the Corporation during the year and up to the date of signature of this report were as follows:

Name	Status	Date appointed/ reappointed	Term Years	Committees served	Attendance in 2021/22
Lord Ian AUSTIN	External	10.11.20	4		6/7 (86%)
Liam BUTLER	External	11.02.20	4	Audit	12/15 80%
Katharine CLOUGH	External	10.11.19 (Note 1)	4	Standards	9/12 (75%)
Peter DAVIES	External	20.09.20 (Notes 1&2)	4	Remuneration (Ch) Finance & Estates (Ch)	
Wendy DAVIES	External	10.11.20	4	Audit	10/10 (100%)
Charlie HARVEY	External	10.12.18 (Note 1)	4	Audit (Ch)	7/9 (78%)
Alison HODGE	External	02.10.19 (Note 1)	4	Standards	12/12 (100%)
Helen LAWLEY	Student	01.08.19	2	Standards	11/12 (92%)
Valerie LITTLE	External	13.12.120	4	Finance & Estates (V-Ch) Search Remuneration	16/16 (100%)
Jason PARKER	External	11.02.20	4	Finance & Estates Remuneration	12/14 (86%)
Suhail RANA	Teaching Staff	25.03.18 (Note 1)	4	Standards (V-Ch)	11/11 (100%)
Liz SITHOLE	External	12.11.19	4	Finance & Estates	9/12 (75%)
Neil THOMAS	CE&P	01.01.20	N/A	Standards Finance & Estates Search	17/17 (100%)
Tom WESTLEY	External	09.11.17	4		7/8 (88%)
David WHATTON	External	19.03.19 (Note 1)	4	Remuneration Standards (Ch) Finance & Estates Search (Ch)	19/19 (100%)
Andrew WOODFORD	Support Staff		4	Finance & Estates	10/11 (91%)
Nirmal GUPTA	External	06.07.21	4	Audit	1/1 (100%)

David WHATTON served as Chair of the Corporation

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

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Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2021

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

Note 2 – Term of office extended for 1 year up to 31.03.21 (approved at Corporation Meeting 25.08.20)

The Governance Framework

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation held seven meetings in the year to 31 July 2021.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Standards, Finance and Estates, Search, Audit, and Remuneration. 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 Senior Officer Corporate Governance at:

Dudley College
The Broadway
Dudley
West Midlands
DY1 4AS

The Senior Officer Corporate Governance maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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

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

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Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2021

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 four years, except in exceptional circumstances. In the year 2020/21 the Corporation approved the extension of the appointment of Peter Davies, for a period of up to one additional year in order to retain his experience to support the work of the Corporation during the exceptional circumstances created by the COVID-19 pandemic. Peter Davies stepped down from the Corporation at 31 March 2021, having served an additional six months of the possible twelve month extension.

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2021 and graded itself as highly effective.

Remuneration Committee

Throughout the year ending 31 July 2021 the College's Remuneration Committee comprised four members of the Corporation. The Corporation has adopted the AoC's Colleges' Senior Post Holder Remuneration Code. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post holders.

Details of remuneration for the year ended 31 July 2021 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation and one co-opted member (membership excludes the Accounting Officer and the Chair of the Corporation). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2021

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

The Audit Committee met four times in the year to 31 July 2021. The members of the committee and their attendance records are shown below:

Committee member	Meetings attended
Ms C Harvey	3/4
Mr L Butler	4/4
Ms E Gopoza	2/4
Ms H Lawley	1/1
Ms S Birdi	3/4
Ms W Davies	3/3

INTERNAL CONTROL

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

The purpose of the system of internal control

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31 July 2021 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2021

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

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

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

Risks faced by the Corporation

The Corporation works with the Senior Leadership Group to understand and assess the key risks faced by the College. The Audit Committee scrutinises the risk register and challenges the leadership team on the assessment of risk, the response and the effectiveness of actions taken. The Corporation also has the opportunity to discuss risk in a wider setting and consider its appetite to individual risks. The Corporation recognises the high level risks in the ability to attract and retain high calibre staff particularly in technical vocations, the extent to which the College's cyber security measures are effective and the impact on the financial position and the student experience as a result of COVID-19.

Control weaknesses identified

The internal auditors identified a delay in the College's response times to freedom of information requests, this has now been rectified and the Audit Committee receive an annual report setting out the College's compliance with freedom of information requirements.

Responsibilities under Funding Agreements

The Corporation has responsibilities for ensuring that the College's funds are used only in accordance with the Corporation's powers as set out in the Further and Higher Education Act 1992 and the College's own statutory duties and other obligations.

The Chief Executive and Principal is responsible for advising the Corporation in writing if at any time, in his opinion, any action or policy under consideration by the Corporation is incompatible with the Department's Conditions of Funding. During the year the Chief Executive and Principal has no evidence that the Governing Body is acting, or intending to act, in breach of the Department's Conditions of Funding.

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2021

Statement from the Audit Committee

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

The specific areas of work undertaken by the Audit Committee in 2020/21 and up to the date of the approval of the financial statements are:

- A review of the internal auditors' annual report for 2020/21 provided the Committee with positive operational assurances and overall assurance, confirming that the College had an adequate and effective framework for risk management, governance and internal control in place, with the recommendations made throughout the year helping to identify further enhancements to the framework or risk management governance and internal control.
- A review of the report of the Financial Statements Auditor in respect of the 2020/21 accounts; the Committee noted that the financial statements auditors had not encountered any significant problems and, based on the work completed and subsequent conclusion of their work on going concern, anticipated issuing an unmodified Auditor's Report.
- Updates on risk management including the review of the Risk Management Policy, details of changes to the Risk Register and Action Plan updates were considered at each meeting.
- The Committee monitored the effectiveness of external and internal audit providers and made recommendations to the Corporation on their appointment, reappointment and remuneration.

Review of Effectiveness

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

- the work of the internal auditors
- the work of the senior leaders within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

The Senior Leadership Group receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Leadership Group and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

DUDLEY COLLEGE OF TECHNOLOGY

**Statement of Corporate Governance and Internal Control
For the Year Ended 31 July 2021**

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 receives reports thereon from the Senior Leadership Group and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Corporation have carried out an annual assessment for the year ended 31 July 2021 by considering documentation from the Senior Leadership Group and internal audit and taking account of events since 31 July 2021.

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 governance, risk management and control, and has fulfilled its statutory responsibility for *“the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets”*.

Approved by order of the members of the Corporation on 7 December 2021 and signed on its behalf by:



**D Whatton
Chair of the Corporation**



**N Thomas
Accounting Officer**

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Corporate Governance and Internal Control
For the Year Ended 31 July 2021

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

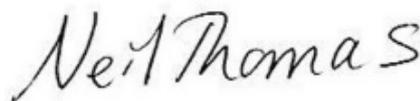
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the Corporation's grant funding agreement and contracts with the ESFA. As part of our consideration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

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

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the ESFA.



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 2021

The Corporation is responsible for preparing the Members' Report and the Corporation's Statement of Governance and Internal Control and the financial statements in accordance with the College's funding agreement with the Education and Skills Funding Agency (ESFA) and applicable law and regulations.

They are required to prepare the group and parent College financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the ESFA.

The Corporation is required to prepare financial statements which give a true and fair view of the state of affairs of the group and the parent College and of its income and expenditure, gains and losses and changes in reserves for that period. In preparing the group and parent College financial statements, the Corporation is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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 responsible for keeping adequate accounting records that are sufficient to show and explain the College's transactions and disclose with reasonable accuracy at any time the financial position of the College. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Corporation is also responsible for ensuring that:

- 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;
- 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 attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Responsibilities of the Members of the Corporation For the Year Ended 31 July 2021

- securing the economical, efficient and effective management of the Group and parent College's resources and expenditure.

The Corporation is responsible for the maintenance and integrity of the corporate and financial information included on the College's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the Members of the Corporation on 7 December 2021 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

Opinion

We have audited the financial statements of Dudley College ("the College") for the year ended 31 July 2021 which comprise the Consolidated and College Statements of Comprehensive Income and Expenditure, the Consolidated and College Statements of Changes in Reserves, the Consolidated and College Balance Sheets, the Statement of Cash Flows and related notes, including the accounting policies in note 1.

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 2021, 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*.

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 they do not intend to liquidate the Group or the College or to cease its operations, and as they have concluded that the Group and the College's financial position means that this is realistic. They have 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").

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.

Our conclusions based on this work:

- we consider that the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Corporation's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the College's ability to continue as a going concern for the going concern period.

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 above conclusions are 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

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Corporation, the Audit Committee, internal audit and inspection of policy documentation as to the Group’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Corporation and Audit Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants and regulatory performance targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk of understatement of potential clawback of adult and apprenticeships funding where funding targets have not been reached, of overstatement of funding where there is the potential to receive payment for over delivery against funding targets, that income from tuition fees is recorded in the wrong period, the risk that the Group’s management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as pension assumptions.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals whose descriptions included key words, entries made to unusual or seldom-used accounts, unbalanced journal entries, revenue journal entries posted to unexpected accounts and unusual postings to cash and borrowings.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Corporation and other management (as required by auditing standards), and from inspection of the Group’s regulatory and legal correspondence and discussed with the Corporation and other management the policies and procedures regarding compliance with laws and regulations.

DUDLEY COLLEGE OF TECHNOLOGY

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

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, taxation legislation, pensions legislation and specific disclosures required by post-16 education and skills legislation and regulation, charities legislation and related legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Group is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Corporation is responsible for the other information, which comprises the Members' Report and the Corporation's Statement of 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, except as explicitly stated below, 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; and
- in our opinion the information given in the Members' Report and the Corporation's Statement of Governance and Internal Control is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2020 to 2021 (March 2021) 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

DUDLEY COLLEGE OF TECHNOLOGY

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

- 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 24, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the 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;
- income has been applied in accordance with the articles of government;
- 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; and
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students

Matters on which we are required to report by exception

We are also required by the 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 4 to the financial statements has been materially misstated.

DUDLEY COLLEGE OF TECHNOLOGY

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

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 and 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: 16 December 2021

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

The framework that has been applied is set out in the Post-16 Audit Code of Practice 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 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the 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 2020 to 31 July 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Mark Dawson

For and on behalf of KPMG LLP, Reporting Accountant

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

Date: 16 December 2021

DUDLEY COLLEGE OF TECHNOLOGY

Consolidated and College Statements of Comprehensive Income For the Year Ended 31 July 2021

	Notes	Year ended 31 July 2021		Year ended 31 July 2020	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	41,814	41,814	42,113	42,113
Tuition fees and education contracts	3	2,733	2,733	3,701	3,701
Other income	5	1,695	1,695	3,525	3,525
Investment income	6	-	-	1	1
Total income		46,242	46,242	49,340	49,340
EXPENDITURE					
Staff costs	7	33,424	33,424	35,352	35,352
Other operating expenses	8	12,182	12,182	14,349	14,349
Depreciation and amortisation	11	3,814	3,814	3,403	3,403
Interest and other finance costs	9	1,207	1,207	1,114	1,114
Total expenditure		50,627	50,627	54,218	54,218
Deficit on continuing operations after depreciation of assets at valuation, exceptional items but before disposal of assets and tax		(4,385)	(4,385)	(4,878)	(4,878)
Loss on disposal of assets	11	(59)	(59)	-	-
Deficit on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		(4,444)	(4,444)	(4,878)	(4,878)
Taxation	10	-	-	-	-
Deficit on continuing operations after depreciation of assets at valuation and tax		(4,444)	(4,444)	(4,878)	(4,878)
Actuarial gain/(loss) in respect of pension scheme	20	664	664	(18,586)	(18,586)
Total Comprehensive Income and Expenditure for the year		(3,780)	(3,780)	(23,464)	(23,464)

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 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)	-
Total comprehensive income for the year	<u>(23,303)</u>	<u>(161)</u>	<u>(23,464)</u>
Balance at 31st July 2020	<u>(17,778)</u>	<u>5,944</u>	<u>(11,834)</u>
Balance at 1st August 2020	(17,778)	5,944	(11,834)
Deficit from the income and expenditure account	(4,444)	-	(4,444)
Other comprehensive income	664	-	664
Transfers between revaluation and income and expenditure reserves	161	(161)	-
Total comprehensive income for the year	<u>(3,619)</u>	<u>(161)</u>	<u>(3,780)</u>
Balance at 31st July 2021	<u>(21,397)</u>	<u>5,783</u>	<u>(15,614)</u>
College			
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	<u>(23,303)</u>	<u>(161)</u>	<u>(23,464)</u>
Balance at 31st July 2020	<u>(17,739)</u>	<u>5,944</u>	<u>(11,795)</u>

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 2020	(17,739)	5,944	(11,795)
Deficit from the income and expenditure account	(4,444)	-	(4,444)
Other comprehensive income			
Transfers between revaluation and income and expenditure reserves	664 161	- (161)	664 -
Total comprehensive income for the year	(3,619)	(161)	(3,780)
Balance at 31st July 2021	(21,358)	5,783	(15,575)

DUDLEY COLLEGE OF TECHNOLOGY

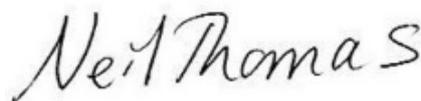
Consolidated Statement of Cash Flows For the Year Ended 31 July 2021

	Notes	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Fixed assets					
Tangible assets	11	83,232	83,232	68,466	68,466
Total fixed assets		83,232	83,232	68,466	68,466
Current assets					
Trade and other receivables	13	3,102	3,141	2,786	2,825
Cash and cash equivalents	18	4,956	4,956	3,668	3,668
		8,058	8,097	6,454	6,493
Creditors – amounts falling due within one year					
	14	(10,493)	(10,493)	(7,900)	(7,900)
Net current liabilities		(2,435)	(2,396)	(1,446)	(1,407)
Total assets less current liabilities					
		80,797	80,836	67,020	67,059
Creditors – amounts falling due after more than one year					
	15	(51,087)	(51,087)	(36,052)	(36,052)
Provisions					
Defined benefit obligations	20	(43,462)	(43,462)	(40,849)	(40,849)
Other provisions	17	(1,862)	(1,862)	(1,953)	(1,953)
Total net liabilities		(15,614)	(15,575)	(11,834)	(11,795)
Unrestricted reserves					
Income and expenditure account		(21,397)	(21,358)	(17,778)	(17,739)
Revaluation reserve		5,783	5,783	5,944	5,944
Total unrestricted reserves		(15,614)	(15,575)	(11,834)	(11,795)

The financial statements on pages 33 to 63 were approved and authorised for issue by the Corporation on 7 December 2021 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 2021

	Notes	2021 £'000	2020 £'000
Cash inflow from operating activities			
Deficit for the year		(4,444)	(4,878)
Adjustment for non-cash items			
Depreciation		3,814	3,403
Decrease in debtors		498	2,508
Decrease in creditors due within one year		(866)	(124)
Increase/(decrease) in creditors due after one year		63	(21)
Increase in provisions		3,188	3,526
Adjustment for investing or financing activities			
Investment income		-	(1)
Interest payable		625	674
Deferred Capital grants released in income		(532)	(417)
Loss on disposal of fixed assets		59	-
Net cash flow from operating activities		2,404	4,670
Cash flows from investing activities			
Deferred Capital grants received		15,288	4,513
Proceeds from sale of fixed assets		85	-
Payments made to acquire fixed assets		(15,889)	(8,676)
		(516)	(4,163)
Cash flows from financing activities			
Interest paid	9	(584)	(643)
Interest element of finance lease rental payments	9	(41)	(31)
New unsecured loans		-	2,100
Repayments of amounts borrowed	16	(583)	(576)
Capital element of finance lease rental payments	16	608	83
		(600)	933
Increase in cash and cash equivalents in the year		1,288	1,440
Cash and cash equivalents at beginning of the year	18	3,668	2,228
Cash and cash equivalents at end of the year	18	4,956	3,668

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

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 2020-2021 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 at least 12 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 ongoing 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:

- the uncertain impact on recruitment for apprenticeships, adults, commercial and Higher Education learners resulting from COVID-19;
- additional costs as a result of changes in government fiscal and education policy; and
- the potential impact on the college's ability to meet its performance indicators and the consequences of a weaker financial stability.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

I. ACCOUNTING POLICIES (continued)

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 subsidiary, Dudley College Enterprises Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 2021.

Recognition of Income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 funding is not subject to reconciliation and is therefore not subject to contract adjustments.

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

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

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

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the college is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

I. ACCOUNTING POLICIES (continued)

Fee income

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

Investment income

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

Post-Retirement Benefits

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

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the college in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Local Government Pension Scheme (LGPS)

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.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

I. ACCOUNTING POLICIES (continued)

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.

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced 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 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.

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.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

I. ACCOUNTING POLICIES (Continued)

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. Impairment testing will be carried out on all classifications of property and also any individual non-property assets with a net book value in excess of £100,000 at the reporting date.

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

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets 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.

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:

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

I. ACCOUNTING POLICIES (Continued)

- 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 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.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

I. ACCOUNTING POLICIES (Continued)

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.

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.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

I. ACCOUNTING POLICIES (Continued)

The College subsidiary company is 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 three members of staff dedicated to the administration of Learner Support Fund applications and payments.

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

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

I. ACCOUNTING POLICIES (Continued)

- 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 2021. 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.

2. FUNDING BODY GRANTS

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent Grants				
Education and Skills Funding Agency – adult	415	415	245	245
Education and Skills Funding Agency – 16-18	25,130	25,130	22,947	22,947
Education and Skills Funding Agency – apprenticeships	8,804	8,804	10,101	10,101
Devolved Authority - Adult	5,145	5,145	6,921	6,921
Office for Students	255	255	262	262
Non-Recurrent Grants				
ESFA Apprenticeship Non-Levy COVID relief	361	361	220	220
Specific Grants				
Office for Students	-	-	21	21
ESF Co-Financing	-	-	(6)	(6)
Releases of government capital grants	532	532	417	417
Free Meals	54	54	149	149
Teachers' Pension Scheme 1619	1,028	1,028	836	836
ESFA Projects	90	90	-	-
Total	41,814	41,814	42,113	42,113

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

3. TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Adult education fees	43	43	146	146
Apprenticeship fees and contracts	102	102	170	170
Fees for FE loan supported courses	407	407	706	706
Fees for HE loan supported courses	702	702	857	857
International student fees	40	40	550	550
Total tuition fees	1,294	1,294	2,429	2,429
Education contracts	1,439	1,439	1,272	1,272
Total	2,733	2,733	3,701	3,701

4. GRANT AND FEE INCOME

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Grant income from the Office for Students	255	255	283	283
Grant income from other bodies	41,469	41,469	41,830	41,830
Fee income for taught awards (excl of VAT)	1,294	1,294	2,022	2,022
Fee income from non-qualifying courses (excl of VAT)	-	-	407	407
Total	43,018	43,018	44,542	44,542

5. OTHER INCOME

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Catering and residences	6	6	34	34
Other Income generating activities	1,231	1,231	2,809	2,809
Other grant income (COVID-19 Furlough Grant income)	428	428	632	632
Miscellaneous income	30	30	50	50
Total	1,695	1,695	3,525	3,525

Under the Government's Job Retention Scheme, 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 2020/21. The funding received of £428,000 (2019/20 £632,000) relates to staff costs which are included within the staff costs note below as appropriate.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

6. INVESTMENT INCOME

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Other interest receivable	-	-		
Total	-	-	 	

7. STAFF COSTS – Group and College

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

	2021 No.	2020 No.
Teaching staff	328	353
Non-teaching staff	347	395
	675	748

Staff costs for the above persons

	2021 £'000	2020 £'000
Wages and salaries	23,028	24,289
Social security costs	2,148	2,285
Other pension costs	7,444	8,131
Payroll sub total	32,620	34,705
Restructuring costs	804	647
Total staff costs	33,424	35,352

The number of staff the restructuring costs related to was 52 (2020: 42)

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 and Principal, Deputy Principal, Vice Principals and Executive Director of Estates and Capital Projects.

	2021 No.	2020 No.
The number of key management personnel including the Accounting Officer was:	8	10

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

7. STAFF COSTS – Group and College (continued)

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	
	2021 No.	2020 No.	2021 No.	2020 No.
£60,001 to £65,000	1	-	5	5
£65,001 to £70,000	1	2	-	1
£70,001 to £75,000	1	-	-	-
£80,001 to £85,000	-	3	-	-
£85,001 to £90,000	3	2	-	-
£95,001 to £100,000	-	-	-	1
£115,001 to £120,000	1	-	-	-
£130,001 to £135,000	-	1	-	-
£140,001 to £145,000	-	1	-	-
£150,001 to £155,000	1	-	-	-
£155,001 to £160,000	-	1	-	-
	<u>8</u>	<u>10</u>	<u>5</u>	<u>7</u>

Key management personnel emoluments are made up as follows:

	2021 £'000	2020 £'000
Salaries	766	929
Payment in lieu of notice	144	-
Employers National Insurance	106	117
	<u>1,016</u>	<u>1,046</u>
Pension contributions	156	149
Total emoluments	<u>1,172</u>	<u>1,195</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)

	2021 £'000	2020 £'000
Salaries	153	88
Pension contributions	31	17
	<u>184</u>	<u>105</u>

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

7. STAFF COSTS – Group and College (continued)

Previous post holder (to 1st January 2020)

	2021 £'000	2020 £'000
Salaries	-	105
Payment in lieu of notice	-	54
Pension contributions	-	-
	<u>-</u>	<u>159</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.

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, which was last reviewed in January 2020, applies to all staff including senior post holders and in addition the College has adopted a Senior Post Holder Remuneration Policy, which was approved the Corporation in July 2021. In conjunction with the performance management policy, these policies are designed to motivate staff to achieve the College's strategic objectives.

As set out in the Senior Post Holder Remuneration Policy, 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

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

7. STAFF COSTS – Group and College (continued)

affordability. The committee's aim is to pay a competitive salary but a significant part of this is dependent upon performance.

The Chief Executive and Principal has performed very well during 2020/21, 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.

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.

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 Chief Executive and Principal emoluments and that of all other employees as a pay multiple, expressed as follows:

- Chief Executive and Principal's basic salary divided by the median pay of all other Corporation employees (all on a full-time equivalent basis); and
- Chief Executive and Principal'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 2020/21 was £30,652 per annum (2019/20: £32,508).

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.

Relationship of Chief Executive and Principal's pay and remuneration expressed as a multiple:

	2021	2020
Chief Executive and Principal's basic salary as a multiple of the median of all staff	5.0	4.6
Chief Executive and Principal's total remuneration as a multiple of the median of all staff	6.6	5.4

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

8. OTHER OPERATING EXPENSES

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	1,295	1,295	3,227	3,227
Non-teaching costs	7,903	7,903	7,734	7,734
Premises costs	2,984	2,984	3,388	3,388
Total	12,182	12,182	14,349	14,349

Other operating expenses include:	2021	2020
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	47	46
Internal audit**	30	30
Other services provided by the internal auditors	-	1

* includes £47,000 in respect of the College (2019/20 £46,200)

** includes £29,556 in respect of the College (2019/20 £30,484)

9. INTEREST PAYABLE – GROUP AND COLLEGE

	2021	2020
	£'000	£'000
On bank loans, overdrafts and other loans:		
Ordinary repayable wholly or partly in more than five years	584	643
	<u>584</u>	<u>643</u>
Pension finance costs (note 20)	557	403
Interest on provision for Enhanced pension payments	25	37
On finance leases	41	31
Total	1,207	1,114

10. TAXATION

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

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

II. TANGIBLE FIXED ASSETS

Cost or Valuation

	Freehold land and buildings £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
At 1 August 2020	67,101	19,350	5,379	91,830
Additions	2,046	2,475	14,203	18,724
Disposals	-	(204)	-	(204)
At 31 July 2021	69,147	21,621	19,582	110,350
Depreciation				
At 1 August 2020	11,644	11,720	-	23,364
Charge for the year	1,397	2,417	-	3,814
Disposals	-	(60)	-	(60)
At July 2021	13,041	14,077	-	27,118
Net book value at 31 July 2021	56,106	7,544	19,582	83,232
Net book value at 31 July 2020	55,457	7,630	5,379	68,466

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

	2021 £'000	2020 £'000
Depreciation charge on tangible fixed assets as above	3,814	3,403

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 £146,748 (2020: £151,345) 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.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

11. TANGIBLE FIXED ASSETS (continued)

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	Nil

The net book value of tangible fixed assets includes an amount of £2,392,778 (2020: £1,572,839) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £660,938 (2020: £436,441).

12. INVESTMENTS

The College owns 100% 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.

The College owns 100% of the issued shares of Dudley Borough College Limited, Dudley Business School Limited, Dudley Metropolitan College Limited, Dudley Sixth Partnership Limited, and Transformational Technologies Partnership Limited. These companies are non-trading and effectively dormant.

13. DEBTORS

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Amounts falling due within one year:				
Trade receivables	734	734	753	753
Amounts owed by group undertakings:				
Subsidiary undertakings	-	39	-	39
Amounts owed by the ESFA	671	671	803	803
Sundry debtors	1,275	1,275	687	687
Prepayments and accrued income	422	422	543	543
Total	3,102	3,141	2,786	2,825

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank loans and overdrafts	568	568	568	568
Obligations under finance leases	586	586	428	428
Trade payables	111	111	756	756
Sundry creditors	1,309	1,309	1,069	1,069
Other taxation and social security	486	486	547	547
Accruals and deferred income	6,550	6,550	4,114	4,114
Deferred income – government capital grants	883	883	418	418
Total	10,493	10,493	7,900	7,900

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

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank loans	16,529	16,529	17,112	17,112
Obligations under finance leases	783	783	333	333
Deferred income – government capital grants	33,615	33,615	18,510	18,510
Accruals and deferred income	160	160	73	73
Sundry Creditors	-	-	24	24
Total	51,087	51,087	36,052	36,052

16. BORROWINGS

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
In one year or less	568	568	568	568
Between one and two years	568	568	568	568
Between two and five years	5,703	5,703	5,703	5,703
In five years or more	10,258	10,258	10,841	10,841
Total	17,097	17,097	17,680	17,680

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

16. BORROWINGS (continued)

Bank loans totalling £17.097m (2020: £17.680m), repayable from 2015, are secured as follows:

- £7.348m fixed rate, repayable over 5 years (£1.820m), 10 years (£1.820m), 15 years (£1.820m) and more than 15 years (£1.888m);
- £5.748m 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 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
In one year or less	586	586	428	428
Between two and five years	783	783	333	333
Total	<u>1,369</u>	<u>1,369</u>	<u>761</u>	<u>761</u>

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

17. PROVISIONS FOR LIABILITIES

Group and College	Defined benefit Obligations £'000	Enhanced Pensions £'000	Total £'000
At 1 August 2020	40,849	1,953	42,802
Expenditure in the period	3,277	(89)	3,188
Transferred from income and expenditure account	(664)	(2)	(666)
At 31 July 2021	<u>43,462</u>	<u>1,862</u>	<u>45,324</u>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in note 20.

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:

	2021	2020
Interest rate	1.6%	1.3%
Inflation rate	2.6%	2.2%

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

18. CASH AND CASH EQUIVALENTS

Group and College	At 1 August 2020 £'000	Cash flows £'000	At 31 July 2021 £'000
Cash and cash equivalents	3,668	1,288	4,956
Debt due within 1 year	(568)	-	(568)
Debt due after 1 year	(17,112)	584	(16,528)
Total	(14,012)	1,872	(12,140)

19. CAPITAL COMMITMENTS

	Group and College	
	2021 £'000	2020 £'000
Commitments contracted for at 31 July	1,471	1,131

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	2021 £'000	2020 £'000
Teachers' Pension Scheme: contributions paid	2,744	2,839
Local Government Pension Scheme: Contributions paid	2,053	1,963
Deficit recovery/other movement	(81)	120
FRS 102 (28) charge	2,720	3,003
Charge to the Statement of Comprehensive Income	4,692	5,086
Enhanced pension charge to Statement of Comprehensive Income	8	206
	7,444	8,131

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 £205,000 (2020: £235,000) were payable to the LGPS scheme and are included within creditors.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

20. DEFINED BENEFIT OBLIGATIONS (continued)

Teachers' Pension Scheme

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

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

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

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

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

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 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year.

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

The pension costs paid to TPS in the year amounted to £2,744,000 (2020: £2,839,000).

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 2021 was £2,579,339 (of which employer's contributions totalled £2,015,053 and employees' contributions totalled £564,286). 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.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

20. DEFINED BENEFIT OBLIGATIONS (continued)

Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions of £278,000 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 2019 updated to 31 July 2021 by a qualified independent actuary:

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	3.9%	3.2%
Rate of increase for pensions in payment/inflation	2.9%	2.2%
Discount rate for scheme liabilities	1.6%	1.4%
Inflation assumption	2.9%	2.2%
Commutation of pensions to lump sums	50.0%	50%

In response to the ongoing reform of RPI, Barnett Waddingham have changed their approach to setting the CPI assumption: an increase in the Inflation Risk Premium and a reduction in the long-term difference between RPI and CPI. The combined impact of this change is circa £5.694m increase to the defined benefit obligation at 31 July 2021.

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

	At 31 July 2021	At 31 July 2020
Retiring today		
Males	21.60	21.90
Females	24.00	24.10
Retiring in 20 years		
Males	23.40	23.80
Females	25.80	26.00

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

20. DEFINED BENEFIT OBLIGATIONS (continued)

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

	Percentage of fund assets at 31 July 2021	Value at 31 July 2021 £'000	Percentage of fund assets at 31 July 2020	Value at 31 July 2020 £'000
Equities	61%	35,346	56%	27,344
Government Bonds	8%	4,795	11%	5,281
Other Bonds	6%	3,552	4%	1,888
Property	7%	4,076	8%	3,669
Cash	4%	2,137	7%	3,229
Other	14%	8,120	15%	7,264
Total market value of assets		<u>58,026</u>		<u>48,675</u>
Actual return on plan assets		<u>8,186</u>		<u>1,025</u>

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

	2021 £'000	2020 £'000
Fair value of plan assets	58,026	48,675
Present value of plan liabilities	(101,429)	(89,458)
Present value of unfunded liabilities	(59)	(66)
Net pensions liability	<u>(43,462)</u>	<u>(40,849)</u>

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

	2021 £'000	2020 £'000
Current service cost	4,766	3,621
Past service cost	183	-
Total operating charge	<u>4,949</u>	<u>3,621</u>

Past service costs above include £Nil (2020: £Nil) in relation to the estimated impact of the recent McCloud judgement. This represents approximately Nil% (2020: Nil%) of total liabilities.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

20. DEFINED BENEFIT OBLIGATIONS (continued)

Amounts included in investment income

	2021 £'000	2020 £'000
Net interest income	(557)	(403)

Amounts recognised in other comprehensive income

	2021 £'000	2020 £'000
Return on pension plan assets	7,496	(26)
Experience losses arising defined benefit obligations	1,531	(3,349)
Changes in assumption underlying the present value of plan liabilities	(8,363)	(12,025)
Liabilities assumed on settlements	-	(3,186)
Amount recognised in Other Comprehensive Income	664	(18,586)

Movement in net defined benefit liability during the year

	2021 £'000	2020 £'000
Deficit in scheme at 1 August	(40,849)	(18,857)
Movement in year:		
Current service cost	(4,766)	(3,621)
Employer contributions	2,236	1,963
Past service cost	(183)	-
Admin expenses	(7)	(28)
Net interest on the defined benefit liability	(557)	(403)
Actuarial gain/(loss)	664	(18,586)
Liabilities assumed on settlements	-	(1,317)
Net defined benefit liability at 31 July	(43,462)	(40,849)

Asset and Liability Reconciliation

Movement in the present value of defined benefit obligations were as follows:

	2021 £'000	2020 £'000
Defined benefit obligations at start of period	89,524	66,631
Current service cost	4,766	3,621
Interest cost	1,247	1,454
Contributions by Scheme participants	581	610
Changes if financial assumptions	9,710	10,169
Changes in demographic assumptions	(1,347)	1,856
Experience loss on defined benefit obligation	(1,531)	3,349
Estimated benefits paid	(1,638)	(937)
Past Service costs including curtailments	183	-
Curtailments and unfunded pension payments	(7)	-
Liabilities assumed on settlements	-	2,771
	101,488	89,524

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

20. DEFINED BENEFIT OBLIGATIONS (continued)

	2021 £'000	2020 £'000
Fair value of plan assets at start of period	48,675	47,774
Interest on plan assets	690	1,051
Return on plan assets less interest	7,496	(26)
Other actuarial loss	-	(3,186)
Administration expenses	(7)	(28)
Employer contributions	2,236	1,963
Contributions by Scheme participants	581	610
Estimated benefits paid	(1,645)	(937)
Settlement prices received	-	1,454
Assets at end of period	58,026	48,675

The estimated value of employer contributions for the year ended 31 July 2022 is £2,055,000.

21. POST-BALANCE SHEET EVENTS

There are no post balance sheet events to report.

22. LEASE OBLIGATIONS

The Group and College has no operating leases at 31 July 2021 (2020: £Nil)

23. CONTINGENT LIABILITIES

The Group and College had no contingent liabilities at 31 July 2021 (2020: £Nil)

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 £Nil; Nil governors (2020: £194; 15 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2020: None).

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2021

24. RELATED PARTY TRANSACTIONS (continued)

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 Beacon Hill 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 2020/21 amounted to £363,000 (2019/20: £284,000). This has been invoiced and appears in these financial statements.

25. AMOUNTS DISBURSED AS AGENT

Learner support funds

	2021 £'000	2020 £'000
ESFA grants – hardship funds	846	1,207
ESFA grants – childcare	-	-
ESFA grants – discretionary ESOL	-	-
	<u>846</u>	<u>1,207</u>
Disbursed to students	(804)	(1,150)
Administration costs	<u>(42)</u>	<u>(57)</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 is now incorporated into the Adult Education Budget and is included in the Devolved Authority – Adults income line in note 2.