MK College Group

Report and Financial Statements

for the year ended 31 July 2021

Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2020/21:

Julie Mills - CEO & Group Principal
Imelda Galvin – Group Chief Operating Officer
Annie Allen – Group Chief People Officer
Chris McLean (to 31 October 2020) – Principal (Campus)
Sally Alexander - Principal (Prison Services)
Alex Warner – Principal (IoT)

Board of Governors

A full list of Governors is given on page 11 and 12 of these financial statements.

Karen Brown acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:
Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Internal auditors:
Elucidate Consulting
Third Floor
207 Regent Street,
London
W1B 3HH

Bankers:
Lloyds Bank Plc
249 Silbury Boulevard
Central Milton Keynes
MK9 1NA

Solicitors:
Howes Percival
Nene House
4 Rushmills
Northampton
NN4 7YB

CONTENTS

Strategic Report
NATURE, OBJECTIVES AND STRATEGIES:

The governing body present their annual report together with the financial statements and auditor's report for Milton Keynes College Group ('College') for the year ended 31 July 2021.

Legal Status

The corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the business of Milton Keynes College. The College is an exempt charity for the purposes of the Charities Act 2011.

Vision and Purpose

Milton Keynes College launched its new *Fairer Futures* five-year strategy in this period, its first as Milton Keynes College Group. Our vision is *to use the power of education to create opportunities, champion talent and build fairer futures* and the means we will employ to achieve our vision, the 'why' that unites our group, are that:

> *We inspire positive social change in the people and communities we serve through delivering exceptional learning experiences to transform lives, achieving our vision of a fairer future for all.*

Our vision highlights the change we want to deliver to our communities: To use the power of education to create opportunities, champion talent and build fairer futures.

Public Benefit

The College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 11.

In setting and reviewing the College's strategic priorities (below), 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.

The city of Milton Keynes is one of the fastest growing in the UK. It has high levels of employment and hence very low levels of unemployment. This has benefitted College students, many of whom have progressed into good jobs and started careers in professional services, logistics, customer services, sports and leisure and engineering to name just a few sectors.

The College is at heart a community institution with the overarching charitable and community goal of providing first class education and educational services that enhance the life chances of its students, their families, and the communities in which they reside. The College is proud that it represents the whole community not just part.

Strategic aims

The College's strategic aims set out what MK College Group seeks to achieve over the duration of the strategy. These aims are designed to be flexible enough to adapt to changing environments and specific enough to anchor our vision and purpose in what we do, they are to:

1. Drive aspirational, innovative, and student-focussed educational experiences
2. Deliver the skills needed by employers to aid productivity
3. Develop meaningful partnerships to grow our influence and create opportunities
4. Promote and live fairness, equality, diversity, and inclusion
5. Achieve and maintain financial and operational sustainability

6. Create organisational unity around our shared vision and purpose

Financial objectives

The Board has challenged the Executive to deliver a financially sustainable college without the contribution of the prison education contracts. This process is phased over several years and the key principle for the 2020/21 budget was to deliver an overall College and Group surplus in 2021/22 (before retirement benefit accounting adjustments).

The Group is committed to observing the importance of sector measures and indicators and uses the *FE Choices* data available on the GOV.UK website which looks at measures such as success rates. The Group is required to complete an annual College Financial Forecasting Return (CFFR) for the Education and Skills Funding Agency (ESFA).

FINANCIAL POSITION

Financial results

The Group achieved a total comprehensive income deficit of £4.391m (2019/20 – deficit of £11.602m). This included £5.684m of FRS102 pension charges (2019/20 £13.013m). The deficit before other gains and losses was £3.999m (2019/20 – deficit of £1.351m). Prior to FRS102 pension charges, the College achieved an operational surplus of £1.293m for the year (2019/20 £1.411m).

The Group year-end net current assets show a liability of £1.282m (2019/20 – liability of £1.867m).

Group total net liabilities of £21.509m (2019/20 – net liabilities of £17.118m). The year-on-year movement is due to an increase in the Pension Benefit Obligation of £5.684m.

Current liabilities include a Deferred Capital Grant of £0.173m, and a Holiday Pay Accrual of £1m, neither of which is an immediate cash liability.

The Group has a year-end cash balance of £5.598m.

Tangible fixed asset additions during the year amounted to £2.875m. This spend split being Land & Buildings £0.740m, Equipment £0.313m, Computers £0.591m. Additions to assets in Construction totalled £1.231m.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2020/21 the FE funding bodies provided 79% of the Group's total income. The diversity of total income ratio is 18.9%, far in excess of the recent General FE benchmark of 7.4%

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 which includes its banking arrangements. Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and must comply with the requirements of the Funding Agreement.

Cash flows and liquidity

There was a £4.412 million net cash inflow (2019/20 £4.267 million net cash inflow), from operating activities. While there are net current liabilities of £1.282m, this included a holiday pay accrual of £1m and deferred capital grant of £0.173m, meaning that the underlying cash position is good.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow.

Reserves

The Group has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The Group reserves include £6.2m held in revaluation reserve. As at the balance sheet date the Income and Expenditure reserve stands in deficit at (£27.7m), 2019/20 deficit of (£23.4m). The Income and Expenditure reserve includes Pension Provisions of £48.5m (2019/20 - £42.8m). It is the Corporation's intention to begin increasing non-pension related reserves over the life of the strategic plan, with the generation of annual operating surpluses.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out within the Report of the Governing Body. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College has a net current liabilities position of £1.282m, (2019/20 liability of £1.867m), and net liabilities of (£21.509m), (2019/20 net liability of £17.118m). The change in net liabilities year on year is attributable to the increase the pensions liability.

At the year end the College has £0.175m of loans outstanding with bankers on terms negotiated in 2011. The outstanding balance was repaid in October 2021. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility for the foreseeable future.

The College's 5-year plan was to invest for growth in the initial 2 years and to affect a sustainable delivery model in years 3 to 5. This was achieved in years 3 and 4, delivering the budgeted surplus.

Having considered the ability of the College to adapt to adverse financial events through effective risk management and strong financial management processes and controls, the governors consider that the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. For this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

The College has a Local Government Pension Scheme deficit of £48.5m currently. This deficit has increased by £5.7m against last year. This highlights the vast fluctuations that can occur year on year depending based on a variety of factors outside the control of the College. Large pension deficits are unfortunately quite common within the sector, and are based on the annual actuarial estimates. Our auditors have reviewed these results and report that they are in line with sector norms.

Group companies

The College has four subsidiary companies, Prison Education Training Services (MK) Limited, MKC Commercial Ltd, MK Manpower Forum Ltd and Code Makers Academy Limited. Prison Education Training Services (MK) Limited and MK Manpower Forum Ltd were dormant during the year.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

The College delivered activity to 8,535 funded students during 2020/21 (2019/20 – 12,890). Of these, 4,139 (2019/20 – 4,346) were Campus based, of which 3,430 (2019/20 – 3,379) full time, and 709 (2019/20 – 967) part time. Prison Services delivered activity to 4,396 students (2019/20 – 8,544) across the 19 prisons in which it delivered offender learning. The significant reduction in learner numbers for Prisons was entirely attributable to restrictions relating to Covid-19 protocols.

Student achievements (Campus)

The College continues to make good progress in improving the quality of teaching, learning and assessment and has self-assessed as Grade 2 'Good' for the 2020/21 academic year which mirrors its current Ofsted grade given in June 2017.

2020/21

When looking at the data for campus achievement, it is important to consider the impact of the College Assessed Outcomes, in contrast to the traditional assessment process, as a result of COVID 19 that continued in 2020/21.

1. Headline vocational achievement is at 90.3%, a 4.3% decrease on 2019/20.
2. High grades for GCSE English are at 35.6%, 0.2% lower than 2019/20 and high grades for GCSE maths are at 38.7%, 8% higher than 2019/20.
3. Functional Skills English is at 50.6%, 19.4% lower than 2019/20.
4. Functional Skills maths is at 18.9%, 46.1% lower than 2019/20.
5. 16-18 vocational is 85.8%, a decrease of 3.3% in comparison to 2019/20.
6. Adult vocational is 93%, a decrease of 1.4% in comparison to 2019/20.
7. Adult Apprenticeships are at 53.8%, 9.9% down on 2019/20 and 16-18 Apprenticeships are at 59.8%, 0.4% up on 2019/20. Apprenticeships have been adversely affected by COVID 19, due to some learners being furloughed or being made redundant, and so either still waiting to complete or not being able to complete their programmes.

Functional skills were delivered entirely on-line in the year due to Covid-19 which has had a detrimental impact on results and is a picture reflected across other FE providers.

Student achievements (Prison Services)

The Milton Keynes College Group Prison Education Framework (PEF) Contract commenced on 1 April 2019 and is now into year three of the Contract. The College delivers in 19 prisons across three PEF Lots; LTHSE North, LTHSE South and South Central. Whilst delivery of the Contracts has been impacted by the Covid pandemic, we have continued to work with HMPPS and the MoJ to adapt the delivery model to meet learner need.

In the second year of the PEF Contract, once revised Contract arrangements were implemented, the College continued to deliver strong achievement rates. Between 1 April 2020 to 31 March 2021, across the 19 prisons, the College engaged with 3,767 individual prisoners to deliver 9,990 individual packages of learning with an achievement rate (Actual Success) of 99%. This level of engagement has continued into the third year of the contract, as new ways of working have become embedded. Between 1 April 2021 and 31 July 2021, the College has engaged with a further 3,182 individual prisoners to deliver a mix of 7,468 individual packages of learning and qualifications with an in-year achievement rate (Actual Success) of 97%.

The final achievement rate delivered by Milton Keynes College for PEF Contract Year 2 was the highest of the four PEF Suppliers.

Curriculum developments

2020/2021 has been seen continued disruption due to the COVID 19 pandemic, which impacted on campus delivery from the end of September 2020, when on-site activity and in-class was limited to ensure social distancing was maintained and isolation requirements followed. The College's FE campuses became mass Covid Testing centres at the beginning of terms, supporting more than 8,000 tests during the opening weeks of terms. Teaching teams in prison settings had minimal face-to-face contact with learning delivered remotely via in-cell learning packs. A planned programme of increasing student hours on site was curtailed in November with the introduction of a second national lockdown, followed by a third lockdown effective from 6th January. Classes were switched to 'on-line' delivery over this period and teachers and trainers responded extremely well, and continued to deliver effective, often innovative, sessions to students who were well supported by Teaching Assistants and Progress Mentors. Exams were disrupted for the second year and the College and the College enacted a substantial centre assessed grading process. Students were able to return to campus in a phased way from March 2021, although the return to face-to-face learning in prison settings has been much slower.

Student achievement rates have been sustained during the pandemic and there has been a strong focus on ensuring students have the skills necessary to progress to the next stage of their learning journey.

The Skills White paper was published in January 2021 and aligns perfectly with the College's approach to placing employers at the heart of defining local skills needs. The College heard in July 2021 that it had been successful in its bid to lead a Skills Accelerator Trailblazer pilot which will see the creation of a College Business Centre on its Chaffron Way Campus in 2022.

The South Central Institute of Technology graduated its first cohort of Higher National Certificate students and in partnership with leading tech employers including Microsoft UK, McAfee and CCL Solutions, piloted an innovative curriculum in which employers co-deliver in every element of the students learning. A very successful on-line launch event in July 2021 attracted significant interest and social media.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2020 to 31 July 2021, the College paid 96 per cent of its invoices within 30 days of the invoice date. The College incurred no interest charges in respect of late payment for this period.

Financial

The Group has £21.5m of net liabilities (including £48.5m pension liability).

People

The Group employs 1,244 people (expressed as headcount), of whom 753 are teaching staff.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has an embedded system of internal control, including financial, operational and risk management, which is designed to protect the College's assets and reputation.

Based on the strategic plan, on an ongoing basis the College Risk Management Group undertakes a comprehensive review of the high-level risks to which the College is exposed, and which pose a threat to the achievement of strategic objectives. The Risk Management Group considers systems and procedures, including specific preventable actions, to mitigate potential impacts on the College. Where considered necessary, new controls are introduced, and/or existing internal controls are further strengthened, whether this be in the form of challenge and scrutiny by the Risk Management Group, or reviews undertaken by the College's Internal Auditors, will review their effectiveness. In addition, the Risk Management Group considers risks which may arise as a result of a new area of work being undertaken by the College, and any such changes to the College's risk profile will be considered as part of the ongoing review of the Internal Audit Strategic Plan.

A risk register is maintained at the College level which is reviewed at least annually by the Audit and Risk Committee and more frequently, where necessary. The risk register identifies the key risks, the potential contributory factors, and the mitigating controls. For each risk an overall assessment is provided, which is subject to regular review and will change if the level of risk is reduced, or if a control weakness is identified which increases the likelihood of the risk occurring.

This is supported by a risk management training programme to raise awareness of risk throughout the College. In addition to focussing on internal risk priorities the framework takes account of sector risks.

The current COVID 19 pandemic has continued to significantly affect the day to day running of the College as it has all FE Colleges. However, on the financial front, the College has managed the risks well with no significant additional costs related to COVID 19. This was partly achieved by taking prompt action to manage costs in areas worst affected by COVID, particularly our Commercial areas.

The key risks currently identified are:

Key Risk	**Mitigations**
Safeguarding: Harm to students, staff and members of the wider college community	College Safeguarding Strategy, subject to annual review, which is supported by appropriate policies and procedures and training for all Staff
Data breach resulting in a fine and reputational damage	Approved policies and procedures which are regularly updated Online Data Protection training for all Staff Annual Information Security Training and acknowledgement of the Acceptable Usage Policy by all Staff.
Cyber Attack: Financial and / or data losses and reputational damage as a result of a cyber attack	Information Security Policy Use of Content Filters and Multi Factor Authorisation Active Scanning for vulnerabilities

Other risks include the reliance on continued government funding through the further education sector funding bodies and through the Office for Students. In 2020/21, 79% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. This risk is mitigated in several ways:

- Submission to the Register of apprenticeship training providers
- A robust strategy to operate with levy paying employers
- A strengthened apprenticeship sales team
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on provision that provides a solid financial contribution
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with funding bodies
- Close engagement with the Ministry of Justice
- Strong engagement with local employers

Operational risks include:

Buildings and infrastructure

A comprehensive asset conditions survey was carried out over the entire college estate in 2019 highlighted the need to invest in the current estate and infrastructure as the they had suffered from limited investment previously. The estates survey shaped a 5-year Estates Plan and help bring the buildings and infrastructure up to an appropriate level. Modernising and making them fully fit for purpose will require further investment, enabling the College to achieve an outstanding learning, and working environment, further enhancing the student and staff experience, increase efficiencies to meet the College's sustainability agenda and reducing running costs. The College has developed several significant funding applications to provide financial support to deliver significant capital developments.

Health and well-being

The nature of the Covid-19 outbreak during the year meant the raised risks of transmission of Covid-19 in the general population and was assessed by college management regularly to limit its potential for transmission on college sites. The College has a Business Continuity Plan covering a range of scenarios and takes advice from the regulatory and other public bodies such as the Department for Education (DfE), Department of Health (DoH), Public Health England (PHE) etc, to ensure that the College is clear about what it should do during the pandemic, and in planning for any emerging threats or developments of this nature. The steps taken are overseen by college management at weekly meetings of its Corporate Recovery Team (CoRT), of which the Principal and Chief Executive is a member. A review by PHE complimented the College on its approaches to its Covid-19 measures.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- Staff;
- Local employers;
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.
- Ministry of Justice
- Regional & national employers (IoT)

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

Trade union facility time (AA)

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

Numbers of employees in relevant period	FTE employee number
22	19.5

Percentage of time	Number of employees
1-50%	22

Total cost of facility time	£14,251
Total pay bill	£36.543m
Percentage of total bill spent on facility time	0.04%

Equal Opportunities

The College is committed to ensuring equality of opportunity for all who learn and work within it. It is a signatory of the Race at Work Charter. It holds Leaders in Diversity status which is currently due for review. It respects and values positively differences in age, disability, gender, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief and sexual orientation. It strives vigorously to remove conditions which place people at a disadvantage and works to be fully inclusive in its approach. Its commitment to equal opportunities is implemented, and monitored, on a planned basis through the Equality Strategy Review Group (ESRG) and the College publishes an Equality, Diversity and Inclusion (EDI) Report and Equality Objectives to ensure compliance with all relevant legislation.

The College undertakes equality impact assessments on all new policies, procedures and organisational changes. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College aligns with the Mindful Employer Charter initiative to assist the mental health and wellbeing of colleagues and is also a Disability Confident employer. The College has also employed a dedicated Equality, Diversity, and Inclusion Manager. The College also provides an Equality and Diversity online training programme which is mandatory for all colleagues. Refresher training and training for new starters is carried out regularly. The College has trained mental health first aiders who respond quickly to support students' needs.

Disability Statement

a. on an ongoing basis, any redevelopment of buildings ensures the installation of lifts and ramps so that most of the facilities will allow access to people with a disability;

b. the College has a Director of Inclusion who provides strategy and the implementation of advice and guidance and coordinates support where necessary for students with disabilities so that no student is left behind. The Equality and Diversity Policy is available on the College website.

c. there is a list of specialist equipment, such as lighting and audio facilities, which the College can make available for use by students;

d. the Admissions Policy for all students is available on our website. Appeals against a decision not to offer a place are dealt with under the Complaints Policy.

e. the College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of colleague development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;

f. specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format;

Colleagues are involved in decision making through representation on the Governing Body, the ESRG, and Employee Networks for LGBTQ, Disability, Cultural Diversity, Women and Men. The College works collaboratively with the recognised trades unions, UCU and Unison.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 14th December 2021 and signed on its behalf by:

David Meadowcroft,
Chair of Governors

Statement of Corporate Governance and Internal Control

GOVERNANCE CODE

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

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code")

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2021. This opinion is based on an internal review of compliance with the Code reported to the Board on 14 December 2021. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 12th November 2015.

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 CORPORATION

Members of the corporation

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

Name	*Date of appointment*	*Term of Office*	*Date of Resignation / Retirement*	*Status of appointment*	*Committees Served*	*Attendance in 2020/21 at Corporation Meetings (i.e. Board & formal Committees*)*
Richard Bartlett-Rawlings	03.10.19	3 years		Independent	Audit & Risk	10/12
Tony Berwick	08.05.19	3 years	05.11.20	Independent		1/1
Rebecca Carrington	30.11.20	3 years		Independent		7/9
Alan Cook	01.08.19	3 years		Independent	Audit & Risk (Chair) Remuneration	12/12
Peter Cox	19.07.20	3 years		Independent	Audit & Risk	12/12
Kaye Dwight	07.10.20	3 years		Staff		9/9
Mat Gotkowski	08.05.19	3 years		Independent	Audit & Risk	12/12

Name	*Date of appointment*	*Term of Office*	*Date of Resignation / Retirement*	*Status of appointment*	*Committees Served*	*Attendance in 2020/21 at Corporation Meetings (i.e. Board & formal Committees*)*
Marcela Grabowski	10.11.21	2 years		Student		n/a
Shalom Lloyd	06.12.21	3 years		Independent		n/a
Elizabeth Marr	16.03.21	3 years		Independent	Remuneration Vice-Chair of Corporation	10/11
David Meadowcroft	04.05.21	3 years		Independent	Chair of Corporation Remuneration	11/11
Julie Mills	01.02.11	Ex Officio		College CEO and Group Principal	Search & Governance	12/12
Asad Mir	06.11.19	3 years	11.05.21	Student		6/6
Stephen Norrish	23.11.18	3 years		Independent	Search & Governance (Chair)	11/12
Ruby Parmar	07.02.21	3 years		Independent	Remuneration	8/11
Georgia Pongourou	16.12.20	3 years	09.06.21	Student		3/4
Charlynne Pullen	17.07.19	3 years		Independent	Search & Governance	12/12
Ian Revell	10.06.21	3 years		Independent		1/1
Adam Rixon	10.11.21	2 years		Student		n/a
Neil Sainsbury	03.10.19	3 years		Independent		8/9
Aniesa Shah	01.10.19	3 years		Staff		6/9
Gwynneth Tan	19.07.20	3 years		Independent	Remuneration (Chair)	11/11
Manish Verma	08.05.19	3 years		Independent		6/9
Karen Brown acts as Clerk to the Corporation In accordance with the Board's Standing Orders, the leaving date for Stephen Norrish will be agreed prior to the end of the 2021/22 academic year.						

* Audit & Risk, Remuneration, Search & Governance

The overall attendance in 2020/21 was:

- Board meetings 90%
- Audit & Risk Committee 100%
- Search & Governance Committee 100%
- Remuneration Committee 80%

Additionally, governors met as members of the Curriculum & Quality Group, Finance Group and Property Development Monitoring Group (which are not formal committees).

The Governance Framework

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

The corporation is provided with regular and timely information on the overall financial performance of the college together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health & safety, equality, and diversity, safeguarding and environmental issues. The Corporation met nine times and held a virtual 'Awayday'.

The corporation conducted its business through regular corporation meetings, three committees (Audit & Risk, Remuneration and Search & Governance) and Task & Finish Groups. Each committee/ group has terms of reference which are approved by the corporation. The Audit & Risk Committee met three times, the Search and Governance Committee met three times, and the Remuneration Committee met twice. In response to COVID-19 guidelines, all meetings were held via Microsoft Teams.

Full minutes of all meetings, except those deemed to be confidential by the corporation, are available on the college's website (mkcollege.ac.uk) or from the clerk to the corporation at:

Milton Keynes College

Bletchley Campus

Sherwood Drive

Bletchley

Milton Keynes

MK3 6DR

The clerk to the corporation maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

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

Formal agendas, papers and reports are made available to governors in a timely manner, prior to meetings. Briefings are provided on an ad-hoc basis.

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

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate. The CEO & Group Principal is the College's Accounting Officer.

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 and Governance Committee** consisting of four members of the corporation, which is responsible for the selection and nomination of any new member for the corporation's consideration. The corporation is responsible for ensuring that appropriate training is provided as required.

Members of the corporation are appointed for a term of office not exceeding four years (usually three years). Members may apply to serve a further term (maximum usually three terms but exceptionally four terms).

Corporation Performance

The Corporation assesses its performance through a range of activities including self-assessment and feedback from the College's Leaders and Managers. In 2017, Ofsted judged leadership and management at the College, including governance, to be 'good'.

Remuneration Committee

Throughout the year ending 31 July 2021, the college's Remuneration Committee comprised five members of the corporation. The committee's responsibilities are to make decisions on the remuneration and benefits of the Accounting Officer and other senior post holders.

Details of the remuneration of key management personnel, including senior post holders, for the year ended 31 July 2021 are set out in note 7 to the financial statements.

The Corporation has adopted the AOC's Colleges' Senior Post Holder Remuneration Code.

Audit & Risk Committee

The Audit & Risk Committee comprises four members of the corporation (excluding the Accounting Officer, Chair of Governors, Staff Governors and Student Governors). There was one co-opted member in 2020/21. The committee operates in accordance with written terms of reference approved by the corporation.

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

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

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

The Audit and Risk Committee also advises the corporation on the appointment of internal auditors, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the corporation. The contracts for internal and external audit were subject to competitive tender in 2017/18 resulting in the change of internal and external auditors.

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

Committee Member	Number of Meetings Attended
Richard Bartlett-Rawlings	3/3
Alan Cook (Chair)	3/3
Peter Cox	3/3
Luke Ferebee (co-opted) (retired 16th November 2020)	0/0
Mat Gotkowski	3/3
Kuldip Kaur (co-optee)	3/3

Members have the appropriate skills and experience to challenge and support College management. The Committee Chair has extensive governance and financial experience. Other members include two qualified accountants and a retired corporate lawyer. The co-opted member has public sector audit and risk management experience.

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 CEO & Group Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Funding Agreement between Milton Keynes College and the funding bodies. She is also responsible for reporting to the corporation any material weaknesses or breakdowns in internal financial control.

The purpose of the system of internal control

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

Capacity to handle risk

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

The risk and control framework

The system of internal financial 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 governing body of periodic and annual financial forecasts which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the corporation on the recommendation of the Audit & Risk Committee. At least annually, the Head of Internal Audit (HIA) provides the corporation (via The Audit & Risk Committee) with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls, and governance processes. The following areas were subject to internal audit relating to the period 1 August 2020 to 31 July 2020/21: IT Strategy, IT Disaster Recovery Planning, Payroll, Business Continuity Plan, General Ledger, Public Interest Disclosure, Sub-contracting, Safeguarding, Prison Education, Estates Strategy, Programme / Project Management.

Risks faced by the Corporation

The Corporation has an Audit and Risk sub-committee that meets at least three times per year with an agenda to seek assurance on the College's risk management arrangements and to seek assurance from management as well as from independent bodies such as the internal audit service, statutory financial statements audit and other key reference bodies, including commissioning specific reviews where they are considered appropriate. Risks are assessed and scored against likelihood and impact then recalibrated after mitigating actions are taken, to arrive at a net risk score. The highest scoring risks receiving the greatest scrutiny. The sub-committee reports its findings and levels of assurance to the full corporation regularly.

During the year, the key strategic risks were:

1. Safeguarding
2. Data Breach
3. Cyber Attack

Responsibilities under funding agreements
The Corporation meets its responsibilities under funding agreements or contracts with the ESFA and other funding bodies through regular management reports to the Audit & Risk Sub-Committee supplemented by commissioning specific funding assurance reviews from the internal audit service as well as an annual funding audit by a professional services firm specialising in college funding.

Statement from the Audit & Risk Committee
Based on the work of the Audit & Risk Committee as set out in its annual report and the work of internal audit, the Audit & Risk Committee has advised the Board of Governors that the corporation has an effective framework for governance and risk management in place. The Audit and Risk Committee believes the corporation has effective internal controls in place.

The specific areas of work undertaken by the audit and risk committee in 2020/21 and up to the date of the approval of the financial statements includes:

- Risk management arrangements and the Strategic Risk Register
- Internal audit: agreeing the annual strategy and plan, reviewing audit reports, and approving the management response, tracking progress in implementing recommendations. The following areas were subject to internal audit relating to the period 1 August 2020 to 31 July 2020/21: IT Strategy, IT Disaster Recovery Planning, Payroll, Business Continuity Plan, General Ledger, Public Interest Disclosure, Sub-contracting, Safeguarding, Prison Education, Estates Strategy, Programme / Project Management. One was an advisory report (no opinion given), ten received 'satisfactory' assurance (highest level), two received 'moderate' assurance. Overall there were four 'significant' recommendations and eight 'merits attention' recommendations
- External audit: agreeing the annual strategy and plan and reviewing the post-audit management report
- Ensuring compliance with the Post-16 Audit Code of Practice (and revising the Committee's Terms of Reference accordingly)
- Agreeing changes to the Financial Regulations and recommending to the Board for approval

Review of effectiveness

As Accounting Officer, the CEO & Group Principal has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal financial control is informed by:

- the first line of defence: the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- the second line of defence: the work of the internal auditors
- the third line of defence: the findings of the college's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports

The Accounting Officer has been advised on the implications of the result of their review of the effectiveness of the system of internal control by the Audit and Risk Committee which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place. The CEO & Group Principal and the senior management team receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The CEO & Group Principal and senior management team and the Audit and Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

The Audit and Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and Audit and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2021 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2021.

Based on the advice of the audit and risk committee and the accounting officer, the corporation is of the opinion that the college has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *'the effective and efficient use of resources, the solvency of the institution and the corporate body and the safeguarding of their assets'*

Approved by order of the members of the Corporation 14 December 2021 and signed on its behalf by:

David Meadowcroft	**Julie Mills**
Chair of Governors	**CEO & Group Principal**

Statement of Regularity, Propriety and Compliance

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

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

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

David Meadowcroft
Chair of Governors

Julie Mills
CEO & Group Principal

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the corporation's grant funding agreements and contracts with ESFA and any other relevant funding bodies, the corporation – through its accounting officer – is required to prepare financial statements and, within the Members' Report, an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice, and which gives a true and fair view of the state of affairs of the corporation and surplus/deficit of income over expenditure for that period. In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report)
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the corporation will continue in operation

The corporation is also required to prepare a members' report that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.

The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the corporation and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

The corporation is responsible for the maintenance and integrity of its website(s); the work carried out by auditors does not involve consideration of these matters and, accordingly, 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, and any other public funds, 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 by the ESFA, or any other public funder. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the members of the corporation on 14th December 2021 and signed on its behalf by:

David Meadowcroft
Chair of Governors

Independent auditor's report to the Corporation of Milton Keynes College

Opinion

We have audited the financial statements of Milton Keynes College (the 'parent college') and its subsidiaries (the 'group')

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

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 July 2021 and of the its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- In all material respects, funds from whatever source administered by the provider for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- In all material respects, funds provided by the Office for Students (OfS), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- In all material respects, the requirements of the OfS accounts direction have been met.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The members of the Corporation are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Post 16 Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for the audit were not received.

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

- the group's and parent college's grant and fee income, as disclosed in note 2 to these financial statements has been materially misstated; or
- The parent college's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the members of the Corporation

As explained more fully in the statement of responsibilities of members of the Corporation, the members of the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members of the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Corporation are responsible for assessing the group's and the 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 the members of the Corporation either intend to liquidate the group and the parent college or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the Senior Statutory Auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the group and the parent college through discussions with management, and from our knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the group and the parent college, including the Further and Higher Education Act 1992, funding agreements with the ESFA and associated funding rules, ESFA regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the group's and the parent college's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias;

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of Corporation meetings;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing any available correspondence with HMRC and the parent college's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the members of the Corporation and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Use of our report

This report is made solely to the members of the Corporation, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the members of 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 parent college and the members of the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

Buzzacott LLP

Hugh Swainson
Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date:21.12.2021

Reporting Accountant's Assurance Report on Regularity

To: The corporation of Milton Keynes College and Secretary of State for Education, acting through Education and Skills Funding Agency (the ESFA)

In accordance with the terms of our engagement letter dated 4 October 2018 and further to the requirements and conditions of funding in the ESFA's 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, in all material respects, the expenditure disbursed and income received by Milton Keynes College during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Milton Keynes College and the reporting accountant

The corporation of Milton Keynes College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them. Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued 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. 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 corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;

- Further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.

Buzzacott LLP

21.12.2021
Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2021		Year ended 31 July 2020	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	38,636	38,222	38,030	38,030
Tuition fees and education contracts	3	5,163	5,025	6,083	6,083
Other grants and contracts	4	119	119	204	204
Other income	5	2,835	2,817	3,472	3,472
Investment income	6	-	-	14	14
Total income		**46,753**	**46,183**	**47,803**	**47,803**
EXPENDITURE					
Staff costs	7	36,926	36,211	35,117	35,117
Fundamental restructuring costs	7	332	332	309	309
Other operating expenses	8	11,501	11,444	11,943	11,943
Depreciation	11	1,368	1,368	1,191	1,191
Interest and other finance costs	9	625	625	594	594
Total expenditure		**50,752**	**49,980**	**49,154**	**49,154**
Deficit before tax		**(3,999)**	**(3,797)**	**(1,351)**	**(1,351)**
Taxation	10	-	-	-	-
Deficit for the year		**(3,999)**	**(3,797)**	**(1,351)**	**(1,351)**
Actuarial loss in respect of pensions schemes	20	(392)	(392)	(10,251)	(10,251)
Total Unrestricted Comprehensive Income for the year		**(4,391)**	**(4,189)**	**(11,602)**	**(11,602)**

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2019	(11,872)	6,356	(5,516)
Deficit from the income and expenditure account	(1,351)	-	(1,351)
Other comprehensive income	(10,251)	-	(10,251)
Transfers between revaluation and income and expenditure reserves	79	(79)	-
	(11,523)	(79)	(11,602)
Balance at 31st July 2020	(23,395)	6,277	(17,118)
Deficit from the income and expenditure account	(3,999)	-	(3,999)
Other comprehensive income	(392)	-	(392)
Transfers between revaluation and income and expenditure reserves	79	(79)	-
Total comprehensive income for the year	(4,312)	(79)	(4,391)
Balance at 31 July 2021	(27,707)	6,198	(21,509)
College			
Balance at 1st August 2019	(11,830)	6,356	(5,474)
Deficit from the income and expenditure account	(1,351)	-	(1,351)
Other comprehensive income	(10,251)	-	(10,251)
Transfers between revaluation and income and expenditure reserves	79	(79)	-
	(11,523)	(79)	(11,602)
Balance at 31st July 20120	(23,353)	6,277	(17,076)
Deficit from the income and expenditure account	(3,797)	-	(3,797)
Other comprehensive income	(392)	-	(392)
Transfers between revaluation and income and expenditure reserves	79	(79)	-
Total comprehensive income for the year	(4,110)	(79)	(4,189)
Balance at 31 July 2021	(27,463)	6,198	(21,265)

Balance sheets as at 31 July

	Notes	Group	College	Group	College
		2021	**2021**	**2020**	**2020**
		£'000	**£'000**	**£'000**	**£'000**
Non current assets					
Tangible Fixed assets	11	33,193	33,193	31,686	31,686
Investments	12	-	-	-	-
		33,193	**33,193**	**31,686**	**31,686**
Current assets					
Stocks		14	14	15	15
Trade and other receivables	13	2,416	2,660	2,358	2,400
Cash and cash equivalents	17	5,598	5,598	4,418	4,418
		8,028	**8,272**	**6,791**	**6,833**
Less: Creditors – amounts falling due within one year	14	(9,310)	(9,310)	(8,658)	(8,658)
Net current liabilities		**(1,282)**	**(1,038)**	**(1,867)**	**(1,825)**
Total assets less current liabilities		**31,911**	**32,155**	**29,819**	**29,861**
Creditors – amounts falling due after more than one year	15	(4,911)	(4,911)	(4,112)	(4,112)
Provisions					
Defined benefit obligations	20	(48,509)	(48,509)	(42,825)	(42,825)
Total net liabilities		**(21,509)**	**(21,265)**	**(17,118)**	**(17,076)**
Unrestricted Reserves					
Income and expenditure account		(27,707)	(27,463)	(23,395)	(23,353)
Revaluation reserve		6,198	6,198	6,277	6,277
Total unrestricted reserves		**(21,509)**	**(21,265)**	**(17,118)**	**(17,076)**

The financial statements on pages 25 to 46 were approved and authorised for issue by the Corporation on 14 December 2021 and were signed on its behalf on that date by:

David Meadowcroft
Chair of Governors

Julie Mills
CEO & Group Principal

Consolidated Statement of Cash Flows

	Notes	2021	2020
		£'000	£'000
Cash flow from operating activities			
Deficit for the year		(3,999)	(1,351)
Adjustment for non-cash items			
Depreciation		1,368	1,191
Decrease in stocks		-	8
(Increase) in debtors		(58)	(714)
Increase in creditors due within one year		828	2,355
Increase in creditors due after one year		974	12
Pensions costs less contributions payable		4,674	2,186
Adjustment for investing or financing activities			
Investment income		-	(14)
Interest payable		625	594
Net cash flow from operating activities		4,412	4,267
Cash flows from investing activities			
Investment income		-	14
Payments made to acquire fixed assets		(2,875)	(2,289)
		(2,875)	(2,275)
Cash flows from financing activities			
Interest paid		(7)	(18)
Repayments of amounts borrowed		(350)	(350)
		(357)	(368)
Increase in cash and cash equivalents in the year		**1,180**	**1,624**
Cash and cash equivalents at beginning of the year	17	4,418	2,794
Cash and cash equivalents at end of the year	17	5,598	4,418

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2020 to 2021* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.
The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Milton Keynes Manpower Forum Limited (dormant), Prison Education Training Services (MK) Limited (dormant), Code Makers Academy Limited and MKC Commercial Limited. All financial statements are made up to 31 July 2021.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

While the College has net current liabilities of £978k, it has £1m of holiday pay accrual and £173k of deferred capital grant that are not liabilities that will result in additional cash payments. The cash balance has grown by £1,180k during the year. The bank has also released the College from its covenants, with the loan being imminently due to be fully repaid.

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. Factored into these projections are prudent budget assumptions to safeguard against further COVID related risks.

Recognition of income

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

The recurrent grant from OFS represents the funding allocations attributable to the current financial year and is credited directly to the Statement of Comprehensive Income.
Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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

Capital grant funding

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

Fee Income

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

Investment income

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

Agency Arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds and any other arrangements. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the college where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

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

Buckinghamshire Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate 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 the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the college's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the FE HE SORP are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the College of 60 years. There was a review of all Freehold building in 2016, and following detailed site surveys, all major Freehold building lives adjusted to 60 years. All non-core building works asset lives remained as before. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life and refurbishment is depreciated over 10 years. The exception is for leasehold buildings where all improvements are depreciated over the remaining term of the lease.

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

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.

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 1992 but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on s straight line basis over its remaining useful economic life as follows:

- Motor vehicles - 33% on a straight line basis
- General equipment - 15 or 25% on a straight line basis
- Computer equipment - 20% on a straight line basis
- Furniture and Fittings - 15 or 25% on a straight line basis

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

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 to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. 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 an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between 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

Investments in subsidiaries

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

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

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 college has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at 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 income 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 definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 2% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

Provisions and contingent liabilities

Provisions are recognised when

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the

College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

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. 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.
- Prudent assumptions used for future cashflows forecasts, including factoring in potential COVID related risks including reduction in income.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Dilapidations*

The College has a building dilapidation provision to provide for estimated repairs for premises it has vacated. This estimate was based upon the landlord's surveyors report, taking into account the probable likelihood of specific repairs needing to be carried out prior to handing the premises back to the property owner.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to value the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2021	**2021**	**2020**	**2020**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Recurrent grants				
Education and Skills Funding Agency – 16-18	16,415	16,013	14,259	14,259
Education and Skills Funding Agency – Adult	2,835	2,823	3,094	3,094
Education and Skills Funding Agency - Apprenticeships	1,921	1,921	2,393	2,393
Office for Students	283	283	314	314
Specific grants				
Ministry of Justice – Prison Education Framework	15,947	15,947	16,960	16,960
Other Covid-19 related funding streams.	117	117	-	-
Teacher Pension Scheme contributions grant	945	945	837	837
Releases of government capital grants	173	173	173	173
Total	**38,636**	**38,222**	**38,030**	**38,030**

Grant and fee income for higher education courses

	Year ended 31 July		Year ended 31 July	
	2021	**2021**	**2020**	**2020**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Grant income from the Office for Students	283	283	314	314
Fee income from taught awards	1,349	1,213	2,727	2,727
Total	**1,632**	**1,496**	**3,041**	**3,041**

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2021	**2021**	**2020**	**2020**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Adult education fees	399	398	396	396
Apprenticeship contracts	170	169	268	268
Fees for FE loan supported courses	592	592	841	841
Fees for HE loan supported courses	1,632	1,496	2,727	2,727
International students fees	1	1	8	8
Total tuition fees	**2,794**	**2,656**	**4,240**	**4,240**
Education contracts	2,369	2,369	1,843	1,843
Total	**5,163**	**5,025**	**6,083**	**6,083**

4 Other grants and contracts	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grants and contracts	-	-	-	-
Coronavirus Job Retention Scheme grant	119	119	204	204
Total	**119**	**119**	**204**	**204**

The Corporation furloughed Catering, Nursery and Commercial staff under the government's Coronavirus Job Retention Scheme. The funding received of £119,374 relates to staff costs which are included within the staff costs note below as appropriate.

5 Other income	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£	£'000
Catering and residences	123	123	981	981
Other income generating activities	530	521	376	376
Other Initiatives	1,096	1,087	1,116	1,116
Commercial Activities/ Miscellaneous Income	418	418	493	493
Bursary Income (16-18 bursary income)	668	668	506	506
Total	**2,835**	**2,817**	**3,472**	**3.472**

6 Investment income	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	-	-	14	14
Total	**-**	**-**	**14**	**14**

7 Staff costs – Group and College

The average number of persons (including key management personnel) employed by the College during the year, described on a headcount basis, was:

	Year ended 31 July		Year ended 31 July	
	2021	**2021**	**2020**	**2020**
	Group	**College**	**Group**	**College**
	No	**No**	**No.**	**No.**
Teaching staff	753	749	806	806
Non-teaching staff	491	474	525	525
	1,244	**1,223**	**1,331**	**1,331**

Staff costs for the above persons

	2021	**2021**	**2020**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Wages and salaries	24,619	24,065	25,822	25,822
Social security costs	2,327	2,255	2,230	2,230
FRS 102 pension charge	4,674	4,674	2,186	2,186
Other pension costs	4,863	4,774	4,582	4,582
Payroll sub total	**36,483**	**35,768**	**34,820**	**34,820**
Contracted out staffing services	443	443	297	297
	36,926	**36,211**	**35,117**	**35,117**
Restructuring costs – Contractual	332	332	309	309
- Non contractual	-	-	-	-
Total Staff costs	**37,258**	**36,543**	**35,426**	**35,426**

The MK College Group operates salary exchange schemes for childcare vouchers and cycle to work schemes.

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. This is represented by the Executive Leadership Team which comprise of the CEO & Group Principal (Accounting Officer), Group Chief Operating Officer, Group Chief People Officer, Principal (Campus), Principal (Prison Services) and Principal (Institute of Technology). Staff costs include compensation paid to key management personnel for loss of office, where applicable.

Two of the members of the Executive Leadership Team and the Head of Governance are Senior Post Holders and their remuneration package is subject to regular reviews by the Remuneration Committee of the governing body, who use benchmarking information to provide objective guidance.

The CEO & Group Principal reports to the Chair of Governors, who undertakes an annual review of her performance against the college's overall objectives, using both qualitative and quantitative measures of performance.

The Corporation has adopted the AOC's Colleges' Senior Post Holders Remuneration Code.

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

	2021	**2020**
	No.	**No.**

The number of key management personnel including the Accounting Officer was:	7	7

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

	Key management personnel		**Other staff**	
	2021	**2020**	**2021**	**2020**
	No.	**No.**	**No.**	**No.**
£15,001 to £20,000 p.a.	1	-	-	-
£25,000 to £30,000 p.a.	-	1	-	-
£35,000 to £40,000 p.a.	-	1	-	-
£40,000 to £45,000 p.a.	1	-	-	-
£60,001 to £65,000 p.a.	-	-	5	6
£65,001 to £70,000 p.a.	1	-	3	3
£70,001 to £75,000 p.a.	-	1	2	1
£75,001 to £80,000 p.a.	-	-	2	1
£80,001 to £85,000 p.a.	1	-	1	1
£85,001 to £90,000 p.a.	-	1	2	-
£90,001 to £95,000 p.a.	1	-	-	-
£105,001 to £110,000 p.a.	-	1	-	-
£110,001 to £115,000 p.a.	1	1	-	-
£145,001 to £150,000 p.a.	-	1	-	-
£160,001 to £165,000 p.a.	1	-	-	-
	7	**7**	**15**	**12**

Key management personnel emoluments is made up as follows:

	2021	**2020**
	£'000	**£'000**
Salaries- gross of salary sacrifice and waived emoluments	542	557
Benefits in kind	-	-
	542	557
Pension contributions	302	106
	844	663

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place. The above emoluments include amounts payable to the Accounting Officer of:

	2021	**2020**
	£'000	**£'000**
Salaries	164	150
Benefits in kind	-	-
	164	150
Pension contributions	39	35

Relationship of the Accounting Officer's pay to the median of all staff:

Accounting Officer's basic salary as a multiple of the median of all staff	6.0	5.7
Accounting Officer's total remuneration as a multiple of the median of all staff	6.3	6.0

Compensation for loss of office paid to former key management personnel

	2021	2020
	£'000	£'000
Compensation paid to the former post-holder	35	-
Estimated value of other benefits, including provisions for pension benefits	132	-
	167	0

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

8 Other operating expenses

	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	3,967	3,943	5,026	5,026
Non-teaching costs	5,387	5,359	4,294	4,294
Premises costs	2,147	2,142	2,623	2,623
Total	**11,501**	**11,444**	**11,943**	**11,943**

Other operating expenses include:	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
Auditors' remuneration:				
Financial statements audit	34	31	39	39
Internal audit	31	31	40	40
Hire of assets under operating leases	765	765	267	267

9 Interest and other finance costs – Group and College

	2021	2020
	£'000	£'000
On bank loans, overdrafts and other loans	7	18
Net interest on defined pension liability (note 20)	618	576
Total	**625**	**594**

10 Taxation

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

11 Tangible fixed assets (Group and college)

	Land and buildings		Equipment	Computers	Assets in the course of construction	Total
	Freehold	Long leasehold				
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 August 2020	45,732	2,969	3,887	4,217	1,029	57,834
Additions	740	-	313	591	1,231	2,875
At 31 July 2021	**46,472**	**2,969**	**4,200**	**4,808**	**2,260**	**60,709**
Depreciation						
At 1 August 2020	**16,867**	**2,969**	**2,760**	**3,552**	**-**	**26,148**
Charge for the year	777	-	209	382	-	1,368
At 31 July 2021	**17,644**	**2,969**	**2,969**	**3,934**	**-**	**27,516**
Net book value at 31 July 2021	**28,828**	**-**	**1,231**	**874**	**2,260**	**33,193**
Net book value at 31 July 2020	28,865	-	1,127	665	1,029	31,686

Land and buildings inherited from the Local Education Authority were valued in 1995 at depreciated replacement value by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the Local Education Authority at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

12 Non-current investments

	College 2021	College 2020
	£	£
Investments in subsidiary companies	4	4
Total	**4**	**4**

The Group's subsidiary undertakings are as follows:

The Group owns 100 per cent of the issued ordinary £1 shares of Prison Education Training Services (MK) Limited and Milton Keynes Manpower Forum Limited, both companies being incorporated in England and Wales, and dormant throughout the period.

The Group also owns 100 per cent of the issued ordinary £1 shares of The Code Makers Academy Limited, a company incorporated in England and Wales. The principal business activity of The Code Makers Academy Limited is carrying out training of students in Higher Education. During the accounting period it made a loss of £202k.

The Group owns 100 per cent of the issued ordinary £1 shares of MKC Commercial Limited. The principal activity of MKC Commercial Limited is the provision of staff to Milton Keynes College Group. During the accounting period it achieved a breakeven position.

13 Trade and other receivables

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Amounts falling due within one year:				
Trade receivables	177	177	209	209
Amounts owed by group undertakings:				
Subsidiary undertakings	-	244	-	42
Prepayments and accrued income	2,239	2,239	2,149	2,149
Total	**2,416**	**2,660**	**2,358**	**2,400**

14 Creditors: amounts falling due within one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank loans and overdrafts	175	175	350	350
Trade payables	691	691	1,154	1,154
Other taxation and social security	597	597	558	558
Accruals and deferred income	5,750	5,810	5,346	5,346
Deferred income - government capital grants	173	173	185	185
Deferred income - government revenue grants	1,864	1,864	1,065	1,065
Total	**9,310**	**9,310**	**8,658**	**8,658**

15 Creditors: amounts falling due after one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank	-	-	175	175
Deferred income - government capital grants	4,911	4,911	3,937	3,937
Total	**4,911**	**4,911**	**4,112**	**4,112**

16 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	College 2021 £'000	College 2020 £'000
In one year or less	175	350
Between one and two years	-	175
Total	**175**	**525**

Interest is payable on bank loans at 1.65% over LIBOR and they are repayable by instalments falling due between 1 August 2015 and 31 July 2022.

17 Cash and cash equivalents

	At 1 August 2020 £'000	Cash flows £'000	Other changes £'000	At 31 July 2021 £'000
Cash and cash equivalents	4,418	1,180	-	5,598
Total	**4,418**	**1,180**	**-**	**5,598**

18 Capital and other commitments

There were capital commitments of £239,958 as at 31 July 2021 (2020; £714,911).

19 Lease obligations

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

	Group and College 2021 £'000	2020 £'000
Future minimum lease payments due		
Not later than one year	765	267
Later than one year and not later than five years	741	519
Total lease payments due	**1,506**	**786**

20 Defined benefit obligations

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

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

Total pension cost for the year		**2021**		**2020**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		3,108		2,917
Local Government Pension Scheme:				
Contributions paid (including pension strain)	1,755		1,665	
FRS 102 (28) charge	4,674		2,186	
Charge to the Statement of Comprehensive Income		6,429		3,851
Total Pension Cost for Year within staff costs		**9,537**		**6,768**

Teachers' Pension Scheme

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

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

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

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

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year. A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £3,107,000 (2020: £2,911,000).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Buckinghamshire Local Authority. The total contributions made for the year ended 31 July 2021 were £2,272,090, of which employer's contributions totalled £1,659,395 and employees' contributions totalled £612,695 The agreed contribution rates for future years are 17.5% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by a qualified independent actuary.

	At 31 July 2021	**At 31 July 2020**
Rate of increase in salaries	2.00%	2.00%
Future pensions increases	2.80%	2.20%
Discount rate for scheme liabilities	1.60%	1.40%

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

	At 31 July 2021	**At 31 July 2020**
	Years	Years
Retiring today		
Males	21.6	21.5
Females	24.9	24.8
Retiring in 20 years		
Males	23.8	23.7
Females	27.2	27.1

	2021	**2020**
	£'000	**£'000**
Fair value of plan assets	51,442	42,646
Present value of plan liabilities	(99,951)	(85,471)
Net pensions liability	**(48,509)**	**(42,825)**

	2021	**2020**
	£'000	**£'000**
Amounts included in staff costs		
Current service cost	5,323	4,089
Past service cost	-	-
Total	**5,323**	**4,089**
Net interest cost	618	576
	618	**576**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	6,268	1,589
Experience gains arising on defined benefit obligations	1,793	1,466
Changes in assumptions underlying the present value of plan liabilities	(8,453)	(12,325)
Other actuarial gains on assets	-	(981)
Amount recognised in Other Comprehensive Income	**(392)**	**(10,251)**

	2021	2020
	£'000	**£'000**
Net defined benefit (liability) in scheme at 1 August	(42,825)	(29,812)
Movement in year:		
Current service cost	(5,323)	(4,089)
Employer contributions	1,926	1,665
Administration costs	(36)	(35)
Net interest on the defined (liability)/asset	(618)	(576)
Actuarial gain or loss	(392)	(10,251)
Capitalised gain on settlement	(1,241)	273
Net defined benefit (liability) at 31 July	**(48,509)**	**(42,825)**

	2021	2020
	£'000	**£'000**
Defined benefit obligations at start of period	85,471	68,652
Current service cost	5,323	4,089
Interest cost	1,243	1,432
Contributions by Scheme participants	613	620
Experience gains on defined benefit obligations	(1,793)	(1,466)
Changes in financial assumptions	8,453	12,484
Estimated benefits paid	(1,148)	(1,127)
Past Service Costs	403	-
Change in demographic assumptions	-	(159)
Liability assumed on settlements	1,386	946
Defined benefit obligations at end of period	**99,951**	**85,471**

	2021	2020
	£'000	**£'000**
Fair value of plan assets at start of period	42,646	38,840
Interest on plan assets	625	856
Return on plan assets	6,268	1,589
Employer contributions	1,926	1,665
Contributions by Scheme participants	613	620
Administration Costs	(36)	(35)
Settlements paid	548	1,219
Estimated benefits paid	(1,148)	(1,217)
Other actuarial (losses)	-	(981)
Fair value of plan assets at end of period	**51,442**	**42,646**

21 Related Party Transaction

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

Rebecca Carrington is a Director of Arts1 which carried out work for the College this financial year to the value of £210,528 (2020: £7,756). There was a nil creditor balance as at the 31st July 2021.

Julie Mills is a Director of MK Business Leaders Partnership which carried out work for the College this financial year to the value of £1,800 (2020 £900). There was a nil creditor balance as at the 31st July 2021.

The total expenses paid to or on behalf of the Governors (excluding the CEO & Group Principal) during the year was £0 (2020: £194 - 1 Governor). This related to out of pocket expenses, evidenced by receipt. The actual cost was reimbursed.

22 Amounts disbursed as agent

	2021	2020
	£'000	**£'000**
Funding body Grants		
16-18 bursary grants	316	238
Interest earned	-	3
	316	241
Disbursed to students	(282)	(229)
Administration costs	(17)	(17)
Balance unspent as at 31 July, included in creditors	**17**	**(5)**

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

23 Access and participation expenditure

	2021 £'000
Access investment	290
Financial support provided to students	27
Total access and participation expenditure	**317**

A copy of the College's Access and Participation plan is available at https://www.officeforstudents.org.uk/advice-and-guidance/the-register/search-for-access-and-participation-plans/#/AccessPlans/accessplans/10004375

24 Events after the reporting period

There are no events to be reported after the accounting period.