



**Annual Report
and
Consolidated Financial Statements**

**For the year ended
31 July 2019**

DUDLEY COLLEGE OF TECHNOLOGY

Annual Report and Consolidated Financial Statements For the Year Ended 31 July 2019

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CORPORATION MEMBERS REPORT

Nature, Objectives and Strategies

The Members present their report and the audited financial statements for the year ended 31 July 2019.

Public Benefit

Dudley College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 14 and 15.

In setting and reviewing the college's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

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

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

Legal Status:

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

Mission:

In August 2016, following a thorough consultation process involving the college's stakeholders, students and staff, the Corporation agreed a revised Strategic Plan 2016-19. The mission statement is:

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

"...by 2019 we will be recognised regionally, nationally and internationally simply as 'a great college'. We will consistently 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 improve business productivity, adding gross value."

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Our stakeholders will be delighted with our innovative curriculum, our focus on technical, professional and higher skills and our inspirational facilities. For young people, adults, employers and wider partners Dudley College of Technology will be the 'college of choice'."

In delivering our mission we recognise the diverse needs of our learners. We have therefore structured this plan around our six 'key client groups'.

Apprentices

Full Time Learners Aged 16-18 Years.

Full Time A Level Learners Aged 16-18 Years.

Full Time and Part Time Adult Education Learners.

Higher Skills Learners.

Dudley College Worldwide.

Implementation of the Strategic Plan & Performance Indicators:

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

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

The college is in the process of finalising its Strategic Plan 2020-23 after an extensive consultation exercise with stakeholders. The plan will be released and available on the college website in early 2020.

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 soon to be released Strategic Plan 2020-23 includes a section on the college's financial strategy, which sets out the financial targets for the college over the next 3 years. The college will undertake a range of actions to further improve its financial strength over the course of the strategic plan so that by 2023 the college will:-

- Profitably grow income to over £55m and Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) to over £5m (9%+ of income).
- Increase year-end cash to over £4m and year-end cash days to more than 30 days.
- Reduce borrowing to below 30% of income.
- Achieve Outstanding financial health under the existing ESFA financial health assessment grading system.

Performance Indicators

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

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The college is required to complete the annual finance record for the Education & Skills Funding Agency (ESFA) for the 2018/19 results and from February 2020, will complete the ESFA's new Integrated Financial Model for Colleges which will replace the existing finance record and 3-year plan going forwards.

FINANCIAL POSITION

Financial results

The Group generated an education specific EBITDA of £3.175m in 2018/19 (compared to £3.499m in 2017/18). This level of EBITDA is 7.3% of income as measured by the ESFA's Financial Health Assessment and is classified as good (compared to 8.8% in 2017/18). The EBITDA is based on the Group operating deficit in 2018/19 of £1,939k (2017/18 deficit £687k) shown in the Statement of Comprehensive Income, and adding back depreciation of £3.291m, interest and finance costs of £1.118m, FRS102 adjustments of £1.172m and deducting the release of capital grants of £0.467m.

	2018-19 (£000's)	2017-18 (£000's)
Total deficit for the year	(1,939)	(687)
Add back (Gain)/loss on disposal of fixed assets	-	(56)
Deficit after interest, tax, depreciation and amortisation costs but before gain/loss on disposal of fixed assets	(1,939)	(743)
Add back:		
Depreciation and amortisation	3,291	2,853
Interest and other finance costs	1,118	1,146
Taxation	-	-
Earnings before interest, tax, depreciation and amortisation costs (EBITDA)	2,470	3,256
Add back: Bank interest and investment income	-	-
Add back: Other FRS102 adjustments	1,172	1,192
Add back: Release of capital grants	(467)	(949)
EBITDA – education specific	3,175	3,499

The Group has accumulated reserves of £11.630m (2017/18 £15.951m) and cash of £2.228m (equivalent to approximately 20 cash days under the financial metrics measure) (2017/18 overdraft of £1.110m).

Tangible fixed asset additions during the year amounted to £1.636m. This was split between land and buildings acquired of £0.579m and equipment purchased of £1.057m.

The college places significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19 the funding bodies provided 83% of the college's total income.

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The college had two subsidiary companies during the year, TRFM Limited (TRFM) and Dudley College Enterprises Limited. Both Dudley College Enterprises Limited and TRFM did not trade in the year ended 31 July 2019. Following the transfer of TRFM operations into the college's operations on 1 May 2017, TRFM was subsequently struck off at Companies House on 18 September 2018. This removes the need to provide separate audited accounts for TRFM for the year ended 31 July 2019, whilst noting that any operations that previously went through TRFM are now fully consolidated in the college and Group financial statements. Any surplus generated by a subsidiary is transferred to the college under Gift Aid.

Treasury policies and objectives

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

The college has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

The college experienced a net inflow of operating cash in the year of £2.07m (2017/18 £2.983m inflow). The overall cash increase of £3.338m was primarily the result of new bank facilities provided by our existing bank, Santander UK plc, with the introduction of a Revolving Credit Facility replacing the previous overdraft.

Liquidity

The size of the college's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. This is also monitored annually through the bank covenant tests in place with Santander UK plc.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

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

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

Payment Performance

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

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During the accounting period 1 August 2018 to 31 July 2019, the college did not achieve this target, however the college did not incur any interest charges in respect of late payment in this period.

Post Balance Sheet Events

The college completed the transfer of approximately two thirds of the staff, learners, learning provision and any associated assets required to deliver the provision, including the Arts & Design Centre at Brierley Hill, from Birmingham Metropolitan College's Stourbridge operations in August 2019 for a total payment of £2.1m.

Future Developments

The college ESFA funding for 2019/20 has been confirmed at £30.3m for young people, 16-18 Apprenticeships and Adult Skills Provision (including Additional Learning Support). This figure excludes the levy funded apprenticeships as there is no contract allocation to deliver this provision. Following devolution of the Adult Skills Budget (AEB), the college has also secured a further £6.4m allocation of core AEB provision delivery from the West Midlands Combined Authority.

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

RESOURCES

The college has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the main college sites at Advance I, Advance II, Broadway, Dudley Sixth, Enhance, Evolve, Wolverhampton Street and at the Waterfront in Brierley Hill.

Financial

The group has £11.63m of net assets and bank borrowings of £16.156m as at 31st July 2019.

People

The college employs 681 people (expressed as full time equivalents), of whom 455 are teaching staff (including assessors).

Reputation

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Based on the strategic plan, the college Senior Leadership Group undertakes a comprehensive review of the risks to which the college is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the college.

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The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions.

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

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

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

RISKS

Major risks to the college

In developing the soon to be released Strategic Plan 2020-23, the college has identified the high level risks which may potentially impede the college in achieving the outcomes detailed in that plan. In total, twelve high level risks and the proposed mitigation strategies were identified, the top four of which are set out below. Not all the factors are within the college's control. Other factors besides those listed below and in the new strategic plan may also adversely affect the college.

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

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

Whilst we have no direct control over Government funding allocations, we will continue to promote the value of funding further and higher skills development both locally and nationally through our extensive networks and the Association of Colleges, Love Our Colleges campaign. We will ensure we maintain the very strong track record of revising our plans and managing our finances in line with any changes in public funding.

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

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

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

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external auditing of programmes and procedures to management, audit committee and the Corporation.

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

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

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

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

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

STAKEHOLDER RELATIONSHIPS

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

- Learners.
- Education sector funding bodies.
- Staff.
- Employers (with specific links).
- The Black Country Local Enterprise Partnership.
- Local Authorities, including the newly created West Midlands Combined Authority.
- Dudley Academies Trust and other Dudley Sixth feeder schools.
- The local community.
- Other FE colleges and Universities.
- Trade Unions.
- Professional bodies.

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

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

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(now called Beacon Hill Academy), Hillcrest School and Community College (now called The Link Academy) and The Holly Hall Academy (now called Pegasus Academy).

Equal opportunities and employment of disabled persons

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

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

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

Disability Statement

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

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

- Individual learning support.
- Specialist tutors.
- Communicators or facilitators.
- Dyslexia support.
- Loan of specialist equipment for use in college.
- Special arrangements for examinations.
- 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 (pagers are available from Reception).
- A portable loop system communicator for hearing impaired learners available for Classrooms.

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- Induction loops to reception areas, theatres, hall and main conference rooms.

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

Staff and Learner Involvement:

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

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

Disclosure of information to auditors:

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the college's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant information and to establish that the college's auditors are aware of that information.

Approved by order of the members of the Corporation on 10th December 2019 and signed on its behalf by:



D Whatton
Chair of the Corporation

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Professional advisers:

Financial Statement & Regularity Auditors	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH
Internal auditors	ICCA Education, Training & Skills 1 th Floor, McClaren House 46 The Priory, Queensway Birmingham B7 4LR
Bankers	Santander UK Plc Customer Service Centre Bootle Merseyside L30 4GB
Solicitors	Browne Jacobson LLP Victoria Square House Victoria Square Birmingham B2 4BU
	Eversheds Sutherland 1 Wood Street London EC2V 7WS
	George Green & Co 195 High Street Cradley Heath West Midlands B64 5HW
	Gowling WLG Two Snowhill Birmingham B4 6WR
	Shakespeare Martineau 1 Colmore Square Birmingham B4 6AA

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Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2019

CORPORATE GOVERNANCE

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in accordance with the English Colleges' Code of Good Governance ("the Colleges' Code") and;
- iii. having due regard to the UK Corporate Governance Code 2016 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 2016. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code 2016 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 2019. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

In carrying out its responsibilities, the Corporation takes full account of The Colleges' Code of Governance issued by the Association of Colleges in March 2015, which it formally adopted in July 2015.

The Colleges' Code is voluntary. However, the Accounts Direction 2018/19 sets out that a college must comply with it (Annex A) or have due regard to the UK Corporate Governance Code 2016.

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

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the English Colleges' Code of Good Governance and the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied. In the opinion of the Corporation, the College complies with all the provisions of the Codes in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31st July 2019.

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Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2019

CORPORATE GOVERNANCE

The Corporation

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

Name	Status	Date appointed/ reappointed	Term Years	Committees served	No. of meetings attended 18/19 (%)
Katharine CLOUGH	External	10.11.19 [Note 1]	4	Strategic Impact Apprenticeships	9/12 (75%)
Peter DAVIES	External	21.09.16 [Note 1]	4	Strategic Impact FT&Adult (V-ch) Strategic Impact Apprenticeships (Ch) Remuneration (Ch) Audit (V-ch)	18/21 86%
Martin DUDLEY	External	27.03.16 [Note 1]	4	Dudley Advance (Ch) [Note 4] Strategic Impact Apprenticeships Remuneration (V-ch)	14/16 (88%)
Aldrich GONSALVES	Student	01.08.19 [Note 1]	1	Strategic Impact FT&Adult	9/11 (82%)
Charlie HARVEY	External	10.12.18 [Note 1]	4	Audit (Ch)	11/14 (79%)
Alison HODGE	External	02.10.19 [Note 1]	4	Dudley Advance [Note 4] Strategic Impact Apprenticeships	12/13 (92%)
David JOHNSON	External	24.04.15	4	Audit (Ch) 17.18 (V-ch) 18.19 [Note 2]	9/10 (90%)
Valerie LITTLE	External	13.12.16	4	Strategic Impact FT&Adult	12/13 (92%)
Ellesia MELBOURNE	Student	28.09.18	1	Strategic Impact Apprenticeships	7/11 (64%)
Suhail RANA	Teaching Staff	25.03.18 [Note 1]	4	Strategic Impact FT&Adult	10/11 (91%)
Andy ROBINSON	External	08.11.16	4	Dudley Advance [Note 4]	5/9 (56%)
Jonathan SANDHU	Support Staff	22.04.16	4	Strategic Impact FT&Adult	9/11 (82%)
Laura WAKELIN	External [Notes 1&3]	03.10.14	4	Strategic Impact FT&Adult Remuneration	12/15 (80%)
Tom WESTLEY	External	09.11.17	4	Dudley Advance (V-ch) [Note 4]	3/9 (33%)

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David WHATTON	External	19.03.19 [Note 1]	4	Strategic Impact FT&Adult (Ch) Strategic Impact Apprenticeships (V-Ch) Remuneration	16/16 (100%)
Lowell WILLIAMS	CEO	10.03.08	N/A		8/9 (89%)

Edgar WILLIAMS served as Clerk to the Corporation during the year until retirement on 12.11.18.

Peter DAVIES served as Chair of the Corporation until 31.12.18

David WHATTON serves as Chair of the Corporation from 01.01.19

Gill DARWOOD serves as Senior Officer – Corporation Governance (Clerk to the Corporation) from 12.11.18.

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

Note 2 – Resigned as a Corporation Member 23.04.19

Note 3 – Resigned as a Corporation Member 31.07.19

Note 4 – Dudley Advance Advisory Committee dissolved after its final meeting of 02.10.18

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 nine meetings in 2018/19.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. During the Academic Year 2018/19, the committee structure consisted of the Strategic Impact Committee Full-time Young Learners & Adult Education, Strategic Impact Committee Apprenticeships, Higher Education & Worldwide, Search Committee, Audit Committee, Remuneration Committee and Dudley Advance Advisory Committee. All committees met at least termly. Full minutes of all meetings by the Corporation are published on the College's website (except those deemed to be confidential) and are available from the Clerk to the Corporation at:

Dudley College
The Broadway
Dudley
West Midlands
DY1 4AS

The Clerk to the Corporation maintains a register of financial and personal interests of both the members of the Corporation, the senior managers of the College and the Clerk. The register is available for inspection at the College. All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Corporation for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2019

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 Officer are separate.

Appointments to the Corporation

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

Members of the Corporation are appointed for a term of office not exceeding 4 years.

Remuneration Committee

The Remuneration Committee has responsibility to make recommendations to the Corporation on the remuneration and benefits of the Chief Executive Officer and other senior post holders. The Corporation has adopted the AoC's Colleges' Senior Post Holder Remuneration Code. Details of remuneration for the year ended 31st July 2019 are set out in note 7 to the financial statements.

Audit Committee

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

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

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed audit plan and report their findings to management and the Audit Committee. Management are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

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

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Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2019

INTERNAL CONTROL

Scope of Responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Corporation has delegated the day to day responsibility to the Chief Executive Officer, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum 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 designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the College for the year ended 31st July 2019 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 on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31st July 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The Risk and Control Framework

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

- Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Corporation.
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts.
- Setting targets to measure financial and other performance.
- Clearly defined capital investment control guidelines.
- The adoption of formal project management disciplines, where appropriate.

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2019

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

Review of Effectiveness

As Accounting Officer, the Chief Executive Officer has responsibility for reviewing the effectiveness of the system of internal control. The Chief Executive Officer's review of the effectiveness of the system of internal control is informed by:

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

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

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

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

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

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Corporate Governance and Internal Control For the Year Ended 31 July 2019

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

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


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

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

Going Concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 10th December 2019 and signed on its behalf by:



D Whatton
Chair of the Corporation



L Williams
Accounting Officer

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Responsibilities of the Members of the Corporation For the Year Ended 31 July 2019

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

Within the terms and conditions of the College's grant funding agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2018 to 2019* issued by the ESFA, and which give a true and fair view of the state of affairs of the group and the parent College and the result for that year.

In preparing the group and parent College financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the group and parent College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation, including the Further and Higher Education Act 1992 and Charities Act 2011, and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the group and parent College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public

DUDLEY COLLEGE OF TECHNOLOGY

Statement of Responsibilities of the Members of the Corporation For the Year Ended 31 July 2019

and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the group and parent College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 10th December 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'D Whatton', with a large loop and a long horizontal stroke extending to the right.

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 of Technology ("the College") for the year ended 31 July 2019 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Balance Sheets, the Consolidated Statement of Cash Flows and the 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 2019, and of the Group's and the College's income and expenditure, gains and losses, changes in reserves, and 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 2015 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 the College's ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

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

DUDLEY COLLEGE OF TECHNOLOGY

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

Other information

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

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

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2018 to 2019 (February 2019) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 20, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

DUDLEY COLLEGE OF TECHNOLOGY

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

The purpose of our audit work and to whom we owe our responsibilities

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



Anthony Felthouse
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham

Date: 17 December 2019

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 1 June 2017 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 of Technology during the period 1 August 2018 to 31 July 2019 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 has other assurance arrangements in place.

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

Respective responsibilities of Dudley College of Technology and the reporting accountant

The corporation of Dudley College of Technology 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 1 August 2018 to 31 July 2019 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

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

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 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Anthony Felthouse
For and on behalf of KPMG LLP, Reporting Accountant
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham

Date: 17 December 2019

DUDLEY COLLEGE OF TECHNOLOGY

Consolidated and College Statements of Comprehensive Income For the Year Ended 31 July 2019

	Notes	Year ended 31 July		Year ended 31 July	
		2019	2019	2018	2018
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	36,718	36,718	33,650	33,650
Tuition fees and education contracts	3	3,936	3,936	4,002	4,002
Other grants and contracts	4	-	-	29	29
Other income	5	3,415	3,415	2,961	2,961
Investment income	6	-	-	-	-
Total income		44,069	44,069	40,642	40,642
EXPENDITURE					
Staff costs	7	27,840	27,840	25,494	25,494
Other operating expenses	8	13,759	14,147	11,892	11,892
Depreciation and amortisation	11	3,291	3,291	2,853	2,853
Interest and other finance costs	9	1,118	1,118	1,146	1,146
Total expenditure		46,008	46,396	41,385	41,385
Deficit on continuing operations after depreciation of assets at valuation, exceptional items but before disposal of assets and tax		(1,939)	(2,327)	(743)	(743)
Profit on disposal of assets	11	-	-	56	56
Deficit on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		(1,939)	(2,327)	(687)	(687)
Taxation	10	-	-	-	-
Deficit on continuing operations after depreciation of assets at valuation and tax		(1,939)	(2,327)	(687)	(687)
Actuarial (loss) / gain in respect of pension schemes	17	(2,382)	(2,382)	4,796	4,796
Total Comprehensive Income and Expenditure for the year		(4,321)	(4,709)	4,109	4,109

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 2017	5,623	6,219	11,842
Deficit from the income and expenditure account	(687)	-	(687)
Other comprehensive income	4,796	-	4,796
Transfers between revaluation and income and expenditure reserves	(48)	48	-
Total comprehensive income for the year	4,061	48	4,109
Balance at 31st July 2018	9,684	6,267	15,951
Balance at 1st August 2018	9,684	6,267	15,951
Deficit from the income and expenditure account	(1,939)	-	(1,939)
Other comprehensive income	(2,382)	-	(2,382)
Transfers between revaluation and income and expenditure reserves	162	(162)	-
Total comprehensive income for the year	(4,159)	(162)	(4,321)
Balance at 31st July 2019	5,525	6,105	11,630
College			
Balance at 1st August 2017	6,050	6,219	12,269
Deficit from the income and expenditure account	(687)	-	(687)
Other comprehensive income	4,796	-	4,796
Transfers between revaluation and income and expenditure reserves	(48)	48	-
Total comprehensive income for the year	4,061	48	4,109
Balance at 31st July 2018	10,111	6,267	16,378
Balance at 1st August 2018	10,111	6,267	16,378
Deficit from the income and expenditure account	(2,327)	-	(2,327)
Other comprehensive income	(2,382)	-	(2,382)
Transfers between revaluation and income and expenditure reserves	162	(162)	-
Total comprehensive income for the year	(4,547)	(162)	(4,709)
Balance at 31st July 2019	5,564	6,105	11,669

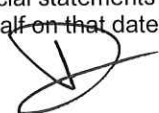
DUDLEY COLLEGE OF TECHNOLOGY

Balance Sheets

For the Year Ended 31 July 2019

	Notes	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Fixed assets					
Tangible assets	11	62,429	62,429	64,055	64,055
Total fixed assets		62,429	62,429	64,055	64,055
Current assets					
Debtors	13	4,864	4,903	3,456	3,890
Cash at bank and in hand		2,228	2,228	-	-
Total current assets		7,092	7,131	3,456	3,890
Less: Creditors – amounts falling due within one year	14	(7,063)	(7,063)	(7,709)	(7,716)
Net current assets/(liabilities)		29	68	(4,253)	(3,826)
Total assets less current liabilities		62,458	62,497	59,802	60,229
Less: Creditors – amounts falling due after more than one year	15	(30,138)	(30,138)	(27,006)	(27,006)
Provisions					
Defined benefit obligations	17/20	(18,857)	(18,857)	(15,181)	(15,181)
Other provisions	17	(1,833)	(1,833)	(1,664)	(1,664)
TOTAL NET ASSETS		11,630	11,669	15,951	16,378
Unrestricted reserves					
Income and expenditure account		5,525	5,564	9,684	10,111
Revaluation reserve		6,105	6,105	6,267	6,267
Total unrestricted reserves		11,630	11,669	15,951	16,378

The financial statements on pages 27 to 56 were approved by the Corporation on 10th December 2019 and were signed on its behalf on that date by:


D Whatton
Chair

L Williams
Accounting Officer



DUDLEY COLLEGE OF TECHNOLOGY

Consolidated Statement of Cash Flows For the Year Ended 31 July 2019

	Notes	2019 £'000	2018 £'000
Cash inflow from operating activities			
Deficit for the year		(1,939)	(687)
Adjustment for non-cash items			
Depreciation	11	3,291	2,853
Increase in debtors	13	(1,408)	(1,122)
Increase in creditors due within one year	14	385	732
Increase/(Decrease) in creditors due after one year	15	47	(9)
Increase in provisions		1,463	1,590
Adjustment for investing or financing activities			
Interest payable	9	706	631
Deferred Capital grants released in income		(446)	(949)
Profit on sale of Fixed assets	11	-	(56)
Fixed asset reconciliation adjustment		(29)	-
Net cash flow from operating activities		2,070	2,983
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	640
Deferred Capital grants received		-	122
Payments made to acquire fixed assets	11	(1,401)	(4,818)
		(1,401)	(4,056)
Cash flows from financing activities			
Interest paid	9	(670)	(607)
Interest element of finance lease rental payments	9	(36)	(24)
New unsecured loans		4,062	-
Repayments of amounts borrowed	16	(715)	(715)
Capital element of finance lease rental payments	16	28	276
		2,669	(1,070)
Increase/(decrease) in cash and cash equivalents in the year		3,338	(2,143)
Cash and cash equivalents at beginning of the year	18	(1,110)	1,033
Cash and cash equivalents at end of the year	18	2,228	(1,110)

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

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 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2018 to 2019 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The college is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention 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.

At 31 July 2019 the college had loan facilities with Santander UK Plc. The college's forecasts and financial projections indicate that it will be able to operate within these facilities and covenants for the foreseeable future.

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

Basis of Consolidation

The consolidated financial statements include the college and its subsidiaries, Dudley College Enterprises Limited and TRFM Limited prior to its dissolution on 18 September 2018, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the students' union have not been consolidated because the college does not control those activities. All financial statements are made up to 31 July 2019.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

I. ACCOUNTING POLICIES (continued)

Recognition of Income

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

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

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

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

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

Post-Retirement Benefits

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

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

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

The LGPS is a funded scheme and the assets are held separately from those of the college in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

1. ACCOUNTING POLICIES (continued)

equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities.

The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs.

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

Enhanced Pensions

The actual cost of any enhanced on-going pension to a former member of staff is paid by the college annually. In the case of staff who were members of the TPS, an estimate of the expected 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 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

a] Land and buildings

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

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

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

I. ACCOUNTING POLICIES (continued)

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

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

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

b] Assets under construction

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

Subsequent expenditure on existing fixed assets.

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

- Market value of the fixed asset has subsequently improved.
- Asset capacity increases.
- Substantial improvement in the quality of output or reduction in operating costs.
- Significant extension of the asset's life beyond that conferred by repairs and maintenance.

Buildings owned by third parties.

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

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

c] Equipment

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

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

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

1. 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. The college also owned 100% of the issued share capital of TRFM Limited, which was established in 2011 and was dissolved on the 18 September 2018.

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 2019

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.

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

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

I. ACCOUNTING POLICIES (Continued)

Deferred Taxation

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

Provisions

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

Agency Arrangements

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

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.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

2. FUNDING BODY GRANTS

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent Grants				
Education and Skills Funding Agency – adult	5,985	5,985	5,251	5,251
Education and Skills Funding Agency – 16-18	20,326	20,326	18,271	18,271
Education and Skills Funding Agency – apps	9,448	9,448	8,671	8,671
Office for Students	298	298	282	282
Specific Grants				
OfS	21	21	18	18
ESF Co-Financing	53	53	76	76
Releases of government capital grants	446	446	902	902
Free School Meals	141	141	179	179
Total	36,718	36,718	33,650	33,650

3. TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	129	129	282	282
Apprenticeship fees and contracts	642	642	93	93
Fees for FE loan supported courses	465	465	781	781
Fees for HE loan supported courses	818	818	891	891
International student fees	1,098	1,098	1,411	1,411
Total tuition fees	3,152	3,152	3,458	3,458
Education contracts	784	784	544	544
Total	3,936	3,936	4,002	4,002

4. OTHER GRANTS AND CONTRACTS

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Non-government capital grants	-	-	29	29
Total	-	-	29	29

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements

For the Year Ended 31 July 2019

5. OTHER INCOME

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	46	46	50	50
Other Income generating activities	3,262	3,262	2,133	2,133
Other grant income (NCOP)	101	101	198	198
Miscellaneous income	6	6	580	580
Total	3,415	3,415	2,961	2,961

6. INVESTMENT INCOME

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'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, described as full-time equivalents, was:

	2019 No.	2018 No.
Teaching staff	455	431
Non-teaching staff	226	226
	681	657

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements

For the Year Ended 31 July 2019

7. STAFF COSTS – Group and College (Continued)

Staff costs for the above persons

	2019 £'000	2018 £'000
Wages and salaries	21,220	19,428
Social security costs	1,958	1,867
Other pension costs	4,644	4,190
Payroll sub total	27,822	25,485
Restructuring costs	18	9
Total staff costs	27,840	25,494

Key Management Personnel

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

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	6	6

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

	Key Management Personnel		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£60,001 to £65,000	-	-	1	2
£65,001 to £70,000	-	-	1	1
£70,001 to £75,000	-	1	-	1
£75,001 to £80,000	1	1	1	-
£80,001 to £85,000	1	-	-	-
£85,001 to £90,000	-	1	-	-
£105,001 to £110,000	-	1	-	-
£110,001 to £115,000	-	1	-	-
£115,001 to £120,000	1	-	-	-
£120,001 to £125,000	2	-	-	-
£175,001 to £180,000	-	1	-	-
£185,001 to £190,000	1	-	-	-
	6	6	3	4

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements

For the Year Ended 31 July 2019

7. STAFF COSTS – Group and College (Continued)

Key management personnel emoluments are made up as follows:

	2019 £'000	2018 £'000
Salaries	707	644
Employers National Insurance	93	81
	<u>800</u>	<u>725</u>
Pension contributions	114	99
Total emoluments	<u>914</u>	<u>824</u>

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

	2019 £'000	2018 £'000
Salaries	<u>187</u>	<u>182</u>
	<u>187</u>	<u>182</u>
Pension contributions	<u>28</u>	<u>29</u>

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

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

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements

For the Year Ended 31 July 2019

7. STAFF COSTS – Group and College (Continued)

Approach to Remuneration

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

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

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

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

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

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

Emoluments of the Chief Executive Officer (CEO)

Emoluments of CEO	2018/19 (year ended 31st July 2019)	2017/18 (year ended 31st July 2018)
Salary	£184,823	£182,092
Performance related pay	£0	£0
Benefits	£0	£0
Subtotal	£184,823	£182,092
Pension costs	£27,670	£29,314
Total	£212,493	£211,406

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

7. STAFF COSTS – Group and College (Continued)

Ratio to median pay of all employees

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

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

- CEO'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 2018/19 was £30,435 per annum (2017/18: £29,628).

The Fair Pay Review published in the Hutton Report for the public sector recommended that an organisation's pay multiple should be no greater than 1:20. The College's pay multiple based on the CEO's basic salary in 2018/19 was 1:6.1 (2017/18: 1:6.1) and based on the CEO's total emoluments was 1:7.0 (2017/18: 1:7.1).

8. OTHER OPERATING EXPENSES

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	3,441	3,441	2,338	2,338
Non-teaching costs	7,702	8,090	7,028	7,028
Premises costs	2,616	2,616	2,526	2,526
Total	13,759	14,147	11,892	11,892

Other operating expenses include:

	2019	2018
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	32	36
Internal audit**	14	18
Other services provided by the financial statements auditors	-	3
Other services provided by the internal auditors	-	-

* includes £32,280 in respect of the College (2017/18 £36,300)

** includes £13,824 in respect of the College (2017/18 £17,712)

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements

For the Year Ended 31 July 2019

9. INTEREST PAYABLE – GROUP AND COLLEGE

	2019 £'000	2018 £'000
On bank loans, overdrafts and other loans: Ordinarily repayable wholly or partly in more than five years	<u>670</u> 670	<u>607</u> 607
Pension finance costs	374	475
Interest on provision for Enhanced pension payments	38	40
On finance leases	<u>36</u>	<u>24</u>
Total	<u>1,118</u>	<u>1,146</u>

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 2019

II. TANGIBLE FIXED ASSETS

Group and College	Freehold land and buildings	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2018	63,836	16,992	80,828
Additions	579	1,057	1,636
Disposals	-	(74)	(74)
At 31 July 2019	64,415	17,975	82,390
Depreciation			
At 1 August 2018	9,107	7,666	16,773
Charge for the year	1,258	2,033	3,291
Elimination in respect of disposals	(29)	(74)	(103)
At 31 July 2019	10,336	9,625	19,961
Net book value at 31 July 2019	54,079	8,350	62,429
Net book value at 31 July 2018	54,729	9,326	64,055

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

	2019 £'000	2018 £'000
Depreciation charge on tangible fixed assets as above	3,291	2,853
	3,291	2,853

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

11. TANGIBLE FIXED ASSETS (continued)

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 £155,943 (2018: £160,541) 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 Financial Memorandum with the SFA, to surrender the proceeds.

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

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	Nil

The net book value of tangible fixed assets includes an amount of £1,325,036 (2018 £873,693) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £285,585 (2018 £175,161).

12. INVESTMENTS

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

The College also owned 100 per cent of the issued £1 shares in TRFM Limited, however this was subsequently dissolved on 18 September 2018.

13. DEBTORS

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts falling due within one year:				
Trade receivables	1,322	1,322	1,203	1,203
Amounts owed by group undertakings:				
Subsidiary undertakings	-	39	-	434
Amounts owed by the ESFA	1,804	1,804	1,276	1,276
Sundry debtors	1,336	1,336	683	683
Prepayments and accrued income	402	402	294	294
Total	4,864	4,903	3,456	3,890

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans and overdrafts	471	471	1,825	1,839
Obligations under finance leases	321	321	248	248
Trade payables	1,404	1,404	990	990
Sundry creditors	1,075	1,075	1,237	1,230
Other taxation and social security	493	493	458	458
Accruals and deferred income	2,875	2,875	1,954	1,954
Deferred income – government capital grants	424	424	408	408
Amounts owed to ESFA	-	-	589	589
Total	7,063	7,063	7,709	7,716

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

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans	15,685	15,685	12,094	12,094
Obligations under finance leases	357	357	402	402
Deferred income – government capital grants	13,978	13,978	14,439	14,439
Accruals and deferred income	68	68	-	-
Sundry Creditors	50	50	71	71
Total	30,138	30,138	27,006	27,006

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

16. BORROWINGS

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
In one year or less	471	471	715	715
Between one and two years	484	484	715	715
Between two and five years	5,388	5,388	1,719	1,719
In five years or more	9,813	9,813	9,660	9,660
Total	16,156	16,156	12,809	12,809

Bank loans totalling £16,156,250 (2018: £12,808,750), repayable from 2015, are secured as follows:

- £6.144m fixed rate, repayable over 5 years (£0.194m), 10 years (£2.38m) and 15 years (£3.57m);
- £5.95m variable rate at 1.75% over LIBOR.
- Revolving Credit Facility £4.062m.

(b) Finance leases

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

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
In one year or less	321	321	269	269
Between two and five years	357	357	381	381
Total	678	678	650	650

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

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

17. PROVISIONS FOR LIABILITIES

Group and College	Defined benefit Obligations	Enhanced Pensions	Total
	£'000	£'000	£'000
At 1 August 2018	15,181	1,664	16,845
Expenditure in the period	1,546	(83)	1,463
Transferred from income and expenditure account	2,130	252	2,382
At 31 July 2019	18,857	1,833	20,690

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:

	2019	2018
Interest rate	2.0%	2.3%
Inflation rate	2.2%	1.3%

18. CASH AND CASH EQUIVALENTS

Group and College	At 1 August 2018	Cash flows	At 31 July 2019
	£'000	£'000	£'000
Cash and cash equivalents	(1,110)	3,338	2,228
Debt due within 1 year	(715)	244	(471)
Debt due after 1 year	(12,094)	(3,591)	(15,685)
Total	(13,919)	(9)	(13,928)

19. CAPITAL COMMITMENTS

	Group and College	
	2019	2018
	£'000	£'000
Commitments contracted for at 31 July	26	117

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

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 the 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	2019 £'000	2018 £'000
Teachers' Pension Scheme: contributions paid	1,710	1,628
Local Government Pension Scheme:		
Contributions paid	1,649	1,397
Deficit recovery/other movement	145	-
FRS 102 (28) charge	1,149	1,152
Charge to the Statement of Comprehensive Income	2,943	2,549
Enhanced pension charge to Statement of Comprehensive Income	(9)	13
	4,644	4,190

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £394,000 (2018 £334,000) were payable to the LGPS scheme and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pensions Scheme ("TPS") is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2014.

These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by the public funds provided by Parliament. The TPS is an unfunded scheme and members contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

20. DEFINED BENEFIT OBLIGATIONS (continued)

The Teachers' Pensions Regulations 2010 require an annual account, to the Teachers' Pensions Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pensions Scheme

FRS 102 (28)

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

Accordingly, the college has taken advantage of the exemption in FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The college has set out above the information available on the scheme and the implications for the college in terms of the anticipated contribution rates.

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 2019 was £1,904,795. The agreed contribution rates for future years are 17.7% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Deficit contributions

The college has entered into an agreement with the LGPS to make additional contributions of £286,567 per annum in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.85%	3.85%
Rate of increase for pensions in payment / inflation	2.35%	2.35%
Discount rate for scheme liabilities	2.10%	2.65%
Inflation assumption	2.35%	2.35%
Commutation of pensions to lump sums	50%	50%

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

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

20. DEFINED BENEFIT OBLIGATIONS (continued)

The assumed life expectations on retirement age 65 are:

	At 31 July 2019	At 31 July 2018
Retiring today		
Males	20.90	21.90
Females	23.20	24.40
Retiring in 20 years		
Males	22.60	24.10
Females	25.00	26.70

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

	Percentage of fund assets at 31 July 2019	Value at 31 July 2019	Percentage of fund assets at 31 July 2018	Value at 31 July 2018
		£'000		£'000
Equities	60.00%	28,722	63%	27,588
Government Bonds	9.00%	4,524	7%	3,136
Other Bonds	4.00%	1,808	4%	1,614
Property	8.00%	3,900	8%	3,538
Cash	4.00%	1,725	4%	1,635
Other	15.00%	7,095	14%	6,086
Total market value of assets		47,774		43,597
Weighted average expected Long term rate of return	2.60%		2.60%	

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

	2019 £'000	2018 £'000
Fair value of plan assets	47,774	43,597
Present value of plan liabilities	(66,580)	(58,720)
Present value of unfunded liabilities	(51)	(58)
Net Pensions liability	(18,857)	(15,181)

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

20. DEFINED BENEFIT OBLIGATIONS (continued)

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

	2019 £'000	2018 £'000
Current service cost	2,798	2,571
Past service cost	467	-
Total operating charge	3,265	2,571

Past service costs above include £467,000 (2017/18: £nil) in relation to the estimated impact of the recent McCloud judgement. This represents approximately 0.7% of total liabilities.

Amounts included in investment income

	2019 £'000	2018 £'000
Net interest income	(374)	(475)
	(374)	(475)

Amounts recognised in other comprehensive income

Return on pension plan assets	1,626	920
Changes in assumption underlying the present value of plan liabilities	(3,756)	3,863
	(2,130)	4,783

Amounts included in investment income

Local Government Pension Scheme

Movement in net defined benefit liability during the year

	2019 £'000	2018 £'000
Deficit in scheme at 1 August	(15,181)	(18,297)
Movement in year:		
Current service cost	(2,798)	(2,571)
Employer contributions	2,116	1,397
Past service cost	(467)	-
Admin expenses	(23)	(18)
Net interest on the defined benefit liability	(374)	(475)
Actuarial (loss)/gain	(2,130)	4,783
Net defined benefit liability at 31 July	(18,857)	(15,181)

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements

For the Year Ended 31 July 2019

20. DEFINED BENEFIT OBLIGATIONS (continued)

Asset and Liability Reconciliation

	2019 £'000	2018 £'000
Movement in the present value of defined benefit obligations were as follows		
Defined benefit obligations at start of period	58,778	59,079
Current service cost	2,798	2,571
Interest cost	1,548	1,587
Contributions by Scheme participants	578	480
Changes if financial assumptions	7,272	(3,863)
Changes in demographic assumptions	(3,516)	-
Estimated benefits paid	(1,287)	(1,076)
Past Service cost	467	-
Curtailments and settlements	(7)	-
-	66,631	58,778
Movements in fair value of college's share of scheme assets		
Fair value of plan assets at start of period	43,597	40,782
Interest on plan assets	1,174	1,112
Return on plan assets less interest	1,626	920
Other actuarial gain	-	-
Administration expenses	(23)	(18)
Employer contributions	2,116	1,397
Contributions by Scheme participants	578	480
Estimated benefits paid	(1,294)	(1,076)
Assets at end of period	47,774	43,597

The estimated value of employer contributions for the year ended 31 July 2020 is £1,709,000.

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

21. POST-BALANCE SHEET EVENTS

The college completed the transfer of approximately two thirds of the staff, learners, learning provision and any associated assets required to deliver the provision, including the Arts & Design Centre at Brierley Hill, from Birmingham Metropolitan College's Stourbridge operations in August 2019 for a total payment of £2.1m.

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

22. LEASE OBLIGATIONS

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

	2019 £'000	2018 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than 5 years	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Other		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than 5 years	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

23. CONTINGENT LIABILITIES

The group and college had no contingent liabilities at 31st July 2019 (2018 : £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 £551; 17 governors (2018: £Nil; 17 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the college or its subsidiaries during the year (2018: None).

Transactions with the ESFA and OfS are detailed in notes 2, 3 and 14.

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

DUDLEY COLLEGE OF TECHNOLOGY

Notes to the Financial Statements For the Year Ended 31 July 2019

24. RELATED PARTY TRANSACTIONS (Continued)

and Visual Arts College (now called St. James Academy), The High Arcal School (now called Barr Beacon Academy), Hillcrest School and Community College (now called The Link Academy) and The Holly Hall Academy (now called Pegasus Academy).

The Service Level Agreement in respect of support services and supplier staff time provided to Dudley Academies Trust by the college for the year 2018/19 amounted to £282,000 (2017/18: £193,110). This has been invoiced and appears in these financial statements.

25. AMOUNTS DISBURSED AS AGENT

Learner support funds

	2019 £'000	2018 £'000
ESFA grants – hardship funds	1,030	966
ESFA grants – childcare	-	-
ESFA grants – discretionary ESOL	-	-
	<u>1,030</u>	<u>966</u>
Disbursed to students	(981)	(920)
Administration costs	(49)	(46)
	<u>-</u>	<u>-</u>
Balance unspent as at 31 July, included in creditors	-	-

Funding body grants are available solely for students. In the majority of instances, the college only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure consolidated in the college's financial statements relates to the discretionary bursary funding for adults, which from 2016/17 is now incorporated into the Adult Education Budget Block Grant, and is included in the ESFA – Adults income line in note 2.