

**Milton Keynes College Group
Report and Financial Statements
for the year ended 31 July 2022**

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REFERENCE AND ADMINISTRATIVE DETAILS

Board of Governors

A full list of Governors is given from page 14 to 16 of these financial statements.

Clerk / Company Secretary

Karen Brown, Head of Governance, acted as Clerk to the Corporation (excluding the period 20 April 2022 to 14 November 2022), supported by Samantha Samuels, Governance Partner from 20 April 2022.

Fiona Chalk provided interim clerking support from 20 April 2022 to 31 July 2022.

Judicium Education was contracted to provide interim clerking services from 1 August 2022.

Key management personnel/ Executive Leadership Team

Sally Alexander:	CEO & Group Principal (from 1 November 2022). Previously Acting CEO from 1 September 2022 to 31 October 2022 / Principal to 31 August 2022
Annie Allen:	Annie Allen, Chief People Officer
Miranda Coles:	Chief Financial Officer (Interim) (from 16 July 2022)
Jason Mansell:	Principal: Quality and Student Experience (from 1 June 2022)
Dr Julie Mills OBE:	CEO & Group Principal (to 31 August 2022)
Alex Warner:	Principal: Curriculum Innovation and Pedagogy
Imelda Galvin:	Chief Operating Officer (to 31 January 2022)
Martin Owen:	Interim Chief Financial Officer (from 2 August 2021 to 22 April 2022)
Gavin Teasdale:	Interim Group Chief Operating Officer (from 23 March 2022 to 15 July 2022)

Professional advisers

External Auditors:
Buzzacott LLP
130 Wood Street
London
EC2V 6DL

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

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

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

Internal Auditors:
Haines Watts:
Sterling House
97 Lichfield Street
Tamworth
Staffordshire
B79 7QF

STRATEGIC REPORT

The Board of Governors presents its annual report together with the financial statements and auditor's report for the year ended 31 July 2022.

Legal status

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

The structure of Milton Keynes College Group (MKCG) includes the College (campus provision, prison education, and the South Central Institute of Technology (SCIoT)) and the following subsidiary companies:

- Prison Education Training Services (MK) Limited (dormant)
- Milton Keynes Manpower Forum Limited (dormant)
- The Code Makers Academy Limited
- MKC Commercial Limited

There are two campuses (at Chaffron Way in Milton Keynes and Bletchley), 19 regional prisons and the SCIoT in Bletchley.

Mission, Vision, Strategy and Objectives

MKCG launched the new *Fairer Futures* five-year strategy in the period 2020/21. The vision is *to use the power of education to create opportunities, champion talent and build fairer futures*. It includes the 'means' (to achieve the vision) and the 'why' i.e.

"To 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."

Strategic aims

The strategic aims set out what MKCG 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 the vision and purpose. The aims 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 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 a shared vision and purpose.

The strategic aims were reviewed with the Executive Leadership Team (ELT) and Senior Leadership Team (SLT), and Board of Governors in 2021/22 and agreed as still being relevant and applicable to driving forward the Fairer Futures Strategy.

Resources

MKCG employs 1,021 people (expressed as headcount), of whom 703 are teaching staff.

MKCG delivered activity to 10,882 funded students during 2021/22 (2020/21 – 8,535). Of these, 5,027 (2020/21 – 4,139) were campus based (at Chaffron Way and Bletchley), of which 3,247 (2020/21 – 3,430) were full time, and 1,780 (2020/21 – 709) part time. Prison Services delivered activity to 5,855 students (2020/21 – 4,396) across the 19 prisons under the Prison Education Framework Contract.

MKCG has £12.682m of net assets (2021: £21.509m net liabilities) including £15.338m pension liability (2021: £48.509m). MKCG has no long-term debt (2021: £nil).

Stakeholders

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

- Students
- Education sector funding bodies
- Staff
- Local employers
- Employer responsive bodies
- Local authorities
- Local Enterprise Partnerships (LEPs)
- The local community
- Community groups
- Other FE institutions
- Trade unions
- Professional bodies
- Ministry of Justice (MoJ)
- Regional & national employers

MKCG recognises the importance of collaboration with partners and stakeholders and works to develop relationships through meetings, forums, marketing and networking. This enables MKCG to adjust the curriculum to meet local, regional, and national needs and enhance the student experience e.g. through guest speakers, sponsorship of equipment and workplace experiences.

Public benefit

In setting and reviewing the MKCG's strategic priorities, the Board of Governors 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 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.

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

DEVELOPMENT AND PERFORMANCE

Financial results

MKCG achieved a total comprehensive income surplus of £34.191m (2020/21 – deficit of £4.391m). This included £3.559m of FRS102 pension charges (2020/21 £5.684m). The deficit before other gains and losses was £2.539m (2020/21 – deficit of £4.0m). Prior to FRS102 pension charges, MKCG achieved an operational surplus of £1.020m for the year (2020/21 £1.293m).

The MKCG year-end net current assets show a liability of £1.837m (2020/21 liability of £1.282m).

MKCG total net assets were £12.682m (2020/21 net liabilities of £21.509m). The year-on-year movement is primarily due to a reduction in the Pension Benefit Obligation of £33.2m.

MKCG has a year-end cash balance of £6.813m (2020/21 £5.598m).

Tangible fixed asset additions during the year amounted to £11.055m i.e. Land & Buildings £0.212m, Equipment £0.966m and Computers £0.008m. Additions to assets in course of construction (including Bletchley SCIoT £7.034m and Innovation Technology Centre (ITC) extension £2.704m) totalled £9.869m.

Cash flows and liquidity

There was a £4.239m net cash inflow (2020/21 £4.412m net cash outflow) from operating activities and an outflow of £3.023m (2020/21 outflow £2.036m) from investing activities.

Developments

MKCG's capital developments during the year included two projects at Chaffron Way: £2.681m to redevelop the ITC building which was 85% funded by the Education and Skills Funding Agency (ESFA), and £1.842m funded by Strategic Development Funds (SDF) to develop a Business Centre, wholly funded by the Department for Education (DfE). Construction of the SCIoT new building in Bletchley continues and is due for completion in April 2023.

Sources of income

MKCG has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2021/22 the Further Education (FE) funding bodies provided 58% of MKCG's total income. The MoJ provides 33% of MKCG's income. The diversity of total income ratio is 9%, which is in excess of the recent General Further Education (GFE) benchmark of 7.4%.

FUTURE PROSPECTS

Future developments

MKCG has invested recently in its facilities, with an extension to, and redevelopment of, the ITC building at Chaffron Way Campus and the ongoing construction of the SCIoT building in Bletchley. These developments enable MKCG to increase student recruitment and offer more high-quality teaching and learning spaces. They allow MKCG to develop the technical course offering in specifically designed areas. New courses have been designed and will be delivered, aligned to the local and regional economies.

Curriculum developments

For MKCG, the post pandemic academic year of 2021/22 was challenging however, MKCG returned to normal and continued to thrive, fulfilling an essential role in the heart of its communities through instilling its values of inspiration, excellence, innovation, respect, integrity and belonging into everything it does.

Meeting employer needs has led to a range of exciting projects. These include an innovative partnership with Silverstone to place Hospitality and Catering learners in the facility to develop real work skills. Also, 2021/22 saw the opening of the Business Centre at Chaffron Centre in May 2022, following a successful Skills Development Fund (SDF) bid. This facility is now supporting businesses by providing them with meeting rooms, collaborative spaces and hot desks to support their development and growth, and collaboration with MKCG students.

As the SCIoT at Bletchley enters its second year and approaches its formal 'opening' in the summer of 2023, the curriculum has developed and grown in partnership with key stakeholders.

The Apprenticeship provision has been through considerable change and successfully transitioned from Apprenticeship Frameworks to Apprenticeship Standards; new funding rules and the robust assessment methods are being embraced. The Apprenticeship team has a wide scope of provision that is supporting local and national employers. MKCG works closely across the local community ensuring it plays an active role in understanding skills requirements and fulfilling skills needs through community, civic, education and employer-focussed activities.

MKCG was a key contributor to the MK 2050 future planning strategy and co-delivered MK Learning 2050. MKCG continues to be actively involved with the Milton Keynes Secondary Heads network and is the current chair of the Post 16 Education Steering Group which comprises of a mix of schools, FE and Higher Education (HE) providers. At a regional level, MKCG is an active participant in the South East Midlands Local Enterprise Partnership (SEMLEP) having recently completed a term as chair of the group.

MKCG has been successful in using market intelligence to identify sector trends at both industry and occupational level. This has enabled MKCG to secure post-16 capacity funding to grow the construction facility, and so widen the curriculum offer, as a direct result of data showing anticipated growth in housing and other construction projects locally.

In 2021/22 the MKCG has made clear progress to improve achievement rates compared to the 2020/21 outturn. This is positive in the year that the country emerged from the pandemic followed by a cost-of-living crisis.

Financial plan

The Board of Governors has challenged the ELT to deliver financial sustainability.

MKCG 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. MKCG is required to complete an annual College Financial Forecasting Return (CFFR) for the ESFA.

Treasury policies and objectives

Treasury management is the management of MKCG'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. MKCG 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 Board of Governors and must comply with the conditions of the ESFA Funding Agreement. Following the Office for National Statistics (ONS) reclassification of colleges, future borrowing must be authorised by the Department for Education (DfE).

Reserves

MKCG 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 MKCG's core activities. MKCG reserves include £6.119m held in revaluation reserve. As at the balance sheet date the Income and Expenditure reserve stands at £6.563m (2020/21 deficit of £27.707m). The Income and Expenditure reserve includes Pension Provisions of £15.338m (2020/21 - £48.509m). MKCG reserves include £nil (2021: £nil) held as restricted reserves. 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.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Based on the strategic plan, on an ongoing basis, the MKCG Risk Management Group (RMG) undertakes a comprehensive review of the high-level risks which pose a threat to the achievement of strategic objectives. The RMG considers systems and procedures, including specific preventable actions, to mitigate potential impacts. 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 RMG, or reviews undertaken by MKCG's Internal Auditors. In addition, the RMG considers risks which may arise as a result of a new area of work being undertaken and any such changes to the MKCG's risk profile will be considered as part of an ongoing review of the Internal Audit Strategic Plan.

A Strategic Risk Register (SRR) is maintained at MKCG level which is reviewed regularly by the Audit and Risk Committee. The SRR identifies the key strategic risks, the potential contributory factors, and the mitigating controls. For each strategic 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.

There is an internal risk management training programme to raise awareness of risk. The risk management framework also takes account of sector risks.

The key risks currently identified are:

Key Strategic Risk (highest priority)	Mitigations
Safeguarding: Harm to students, staff and members of the wider college community.	Group 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.
Financial losses and/or reputational damage as a result of failing to effectively manage the Institute of Technology Project	Close monitoring by ELT and the Board of Governors' Property Development Monitoring Group. Comprehensive student recruitment plan for AY22/23. Financial monitoring.

A lower priority strategic risk is the reliance on continued government funding through the FE sector funding bodies and through the Office for Students (OfS). In 2021/22, 91% of MKCG’s revenue was ultimately publicly funded, and this level is expected to continue. This risk is mitigated in several ways:

- Effective Employer Engagement.
- High quality education and training delivery.
- Maintaining and managing key relationships funding bodies.
- A focus on provision which provides a solid financial contribution and on priority sectors which will continue to benefit from public funding.
- Close engagement with the MoJ.

Buildings and infrastructure is an operational risk

A comprehensive asset conditions survey was carried out of the campus estate (Chaffron Way and Bletchley) in 2019 which highlighted the need for investment in the estate and infrastructure (which had suffered from limited investment previously). The survey informed a 5-year Estates Plan.

Modernising and making the estate fully fit for purpose will require further investment, enabling MKCG to deliver an outstanding learning, and working environment, further enhancing the student and staff experience, increase efficiencies to meet the sustainability agenda and reduce running costs. MKCG has been successful in securing significant grant funding to support capital developments.

Streamlined Energy and Carbon Reporting

MKCG is committed to reducing its carbon emissions and has taken a number of measures in the year to improve energy efficiency:

- Continuing the project started in 2020/21 to install LEDs across the Chaffron Way Campus, including the ITC
- Commencing enabling works for the Capital Transformation Fund (CTF) project to improve windows, roofs, and insulation at the Chaffron Way Campus, which will reduce heat loss and improve MKCG’s energy efficiency.

MKCG’s greenhouse gas emissions and energy use for the period are set out below:

UK Greenhouse gas emissions and energy use data for the period	1 August 2021 to 31 July 2022	1 August 2020 to 31 July 2021
Energy consumption used to calculate emissions (kWh)	6,833,907	5,989,835
<u>Scope 1 emissions in metric tonnes CO2e</u>		
Gas consumption	747.2	680.8
Owned transport	0.7	1.3
Total	747.9	682.1
<u>Scope 2 emissions in metric tonnes CO2e</u>		
Purchased electricity	487.9	469.1
<u>Scope 3 emissions in metric tonnes CO2e</u>		
Business travel in employee owned vehicles	53	14.3
Total gross emissions in metric tonnes CO2e	1,288.8	1,165.6
<u>Intensity ratio</u>		
Metric tonnes CO2e per student/FTE/staff member/floor area	1.488 (Staff); 0.047 (floor area)	1.943 (Staff) 0.042 (floor area)

Qualification and reporting methodology

MKCG has followed the 2019 HM Government Environmental Reporting Guidelines. MKCG has also used the GHG Reporting Protocol – Corporate Standard and has used the 2022 UK Government’s Conversion Factors for Company Reporting.

Intensity ratio

The chosen intensity measurement ratio is emissions per staff member.

Student achievement (Campus)

MKCG students continue to prosper. Achievement rates remained high in 2021/22 and 95% of students moved into employment, further or higher education after completing their college course.

In 2021/22 clear progress has been made to improve achievement rates and other academic Key Performance Indicators (KPIs). This is positive in the year that the country emerged from the pandemic followed by a cost-of-living crisis.

Where learners completed exams for the first time since 2018/19, and where pass grades were increased by Awarding Organisations in comparison to the previous 2 years:

- 16-18 overall achievement, including English and maths, finished at 81.7%, which is an 8.4 percentage point improvement on 2020/21.
- All ages overall achievement, including English and maths, finished at 82.4%, which is a 2.6 percentage point improvement on 2020/21.
- Adult overall achievement finished at 83.6%, which is 4.2 percentage points below 2020/21. The decline in Adult overall achievement is primarily linked to isolated issues in Distance Learning which impacted overall Adult achievement rates by 4 percentage points.
- GCSE English high grades finished at 30.9%, which is 2.5 percentage points above the national average.
- GCSE maths high grades finished at 22.5%, which is 2.4 percentage points above the national average.
- English Functional Skills actual achievement finished at 60.7%, which is 9.6 percentage points above the 2020/21 outturn.
- Maths Functional Skills actual achievement finished at 43.2%, which is 24.3 percentage points above the 2020/21 outturn.
- Higher Education achievement finished at 82.5%, a 2.5 percentage point improvement on 2020/21.
- Overall Apprenticeships finished at 68.8%, which is a 6 percentage point improvement on 2020/21 and significantly above the national average.

Student achievement (Prison Services)

The Prison Education Framework (PEF) Contract commenced on 1 April 2019 and is now into year four of the contract. MKCG delivers learning and skills in 19 prisons across three PEF Lots: LTHSE North, LTHSE South and South Central. MKCG has also secured the Education contract at HMP Fosse Way through its partnership with Serco, which is currently being mobilised with a go live date of May 2023. The transition out of the COVID pandemic in prisons has been much slower than across campus delivery with broader regime challenges impacting MKCG’s ability to deliver the contract. MKCG has continued to work collaboratively with HM Prison Probation Service (HMPPS) and the MoJ to adapt the delivery model to meet student need.

MKCG has continued to deliver strong achievement rates in Prison Services. Across the hybrid year, between 1 August 2021 to 31 July 2022, across the 19 prisons, MKCG engaged with 5,855 individual prisoners to deliver 14,212 individual qualifications with an achievement rate (Actual Success) of 95%. Within this Functional Skills English achievement (Actual Success) was 87% and Functional Skills maths achievement (Actual Success) was 85%.

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 2021 to 31 July 2022, MKCG paid 95 per cent of invoices within 30 days of the invoice date. MKCG incurred no interest charges in respect of late payment for this period.

EQUALITY AND DIVERSITY

Equality

MKCG is committed to ensuring equality of opportunity for all who learn and work within it. MKCG is a signatory of the [Race at Work Charter](#) and has recently been re-accredited with the [Leaders in Diversity](#) award, which it will hold until September 2024. MKCG 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. MKCG strives vigorously to remove conditions which place people at a disadvantage and works to be fully inclusive in its approach. The commitment to equal opportunities is implemented, and monitored, on a planned basis through the Equality Strategy Review Group (ESRG) and an Equality, Diversity and Inclusion (EDI) Report and Equality Objectives are published to ensure compliance with all relevant legislation. The [Group's EDI Policy and Strategy](#) is published on the website and in the last year, introduced Employee Networks to feed in information from a diverse range of individuals who wish to represent or be allies for groups who share protected characteristics. A dedicated EDI Manager oversees and drives the strategy.

MKCG has recently reviewed its Equality Impact Assessment (EIA) process so that it can be applied to all policies, procedures, and other organisational changes.

MKCG provides an Equality and Diversity online training programme which is mandatory for all staff. Refresher training and training for new starters is carried out annually and participation is monitored and recorded. Mental health first aiders have been trained to respond quickly to students' needs.

MKCG is a [Disability Confident](#) employer (level 2) and aligns with the [Mindful Employer Charter](#) initiative to assist the mental health and wellbeing of colleagues.

Gender pay gap reporting

	Year ending 31 March 2022
Mean gender pay gap	5.2%
Median gender pay gap	4.5%
Mean bonus gender pay gap	5.2%
Median gender bonus gap	4.5%
Proportion of males/females receiving a bonus	1.5% / 1.1%

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

	Males	Females
1 - Lower quartile	20.3%	79.7%
2 – Lower Middle Quartile	32.2%	67.8%
3 – Upper Middle Quartile	38.5%	61.5%
4 – Upper quartile	36.7%	63.3%

MKCG publishes its annual gender pay gap report on its website.

Ethnic pay gap reporting

MKCG published an ethnic pay gap report on its website.

Disability statement

MKCG seeks to achieve the objectives set down in the Equality Act 2010:

- a) As part of its Accommodation Strategy, MKCG updated its access audit. Experts in this field conducted a full access audit in 2019, and the results of this formed the basis of funding capital projects aimed at improving access.
- b) MKCG has appointed an Access Co-ordinator, who provides information and advice and arranges support where necessary for students with disabilities.
- c) Specialist equipment, such as radio aids, are available for use by students and a range of assistive technology is available in the learning centre.
- d) There is an Admissions Policy for students. Appeals against a decision not to offer a place are dealt with under the Complaints Policy.
- e) MKCG has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. Student support assistants provide a variety of support for learning.
- f) There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- g) Specialist programmes are described in prospectuses. Achievements and destinations are recorded and published.
- h) Counselling and welfare services are described in the Student Guide, which is issued to students (together with information about the Complaints and Disciplinary Procedure) at induction.
- i) On an ongoing basis, any redevelopment of buildings includes the installation of lifts and ramps so that most of the facilities will allow access to people with a physical disability.
- j) The Director of Inclusion leads on the 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 website.
- k) MKCG liaises closely with local Visually Impaired and Hearing Impaired specialist teams. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students.
- l) 'Green Rooms' are available at Chaffron Way and Bletchley for students on the autistic spectrum.
- m) Staff are involved in decision making through representation on the Board of Governors the ESRG, and Employee Networks for LGBTQ, Disability, Cultural Diversity, Women and Men. MKCG works collaboratively with the recognised trades unions, UCU and Unison.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 requires publication of information on facility time arrangements for trade union officials.

Numbers of employees in relevant period	FTE employee number
22	19.5

Percentage of time	Number of employees
0%	
1-50%	22
51-99%	
100%	

Total cost of facility time	£14,678
Total pay bill	£32.233m
Percentage of total bill spent on facility time	0.04%
Time spent on paid trade union activities as a percentage of total paid facility time	100%

GOING CONCERN

After making appropriate enquiries, the Board of Governors considers that MKCG has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

The activities of MKCG, 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, its cashflow, liquidity and borrowings are presented in the financial statements and accompanying notes. MKCG has a net current liability of £1.837m, (2020/21 liability of £1.282m), and net assets of £12.682m (2020/21 net liability of £21.509m). The change in net assets and liabilities year on year is attributable to reduction in the pension's liability.

At the year end, MKCG had no loans outstanding (2020/21 £0.175m). The outstanding balance on the loan negotiated in 2011 was repaid in October 2021.

The MKCG 5-year plan was to invest for growth in the initial 2 years and to achieve 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 to adapt to adverse financial events through effective risk management and strong financial management processes and controls, the Board of Governors consider that MKCG 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. MKCG has a Local Government Pension Scheme (LGPS) deficit of £15.338m currently. This deficit has reduced by £33.171m against last year. Auditors have reviewed these results and report that they are in line with sector norms.


EVENTS AFTER THE REPORTING PERIOD

On 29 November 2022, the ONS reclassified all college corporations to Central Government sector with immediate effect. This will mean that colleges will now be subject to the framework for financial management set out in Managing Public Money (MPM) and the DfE will introduce new rules for colleges, some of which will take effect immediately.

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 MKCG'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 MKCG's auditors are aware of that information.

Approved by order of the members of the Corporation on 20 December 2022 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'D Meadowcroft', written in a cursive style.

**David Meadowcroft,
Chair of Governors**

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the MKCG to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2021 to 31 July 2022 and up to the date of approval of the annual report and financial statements.

GOVERNANCE CODE

MKCG 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 (AoC) in The Code of Good Governance for English Colleges (“the Code”)

In the opinion of the Board of Governors, MKCG complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2022. This opinion is based on an internal review of compliance with the Code reported to the Board of Governors on 14 December 2022. 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 issued by the AoC in March 2015, which it formally adopted on 12th November 2015. The Board of Governors approved revisions to the Code on 13 July 2022 to be effective from 1 August 2022.

THE CORPORATION

Members of the Corporation (Board of Governors)

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

<i>Name</i>	<i>Date of appointment</i>	<i>Term of Office</i>	<i>Date of Resignation / Retirement</i>	<i>Status of appointment</i>	<i>Committees Served</i>	<i>Attendance in 2021/22 at Corporation Meetings (i.e. Board & formal Committees*)</i>
Maria Abbas	25.11.22	1 year		Student		n/a
Sally Alexander	1.9.22	Ex officio		College CEO and Group Principal	Search & Governance	n/a
Arron Ashmore	28.4.22 (1 st term)	3 years	27.5.22	Staff		0/1
Richard Bartlett-Rawlings	13.7.22 (2 nd term)	3 years		Independent	Audit & Risk	12/12
Rebecca Carrington	30.11.20 (2 nd term)	3 years	13.7.22	Independent		6/9
Alan Cook CBE	13.7.22 (2 nd term)	3 years		Independent	Audit & Risk (Chair) Remuneration	12/13
Peter Cox	19.07.20 (3 rd term)	3 years		Independent	Audit & Risk	12/13
Kaye Dwight	07.10.20	3 years		Staff		9/9

Milton Keynes College Group
Report and Financial Statements, year ended 31st July 2022

Name	Date of appointment	Term of Office	Date of Resignation / Retirement	Status of appointment	Committees Served	Attendance in 2021/22 at Corporation Meetings (i.e. Board & formal Committees*)
Mateusz Gotkowski	13.7.22 (2 nd term)	3 years		Independent	Audit & Risk	10/13
Marcela Grabowski	10.11.21	2 years	10.2.22	Student		1/4
Sean Hainsworth	13.07.22	3 years		Staff		n/a
Jacob Jempson	25.11.22	1 year		Student		
Shalom Lloyd	06.12.21 (1 st term)	3 years		Independent		5/7
Dr Elizabeth Marr	16.03.21 (4 th term)	3 years	13.7.22	Independent	Remuneration Vice-Chair of Corporation	7/9
David Meadowcroft	04.05.21 (3 rd term)	3 years		Independent	Chair of Corporation Remuneration	9/9
Dr Julie Mills OBE	01.02.11	Ex Officio	31.8.22	College CEO and Group Principal	Search & Governance	12/12
Stephen Norrish OBE	23.11.18 (3 rd term) (extended to March 2022)	3 years	23.3.22	Independent	Search & Governance	7/8
Balvinder Kaur Parmar	07.02.21	3 years		Independent	Remuneration Search & Governance	7/10
Charlyne Pullen	13.7.22 (3 rd term)	3 years		Independent	Search & Governance (Chair)	12/12
Ian Revell	10.06.21 (1 st term)	3 years		Independent		9/9
Adam Rixon	10.11.21	2 years	21.1.22	Student		1/2
Sufian Sadiq	31.1.22 (1 st term)	3 years		Independent		3/6
Neil Sainsbury	13.7.22 (2 nd term)	3 years		Independent		8/9
Aniesa Shah	01.10.19	3 years	23.3.22	Staff		4/6
Gwynneth Tan	19.07.20 (3 rd term)	3 years		Independent	Remuneration (Chair)	6/9
Manish Verma	13.7.22 (2 nd term)	3 years		Independent		8/12
Kyle Wilson	17.3.22	2 years	13.7.22	Student		1/4

<i>Name</i>	<i>Date of appointment</i>	<i>Term of Office</i>	<i>Date of Resignation / Retirement</i>	<i>Status of appointment</i>	<i>Committees Served</i>	<i>Attendance in 2021/22 at Corporation Meetings (i.e. Board & formal Committees*)</i>
<p>Karen Brown, Head of Governance, acted as Clerk to the Corporation (excluding the period 20 April 2022 to 14 November 2022), supported by Samantha Samuels, Governance Partner from 20 April 2022. Fiona Chalk provided interim clerking support from 20 April 2022 to 31 July 2022. Judicium Education was contracted to provide interim clerking services from 1 August 2022. In accordance with the Board's Standing Orders, the leaving date for Stephen Norrish was extended by mutual agreement.</p>						

* Audit & Risk, Remuneration, Search & Governance

Meeting attendance at Board and formal committees in 2021/22 was:

- Board 79%
- Audit & Risk Committee 87%
- Search & Governance Committee 92%
- Remuneration Committee (did not meet)

Additionally, Governors met as members of the Curriculum & Quality Group, Finance Group, Property Development Monitoring Group, Capital Projects Monitoring Group, CEO Selection Committee (which are not formal committees).

The Governance Framework

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

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

Business is conducted through regular corporation meetings, three formal committees (Audit & Risk, Remuneration and Search & Governance) and Task & Finish Groups. Each committee / group has terms of reference which are approved by the Board of Governors. The Audit & Risk Committee met four times, the Search and Governance Committee met three times, and the Remuneration Committee did not meet. In response to COVID-19 guidelines, most meetings were held via Microsoft Teams.

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

Milton Keynes College
Bletchley Campus
Sherwood Drive
Bletchley
Milton Keynes
MK3 6DR

The clerk maintains a register of Governors' financial and personal interests. 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 MKCG's expense and have access to the clerk, who is responsible to the Board of Governors for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the clerk are matters for the Board of Governors 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 Board of Governors has a strong and independent non-executive element, and no individual or group dominates its decision making process. The Board of Governors 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 MKCG Accounting Officer.

Appointments to the Board of Governors

Any new Governor appointments are a matter for the consideration of the Board of Governors as a whole. The **Search and Governance Committee**, consisting of four members of the Board of Governors is responsible for the selection and nomination of any new member for the Board of Governors consideration. The Board of Governors is responsible for ensuring that appropriate training is provided as required.

Members of the Board of Governors are appointed for a term of office not exceeding four years (usually three years). Members may apply to serve a further term (the maximum is usually three terms i.e. nine years but exceptionally four terms).

Corporation performance

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

The Board of Governors carried out a self-assessment of its own performance for the year ended 31 July 2022 and graded itself as "Good" on the Ofsted scale. The self-assessment identified a small number of development actions which are being implemented.

The Board of Governors has considered DfE guidance on board reviews and has plans to commission an external reviewer in the future but did not carry out a formal review in 2021/22.

The Board of Governors is committed to development which in 2021/22 included:

- Briefing on FE Climate Road Map / sustainability with an external facilitator.
- Education & Training Foundation (ETF) workshop on chairing a committee.
- Safeguarding, Prevent, SEND, EDI facilitated by a College Lead.
- AoC Induction (three new Governors).
- Internal Induction (three new Governors).
- AoC Governance Conference (two Governors and Head of Governance).
- ETF Governance Development Programme (self-managed online learning).
- Regular briefings on sector developments facilitated by the CEO.
- AoC / ETF Programme for Governance Professionals (Expert Level) (Head of Governance).
- AoSEC Networking Meetings (Head of Governance and Governance Partner).

Remuneration Committee

Throughout the year ending 31 July 2022, the Remuneration Committee comprised five members of the Board of Governors. The committee's responsibilities include 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 2022 are set out in note 7 to the financial statements.

The Board of Governors has adopted the AoC Senior Post Holder Remuneration Code and publishes an annual report on the website in accordance with the Code.

Audit & Risk Committee

The Audit & Risk Committee comprises four members of the Board of Governors (excluding the Accounting Officer, Chair of Governors, Staff Governors and Student Governors). The committee operates in accordance with written terms of reference approved by the Board of Governors.

The Audit and Risk Committee meets on a termly basis and provides a forum for reporting by the 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 MKCG's business.

The internal auditors review the system of internal control, risk management controls and governance processes in accordance with an agreed plan 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 Board of Governors 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 Board of Governors. The contract for internal audit was subject to competitive tender in 2021/22 resulting in a change of internal auditors. The contract for external audit was subject to competitive tender in 2017/18 and is due for retender in 2023.

The Audit and Risk Committee met four times in the year to 31 July 2022 (including an additional meeting called at short notice to make a recommendation on the internal audit contract). 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 CBE (Chair)	4/4
Peter Cox	4/4
Mateusz Gotkowski	2/4

Members have the appropriate skills and experience to challenge and support management. The Committee Chair has extensive governance and financial experience. Other members include two qualified accountants and a retired corporate lawyer.

INTERNAL CONTROL

Scope of responsibility

The Board of Governors is ultimately responsible for MKCG'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 Board of Governors 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 policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to the CEO & Group Principal in the Funding Agreement between Milton Keynes College and the funding bodies. The CEO & Group Principal is also responsible for reporting to the Board of Governors on 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 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 2022 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Board of Governors has reviewed the key risks to which MKCG is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Governors is of the view that there is a formal ongoing process for identifying, evaluating, and managing significant risks that has been in place for the period ending 31 July 2022 and up to the date of approval of the annual report and accounts. The process is reviewed by the Audit & Risk Committee and the Board of Governors 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 Board of Governors
- Regular reviews by the Board of Governors 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 MKCG 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 Board of Governors on the recommendation of the Audit & Risk Committee. At least annually, the Head of Internal Audit (HIA) provides the Board of Governors (via the Audit & Risk Committee) with a report on internal audit activity. The report includes the HIA's independent opinion on the adequacy and effectiveness of the MKCG's system of risk management, controls, and governance processes.

Risks faced by the Corporation

The Board of Governors has an Audit and Risk Committee which meets at least three times per year with an agenda to seek assurance on 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 committee reports its findings and levels of assurance to the Board of Governors regularly.

The principal risks are reported above in the Strategic Report.

Control weaknesses identified

The internal auditors identified the following 'significant' weaknesses in MKCG's systems to which management has responded:

- Programme / Project Management (IoT and Data Warehouse). Two 'significant' recommendations were made relating to the need to establish a Project Management Policy and Procedures and a formal documented structure to ensure projects are reviewed at closure. Actions are due to be completed by the end of December 2022.

- Sub-contracting. Four 'significant' recommendations were made relating to evidence folders, review of policies and procedures, integration of quality reviews and reporting progress to the Board of Governors in achieving the required control framework for the Subcontracting Standard which applies in 2022/23. Actions have been completed.

The Audit & Risk Committee is satisfied that the action taken is sufficient to address the control weakness.

Responsibilities under funding agreements

The Board of Governors meets its responsibilities under funding agreements or contracts with the ESFA and other funding bodies through regular management reports to the Audit & Risk Committee supplemented by commissioning specific funding assurance reviews from the internal audit service and an optional funding review 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 2021/22 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 2021 to 31 July 2022:
 - Sub-Contracting. 'Satisfactory' assurance (highest level) with one 'merits attention' recommendation.
 - Safeguarding. 'Satisfactory' assurance (highest level) with one 'merits attention' recommendation.
 - Prison Education. 'Satisfactory' assurance (highest level) with no recommendations.
 - Estates Strategy. 'Satisfactory' assurance (highest level) with no recommendations.
 - Programme / Project Management (South East Institute of Technology and Data Warehouse). 'Moderate' assurance with two 'significant' recommendations.
 - Accounts Payable (creditors). 'Satisfactory' assurance (highest level) with one 'merits attention' recommendation.
 - Debtors and Other Income / Accounts Receivable. 'Satisfactory' assurance (highest level) with one 'merits attention' recommendation.
 - Quality Arrangements. 'Satisfactory' assurance (highest level) with one 'merits attention' recommendation.
 - Sports Central. 'Satisfactory' assurance (highest level) with three 'merits attention' recommendations.
 - Bursaries. 'Satisfactory' assurance (highest level) with one 'merits attention' recommendation.
 - Refectories, Training Kitchen & Brasserie: Stock Control. 'Satisfactory' assurance (highest level) with two 'merits attention' recommendations.
 - ISO27001: Compliance Prison Visits. 'Satisfactory' assurance (highest level) with no recommendations.
 - IT Access & User Rights. 'Moderate' assurance with two 'significant' and one 'merits attention' recommendations.
 - Curriculum Planning. 'Satisfactory' assurance (highest level) with no recommendations.
 - Safeguarding. 'Satisfactory' assurance (highest level) with one 'merits attention' recommendation.
 - Prison Payroll. 'Satisfactory' assurance (highest level) with no recommendations.
 - Governance Strategic Control Framework. 'Satisfactory' assurance (highest level) with one 'merits attention' recommendation.

- Governance performance Management. ‘Satisfactory’ assurance (highest level) with no recommendations.
- Sub-contracting. ‘Moderate’ assurance with four ‘significant’ 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 of Governors for approval.

Review of effectiveness

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

- The work of the internal auditors.
- The work of the executive managers who have responsibility for the development and maintenance of the internal control framework.
- Comments made by the 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, ELT and SLT 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, ELT, SLT and the Audit and Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

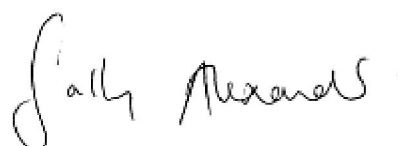
The Audit and Risk Committee’s role in this area is confined to a high-level review of the arrangements for internal control. The Board of Governors agenda includes a regular item for consideration of risk and control and receives reports thereon from the ELT and Audit and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2022 meeting, the Board of Governors carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the ELT and internal audit and taking account of events since 31 July 2022.

Based on the advice of the Audit and Risk Committee and the Accounting Officer, the Corporation is of the opinion that MKCG 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 on 20th December 2022 and signed on its behalf by:



David Meadowcroft
Chair of Governors



Sally Alexander
CEO & Group Principal

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

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

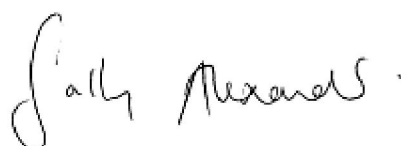
We confirm on behalf of the Corporation that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the Corporation, or material non-compliance with the terms and conditions of funding, under the Corporation's grant funding agreements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

Approved by order of the members of the Corporation on 20th December 2022 and signed on its behalf by:



David Meadowcroft
Chair of Governors



Sally Alexander
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, the Corporation – through its Accounting Officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 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 its 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.
- 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 which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the Corporation.

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position which enables 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; 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 20th December 2022 and signed on its behalf by:



David Meadowcroft
Chair of Governors

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

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 2022 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:

- The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- The financial statements give a true and fair view of the state of the group's affairs as at 31 July 2022 and of the surplus for the year then ended.
- 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.
- In all material respects, the requirements of the Office of Students (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 (OfS) 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 Education and Skills Funding Agency and associated funding rules, Education and Skills Funding Agency 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

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 23 December 2022

Reporting Accountant's Assurance Report on Regularity

To: The Corporation of Milton Keynes College Group 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 MKCG during the period 1 August 2021 to 31 July 2022 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 MKCG 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 MKCG 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 MKCG and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Milton Keynes College Group and the reporting accountant

The Corporation of MKCG 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 2021 to 31 July 2022 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 Education and Skills Funding Agency. 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 MKCG'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 2021 to 31 July 2022 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.

Buzzacott LLP

23 December 2022

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2022		Year ended 31 July 2021	
		Group	College	Group	College (Restated)
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	38,684	38,684	38,636	38,636
Tuition fees and education contracts	3	4,535	4,535	5,163	5,163
Other grants and contracts	4	-	-	119	119
Other income	5	5,733	5,733	2,835	2,835
Investment income	6	-	-	-	-
Total income		48,952	48,952	46,753	46,753
EXPENDITURE					
Staff costs	7	34,740	32,940	36,926	36,687
Fundamental restructuring costs	7	221	221	332	332
Other operating expenses	8	14,332	16,132	11,501	11,740
Depreciation	11	1,447	1,447	1,368	1,368
Interest and other finance costs	9	753	753	625	625
Total expenditure		51,492	51,492	50,752	50,752
Deficit before tax		(2,539)	(2,539)	(3,999)	(3,999)
Taxation	10	-	-	-	-
Deficit for the year		(2,539)	(2,539)	(3,999)	(3,999)
Actuarial gain / (loss) in respect of pensions schemes	20	36,730	36,730	(392)	(392)
Total unrestricted comprehensive income / Loss for the year		34,191	34,191	(4,391)	(4,391)

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2020	(23,395)	6,277	(17,118)
Deficit from the income and expenditure account	(4,000)	-	(4,000)
Other comprehensive income	(392)	-	(392)
Transfers between revaluation and income and expenditure reserves	79	(79)	-
	(4,313)	(79)	(4,392)
Balance at 31st July 2021	(27,708)	6,198	(21,510)
Surplus from the income and expenditure account	(2,539)	-	(2,539)
Other comprehensive income	36,730	-	36,730
Transfers between revaluation and income and expenditure reserves	79	(79)	-
Total comprehensive income for the year	34,270	(79)	34,191
Balance at 31 July 2022	6,562	6,119	12,681
College			
Balance at 1st August 2020	(23,353)	6,277	(17,076)
Deficit from the income and expenditure account	(4,000)	-	(4,000)
Other comprehensive income	(392)	-	(392)
Transfers between revaluation and income and expenditure reserves	79	(79)	-
	(4,313)	(79)	(4,392)
Balance at 31st July 2021	(27,666)	6,198	(21,468)
Surplus from the income and expenditure account	(2,539)	-	(2,539)
Other comprehensive income	36,730	-	36,730
Transfers between revaluation and income and expenditure reserves	79	(79)	-
Total comprehensive income for the year	34,270	(79)	34,191
Balance at 31 July 2022	6,562	6,119	12,681

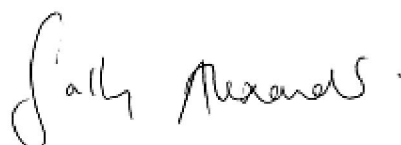
Balance sheets as at 31 July

	Notes	Group 2022	College 2022	Group 2021	College 2021 Restated (Note 24)
		£'000	£'000	£'000	£'000
Non current assets					
Tangible fixed assets	11	42,801	42,801	33,193	33,193
Investments	12	-	-	-	-
		42,801	42,801	33,193	33,193
Current assets					
Stocks		11	11	14	14
Trade and other receivables	13	4,061	4,103	2,416	2,458
Cash and cash equivalents	17	6,813	6,813	5,598	5,598
		10,885	10,927	8,028	8,070
Less: Creditors – amounts falling due within one year	14	(12,722)	(12,722)	(9,310)	(9,310)
Net current liabilities		(1,837)	(1,795)	(1,282)	(1,240)
Total assets less current liabilities		40,964	41,006	31,911	31,953
Creditors – amounts falling due after more than one year	15	(12,944)	(12,944)	(4,911)	(4,911)
Provisions					
Defined benefit obligations	20	(15,338)	(15,338)	(48,509)	(48,509)
Total net assets / liabilities		12,682	12,724	(21,509)	(21,467)
Unrestricted Reserves					
Income and expenditure account		6,563	6,605	(27,707)	(27,665)
Revaluation reserve		6,119	6,119	6,198	6,198
Total unrestricted reserves		12,682	12,724	(21,509)	(21,467)

The financial statements on pages 31 to 54 were approved and authorised for issue and signature by the Corporation on 20th December 2022 and were signed on its behalf by:



David Meadowcroft
Chair of Governors



Sally Alexander
CEO & Group Principal

Consolidated Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Cash flow from operating activities			
Deficit for the year		(2,539)	(3,999)
Adjustment for non-cash items			
Depreciation		1,447	1,368
Decrease in stocks		4	-
(Increase) in debtors		(1,645)	(58)
Increase in creditors due within one year		3,412	828
Increase in creditors due after one year		-	974
Pensions costs less contributions payable		2,807	4,674
Adjustment for investing or financing activities			
Investment income		-	-
Interest payable		753	625
Net cash flow from operating activities		<u>4,239</u>	<u>4,412</u>
Cash flows from investing activities			
Deferred Capital Grants received		8,032	4,911
Payments made to acquire fixed assets		(11,055)	(2,875)
		<u>(3,023)</u>	<u>(2,036)</u>
Cash flows from financing activities			
Interest paid		(1)	(7)
Repayments of amounts borrowed		-	(350)
		<u>(1)</u>	<u>(357)</u>
Increase in cash and cash equivalents in the year		<u>1,215</u>	<u>1,180</u>
Cash and cash equivalents at beginning of the year	17	5,598	4,418
Cash and cash equivalents at end of the year	17	6,813	5,598

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 2021 to 2022* 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 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), The Code Makers Academy Limited and MKC Commercial Limited. All financial statements are made up to 31 July 2022.

Going concern

The activities of MKCG, 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 MKCG, its cashflow, liquidity and borrowings are presented in the financial statements and accompanying notes.

While the MKCG has net current liabilities of £1,837k, it has £774k of holiday pay accrual that is not a liability that will result in additional cash payments. The cash balance has grown by £1,215k during the year.

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

Recognition of income

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 Office for Students (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 MKCG 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 MKCG 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 MKCG 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 MKCG where the MKCG 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 MKCG. Any unused benefits are accrued and measured as the additional amount the Group 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 MKCG 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 80 years. All non-core building works asset lives remained as before. The MKCG 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 Group 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 MKCG, 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 a 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 1 August 2014 are spread over the minimum lease term. The MKCG 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 1 August 2014.

Leasing agreements which transfer to the MKCG 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 MKCG 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 MKCG 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 Group'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 MKCG 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 MKCG 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 MKCG. 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 MKCG 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 MKCG'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 risks relating to inflation (cost of living crisis/energy costs) and interest rate increases.

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 MKCG 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 (LGPS)

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 2022. 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.

MILTON KEYNES COLLEGE
Report and Financial Statements, year ended 31st July 2022

2 Funding body grants	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
				Restated (Note 24)
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency – 16-18	16,979	16,979	16,415	16,415
Education and Skills Funding Agency – Adult	1,803	1,803	2,835	2,835
Education and Skills Funding Agency - Apprenticeships	2,712	2,712	1,921	1,921
Office for Students	33	33	283	283
Specific grants				
Ministry of Justice – Prison Education Framework	16,062	16,062	15,947	15,947
Other Covid-19 related funding streams.	-	-	117	117
Teacher Pension Scheme contributions grant	922	922	945	945
Releases of government capital grants	173	173	173	173
Total	38,684	38,684	38,636	38,636

3 Tuition fees and education contracts	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
				Restated (Note 24)
Adult education fees	280	280	399	399
Apprenticeship contracts	156	156	170	170
Fees for FE loan supported courses	622	622	592	592
Fees for HE loan supported courses	697	697	1,632	1,632
International students fees	-	-	1	1
Total tuition fees	1,755	1,755	2,794	2,794
Education contracts	2,780	2,780	2,369	2,369
Total	4,535	4,535	5,163	5,163

4 Other grants and contracts	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
				Restated (Note 24)
Other grants and contracts	-	-	-	-
Coronavirus Job Retention Scheme grant	-	-	119	119
Total	0	0	119	119

MILTON KEYNES COLLEGE
Report and Financial Statements, year ended 31st July 2022

5 Other income	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	491	491	123	123
Other income generating activities	640	640	530	530
Other Initiatives	3,016	3,016	1,096	1,096
Commercial Activities/ Miscellaneous Income	589	589	418	418
Bursary Income (16-18 bursary income)	997	997	668	668
Total	5,733	5,733	2,835	2,835

6 Investment income	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	-	-	-	-
Total	-	-	-	-

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	
	2022	2022	2021	2021
	Group	College	Group	College
	No	No	No.	No.
Teaching staff	702	700	753	753
Non-teaching staff	319	263	491	483
	1,021	963	1,244	1,236
Staff costs for the above persons				
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Wages and salaries	24,548	22,976	24,619	24,065
Social security costs	2,335	2,190	2,327	2,255
FRS 102 pension charge	2,807	2,724	4,674	4,674
Other pension costs	4,661	4,661	4,863	4,774
Payroll sub total	34,351	32,551	36,483	35,768
Contracted out staffing services	389	389	443	443
	34,740	32,940	36,926	36,211
Restructuring costs – Contractual	221	221	332	332
- Non contractual	-	-	-	-
Total Staff costs	34,961	33,161	37,258	36,543

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. This is represented by the Executive Leadership Team which comprises the CEO & Group Principal (Accounting Officer), Chief Operating Officer, Chief People Officer, Principal: Quality & Student Experience and Principal: Curriculum Innovation & Pedagogy. Staff costs include compensation paid to key management personnel for loss of office, where applicable.

The CEO and Group Principal and Head of Governance are Senior Post Holders (SPH), and their remuneration package is subject to regular reviews by the Remuneration Committee of the governing body.

In making decisions about remuneration, the committee considers:

- Affordability in terms of Group finances.
- Parity of treatment across the Group but recognising the importance of stability at SPH level.
- SPH performance based on both personal achievement against set targets and overall Group success.
- Benchmarking across the sector with similar posts via AoC Senior Staff Pay Survey comparator information (the size and complexity of the College/Group) and any other relevant national and local market information.
- Skills supplements to recruit staff in shortage areas.
- Ability to recommend one-off, modest, non-consolidated discretionary awards for exceptional in-year performance, if considered appropriate by the Committee.

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

The Board of Governors has adopted the AoC's Colleges' Senior Post Holders Remuneration Code.

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

	2022	2021
	No.	No.
The number of key management personnel including the Accounting Officer was:	<u>10</u>	<u>7</u>

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	
	2022	2021	2022	2021
	No.	No.	No.	No.
£15,001 to £20,000 p.a.	-	1	-	-
£40,000 to £45,000 p.a.	1	1	-	-
£60,001 to £65,000 p.a.	1	-	5	5
£65,001 to £70,000 p.a.	-	1	4	3
£70,001 to £75,000 p.a.	1	-	1	2
£75,001 to £80,000 p.a.	-	-	2	2
£80,001 to £85,000 p.a.	2	1	-	1
£85,001 to £90,000 p.a.	-	-	-	2
£90,001 to £95,000 p.a.	1	1	-	-
£105,001 to £110,000 p.a.	1	-	-	-
£110,001 to £115,000 p.a.	1	1	-	-
£160,001 to £165,000 p.a.	1	1	-	-
£170,001 to £175,000 p.	1	-	-	-
	10	7	12	15

Key management personnel emoluments is made up as follows:

	2022	2021
	£'000	£'000
Salaries- gross of salary sacrifice and waived emoluments	863	542
Benefits in kind	-	-
	<u>863</u>	<u>542</u>
Pension contributions	148	302
	<u>1,011</u>	<u>844</u>

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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:

	2022	2021
	£'000	£'000
Salaries	175	164
Benefits in kind	-	-
	<u>175</u>	<u>164</u>
Pension contributions	<u>41</u>	<u>39</u>

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	6.7	6.0
Accounting Officer's total remuneration as a multiple of the median of all staff	7.0	6.3

Compensation for loss of office paid to former key management personnel

	2022	2021
	£'000	£'000
Compensation paid to the former post-holder	-	-
Estimated value of other benefits, including provisions for pension benefits	-	-
	<u>0</u>	<u>0</u>

The members of the Governing Body 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

	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
				Restated (Note 24)
Teaching costs	5,134	5,134	3,967	3,967
Non-teaching costs	6,705	8,505	5,387	5,626
Premises costs	2,493	2,493	2,147	2,147
Total	14,332	16,132	11,501	11,740

Other operating expenses include:

	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Auditors' remuneration:				
Group Financial statements	37	37	27	27
Subsidiary Financial statements	4	-	4	-
Internal audit	34	34	31	31
Hire of assets under operating leases	625	625	765	765

9 Interest and other finance costs – Group and College

	2022	2021
	£'000	£'000
On bank loans, overdrafts, and other loans	1	7
Net interest on defined pension liability (note 20)	752	618
Total	753	625

10 Taxation

The members do not believe that the Group 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				
Cost or valuation						
At 1 August 2021	46,472	2,969	4,200	4,808	2,260	60,709
Additions	212	-	966	8	9,869	11,055
At 31 July 2022	46,684	2,969	5,166	4,816	12,129	71,764
Depreciation						
At 1 August 2021	17,644	2,969	2,969	3,934	-	27,516
Charge for the year	829	-	259	359	-	1,447
At 31 July 2022	18,473	2,969	3,228	4,293	-	28,963
Net book value at 31 July 2022	28,211	-	1,938	523	12,129	42,801
Net book value at 31 July 2021	28,828	-	1,231	874	2,260	33,193

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 Group on a depreciated replacement cost basis with the assistance of independent professional advice.

12 Non-current investments

	College 2022 £	College 2021 £
Investments in subsidiary companies	-	-
Total	<u>-</u>	<u>-</u>

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 the provision of staff to SCIoT. During the accounting period it achieved a breakeven position.

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 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000 Restated (Note 24)
Amounts falling due within one year:				
Trade receivables	84	84	177	177
Amounts owed by group undertakings:				
Subsidiary undertakings	-	42	-	42
Prepayments and accrued income	3,977	3,977	2,239	2,239
Total	<u>4,061</u>	<u>4,103</u>	<u>2,416</u>	<u>2,458</u>

14 Creditors: amounts falling due within one year

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Bank loans and overdrafts	-	-	175	175
Trade payables	2,397	2,397	691	691
Other taxation and social security	601	601	597	597
Accruals and deferred income	6,368	6,368	5,810	5,810
Deferred income - government capital grants	673	673	173	173
Deferred income - government revenue grants	2,683	2,683	1,864	1,864
Total	<u>12,722</u>	<u>12,722</u>	<u>9,310</u>	<u>9,310</u>

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15 Creditors: amounts falling due after one year

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Deferred income - government capital grants	12,944	12,944	4,911	4,911
Total	<u>12,944</u>	<u>12,944</u>	<u>4,911</u>	<u>4,911</u>

16 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	College 2022 £'000	College 2021 £'000
In one year or less	-	175
Between one and two years	-	-
Total	<u>-</u>	<u>175</u>

17 Cash and cash equivalents (Group)

	At 1 August 2021 £'000	Cash flows £'000	Other changes £'000	At 31 July 2022 £'000
Cash and cash equivalents	5,598	1,215	-	6,813
Total	<u>5,598</u>	<u>1,215</u>	<u>-</u>	<u>6,813</u>

18 Capital and other commitments (Group)

There were capital commitments of £302k as at 31 July 2022 (2021; £240k).

19 Lease obligations

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

	2022 £'000	2021 £'000
Future minimum lease payments due		
Not later than one year	712	765
Later than one year and not later than five years	81	741
Total lease payments due	<u>793</u>	<u>1,506</u>

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	2022	2021
	£000	£000
Teachers' Pension Scheme: contributions paid	4,137	3,108
Local Government Pension Scheme:		
Contributions paid (including pension strain)	1,697	1,755
FRS 102 (28.11) charge	2,807	4,674
Charge to the Statement of Comprehensive Income	4,504	6,429
Total Pension Cost for Year within staff costs	8,641	9,537

Teachers' Pension Scheme (TPS)

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. Department for Education has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021-22 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 £4,137,340 (2021: £3,107,000).

Local Government Pension Scheme (LGPS)

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 2022 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 2022 by a qualified independent actuary.

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.75%	2.00%
Future pensions increases	2.75%	2.80%
Discount rate for scheme liabilities	3.40%	1.60%

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 2022	At 31 July 2021
	Years	Years
<i>Retiring today</i>		
Males	21.00	21.6
Females	24.50	24.9
<i>Retiring in 20 years</i>		
Males	22.30	23.8
Females	26.00	27.2

The College's share of the assets in the plan and the expected rates of return were:

	2021	2020
	£'000	£'000
Fair value of plan assets	50,192	51,442
Present value of plan liabilities	(65,530)	(99,951)
Net pensions liability	(15,338)	(48,509)

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Amount recognised in Other Comprehensive Income in respect of the plan are as follows:

	2021	2020
	£'000	£'000
Amounts included in staff costs		
Current service cost	5,150	5,323
Past service cost	-	-
Total	5,150	5,323
Net interest cost	752	576
	752	576

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	(3,050)	6,268
Experience gains arising on defined benefit obligations	(6,483)	1,793
Changes in assumptions underlying the present value of plan liabilities	46,263	(8,453)
Other actuarial gains on assets	-	-
Amount recognised in Other Comprehensive Income	36,730	(392)

	2022	2021
	£'000	£'000
Net defined benefit (liability) in scheme at 1 August	(48,509)	(42,825)
Movement in year:		
Current service cost	(5,150)	(5,323)
Employer contributions	1,593	1,926
Administration costs	(39)	(36)
Net interest on the defined (liability)/asset	(752)	(618)
Actuarial gain or loss	36,730	(392)
Capitalised gain on settlement	789	(1,241)
Net defined benefit (liability) at 31 July	(15,338)	(48,509)

Asset and Liability Reconciliation

	2022	2021
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	99,951	85,471
Current service cost	5,150	5,323
Interest cost	1,581	1,243
Contributions by Scheme participants	525	613
Experience gains and losses on defined benefit obligations	6,483	(1,793)
Changes in financial assumptions	(39,062)	8,453
Estimated benefits paid	(1,093)	(1,148)
Past Service Costs	-	403
Change in demographic assumptions	(7,201)	-
Liability assumed/(extinguished) on settlements	(804)	1,386
Defined benefit obligations at end of period	65,530	99,951
	2022	2021

Reconciliation of Assets

	£'000	£'000
Fair value of plan assets at start of period	51,442	42,646
Interest on plan assets	829	625
Return on plan assets	(3,050)	6,268
Employer contributions	1,593	1,926
Contributions by Scheme participants	525	613
Administration Costs	(39)	(36)
Settlements paid	(15)	548
Estimated benefits paid	(1,093)	(1,148)
Assets at end of period	50,192	51,442

21 Related Party Transactions

Due to the nature of the MKCG'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 MKCG's financial regulations and normal procurement procedures.

Governor	Business Link	Work Carried out for MKCG (and balance outstanding as of 31 July)	
		2021/22	2020/21
Rebecca Carrington	Principal of Arts1	£632,551 (Nil)	£210,528 (Nil)
Dr Julie Mills OBE	Director of MK Business Leaders Partnership	£1,800 (Nil)	£1,800 (Nil)
Sally Alexander	Trustee WAMITAB	£7,367 (Nil)	£0 (Nil)

The total expenses paid to or on behalf of the Governors (excluding the CEO & Group Principal) during the year was £63 – 1 Governor (2021: £0). This related to out-of-pocket expenses, evidenced by receipt. The actual cost was reimbursed.

22 Amounts disbursed as agent

	2022	2021
	£'000	£'000
Funding body Grants		
16-18 bursary grants	237	316
Interest earned	-	-
	<u>237</u>	<u>316</u>
Disbursed to students	(191)	(282)
Administration costs	(9)	(17)
	<u>37</u>	<u>17</u>
Balance unspent as at 31 July, included in creditors	37	17

The MKCG also acted as Accountable Body for the Institutes of Technology in Reading and Oxford, which will be owned by Activate Learning Limited once completed. The MKCG received and paid out £4,880k in funding relating to these works.

23 Events after the reporting period

On 29 November 2022, the Office for National Statistics reclassified all college corporations to Central Government sector with immediate effect. This will mean that colleges will now be subject to the framework for financial management set out in Managing Public Money (MPM) and the Department for Education will introduce new rules for colleges, some of which will take effect immediately.

24 Restatement

Following a recent review of the business activities of The Code Makers Academy subsidiary in the year, the directors identified that certain activities that were previously reported in the company's financial statements were in fact undertaken by MKCG. The statement of comprehensive income for the year ended 31 July 2021 has therefore been restated to remove turnover of £495,092 and expenditure of £698,034.

Reconciliations of the opening retained profits the profit/loss for the year ended with the amounts as previously reported are presented below:

<i>Reconciliation of profit / (loss)</i>	2021
	£
Loss as previously reported	(202,942)
Adjustment in relation to review of business activities	202,942
Profit as restated	-
 <i>Reconciliation of retained profits</i>	 2021
	£
Retained profits as previously reported	(202,942)
Adjustment in relation to review of business activities	202,942
 Retained profits as restated	 -