Milton Keynes College

Report and Financial Statements

for the year ended 31 July 2020

Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2019/20:

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

Board of Governors

A full list of Governors is given on page 12 and 13 of these financial statements.

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

Professional advisers

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

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

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

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

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INTRODUCTION

The later part of the 2019-20 financial year was dominated by the outbreak of COVID-19. This significantly affected the day to day running of the College as it has all FE Colleges. This required the implementation of online learning in a very short timescale as full lockdown kicked in. Despite the unprecedented circumstances, the College managed the situation extremely well continuing to deliver a high-quality student experience in very challenging circumstances.

On the financial front the College managed the risks well with no significant additional in year costs related to COVID-19, partly through taking prompt action to manage costs in areas worst affected by the pandemic. In setting the 2020/21 budget the projected downturn caused by COVID-19 was factored in, ensuring a robust budget for the year ahead.

Looking further ahead it is impossible to measure the full financial impact of COVID-19. This could be in terms of student numbers, funding, economic recovery post COVID-19, as well as any post Brexit impact, all of which could have a financial impact on the College.

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal Status

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

Vision and Purpose

Milton Keynes College's purpose is to transform lives through learning.

Our vision is:

Excellence for our learners, their communities and our business partners

- *By being an open and successful college that measures our success through the success of others*
- *By offering a life-changing and individualised student journey and experience*
- *By building exemplary learning partnerships between our staff, students, parents, employers, other education providers, voluntary sector and public sector*
- *By enhancing the effectiveness of our systems, processes and structures*
- *By ensuring vocational skills and training are held in high esteem as a driver of our economy and community*
- *Providing skills leadership to deliver the city and the region's economic and social aspirations*

Public Benefit

The College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 12.

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

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

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

Strategic Priorities

- **Student & Customer Experience:** Develop the Student and Customer Experience focusing on working with our students, employers and wider community organisations to provide training solutions that build skills and create value.
- **Brand & Reputation:** Grow our reputation across all target groups and underpin brand strength moving forward by ensuring we deliver on every promise to customers, stakeholders and employees.
- **People:** To become an employer of choice with staff who transform lives of our learners.
- **Commercial Excellence:** Develop a College-wide approach to commerciality where there is a clear understanding of the expectations at all levels of the organisation.

Financial objectives

The Board has challenged the Executive to deliver a financially sustainable college without the contribution of the prison education contracts. This process is phased over several years and the key principle for the 2020/21 budget is to deliver an overall College surplus of £655k, and 2021/22 to deliver an overall College surplus of £1.058m (before retirement benefit accounting adjustments).

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Integrated Financial Model for the Education and Skills Funding Agency.

FINANCIAL POSITION

Financial results

The Group exceeded the planned budgeted operational surplus of £228k, achieving an operating surplus of £1.411m, however pension charges created an overall deficit of £1.351m. The deficit before other gains and losses of £1,351,000 (2018/19 – deficit of £1,535,000), with total comprehensive income deficit of £11,602,000 (2018/19 – deficit of £8,714,000).

The Group year-end net current assets show a liability of £1,867,000 (2018/19 – liability of £1,842,000).

Group total net liabilities of £17,118,000 (2018/19 – net assets of £5,516,000). The year on year movement is due to an increase in the Pension Benefit Obligation of £13,013,000.

Current liabilities include a Deferred Capital Grant of £185,000, and a Holiday Pay Accrual of £1,649,000, neither of which are immediate cash liabilities.

The Group has a year-end cash balance of £4,418,000.

Tangible fixed asset additions during the year amounted to £1,311,000. This spend split being Land & Buildings £1,074,000, Equipment £117,000, Computers £120,000. Additions to assets in Construction totalled £978,000.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the FE funding bodies provided 76% of the Group's total income.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management policy in place which includes its banking arrangements. Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and must comply with the requirements of the Funding Agreement.

Cash flows and liquidity

There was a £4.267 million net cash inflow (2018/19 £0.688 million net cash inflow), from operating activities.

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

Reserves

The Group has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The Group reserves include £6.3m held in revaluation reserve. As at the balance sheet date the Income and Expenditure reserve stands in deficit at (£23.4m), 2018/19 deficit of (£11.9m). The Income and Expenditure reserve includes Pension Provisions of £42.8m (2018/19 - £29.8m). It is the Corporation's intention to begin increasing non-pension related reserves over the life of the strategic plan, with the generation of annual operating surpluses.

Going concern

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

The College has a net current liabilities position of £1.867m, (2018/19 liability of £1.842m), and net liabilities of (£17.118m), (2018/19 net liability of £5.515m). The change in net liabilities year on year is due to the increase the pensions liability.

The College currently has £525k of loans outstanding with bankers on terms negotiated in 2011. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility for the foreseeable future.

The College's 5-year plan was to invest for growth in the initial 2 years and to effect a sustainable delivery model in years 3 to 5. This was achieved in years 3 and 4 delivering the budgeted surplus, and currently forecast to deliver to budget in 2020/21.

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

The College currently has a Local Government Pension Scheme deficit of £42.8m. This deficit has increased by £13m against last year. This highlights that vast fluctuations that can occur year on year depending based on a variety of factors out with our control. Large pension deficits are unfortunately quite common within the sector, and are based on the annual actuarial estimates. Our auditors have reviewed these results and report that they are in line with sector norms.

Group companies

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

The College delivered activity to 12,890 funded students during 2019/20 (2018/19 – 27,670). Of these 4,346 (2018/19 – 5,084) were Campus based, of which 3,379 (2018/19 – 4,136) full time, and 967 (2018/19 – 948) part time. Prison Services delivered activity to 8,544 students (2018/19 – 20,413) across the 19 prisons in which it delivered offender learning.

Student achievements (Campus)

The College has made good progress in improving the quality of teaching, learning and assessment and has self-assessed as Grade 2 'Good' for the 2019/20 academic year. Student outcomes continue to improve in vocational subjects and GCSE English and maths. The vast majority of areas, including GCSE English and maths, perform above national benchmark.

2019/20

(*When looking at the data for the campus achievement, it is important to consider the impact of the College Assessed Outcomes, in contrast to the traditional assessment process, as a result of COVID 19)*

1. Headline vocational achievement is at 94.6%, a 2.9% points increase on 2018/19.
2. High grades for GCSE English are at 35.8%, 4.8% points higher than 2018/19 and high grades for GCSE maths are at 30.7%, 4.7% points higher than 2018/19.
3. Functional Skills English is at 70%, 5% points lower than 2018/19.
4. Functional Skills maths is at 65%, 9% points lower than 2018/19.
5. 16-18 vocational is 89.1%, an increase of 5.4% points in comparison to 2018/19.
6. Adult vocational is 94.4%, in line with 2018/19 data.
7. Adult Apprenticeships are at 63.7%, 1.5% points down on 2018/19 and 16-18 Apprenticeships are at 59.4%, 17.9% points down on 2018/19. Apprenticeships have been adversely affected by COVID 19, due to some learners being furloughed or being made redundant, and so either still waiting to complete or not being able to complete their programmes.

Student achievements (Prison Services)

The new Prison Education Framework (PEF) Contracts commenced on 01 April 2019 with the College now delivering in 19 prisons across 3 PEF Lots; LTHSE North, LTHSE South and South Central. Within this new contract, the College is delivering in 10 existing prisons and 9 new prisons.

In the first year of the new PEF Contract the College delivered strong achievement rates. Between 01 April 2019 to 31 March 2020, across the 19 prisons, the College engaged with 8,544 individual prisoners to deliver 21,013 individual qualifications with an achievement rate of 90%. Achievement rates in 18 of our 19 prisons were above the College target of 80% and 10 prisons were above 90%. Achievement rates on all English programmes were also high at 88% (3,690 starts) and high on all maths programmes at 83% (2,978 starts), both above the College target of 80%.

The final achievement rate delivered by Milton Keynes College for PEF Contract Year 1 was the highest of the four PEF Suppliers.

From 24 March 2020 all prisons moved into a COVID lock down with all face to face education activity ceasing. From this point all PEF Suppliers commenced providing in-cell learning to prisoners. Between 24 March and 31 July 2020 the College distributed over 25,000 in-cell packages of learning to prisoners across the 19 prisons.

Curriculum developments

2019/20 has been a very different year, due to challenges following the COVID 19 pandemic, which impacted on campus delivery from the end of March 2020, when almost 100% of programmes of study were switched to 'on-line' delivery over a single weekend. Teachers and trainers responded extremely well, and continued to deliver effective, often innovative, sessions to students who were also well supported by Teaching Assistants and Progress Mentors.

The teams have taken 'lessons learned' into the 2020/21 academic year, developing a blended approach to leaning (a mix of classroom and on-line learning), and students are responding well. Towards the end of 2019/20, the Institute of Technology was established on the College's Bletchley Campus and we anticipate a full launch early in 2021. The College will continue to review its curriculum approach in response to COVID 19 and the needs of our learners and stakeholders.

We await the imminent publication of the FE White Paper this autumn, which it is anticipated will put FE Colleges at the centre of their communities, to support and drive economic growth and productivity. As always, and in anticipation of this, the College continues to work with a wide range of local stakeholders to ensure that the College offers programmes that are aligned to local and regional skills needs, and to maximise progression opportunities for students.

IoT
The College continued to work with partners and the DfE to develop capital plans for the South Central Institute of Technology. The Governing Body has established a Property Development Management Group to provide detailed scrutiny and a member of the College's governing body is a member of the IoT Strategy Group, working alongside Anchor Partner representatives to shape the strategic Direction of the IoT. The IoT curriculum will be tested in 20/21 Academic Year in advance of the first cohort of IoT students enrolling on 21/22. The legal agreements to launch the IoT were executed on 10th December 2020.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2019 to 31 July 2020, the College paid 95 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Financial

The College has £17.1m of net liabilities (including £42.8m pension liability) and long-term debt of £0.525m.

People

The College employs 985 people (expressed as full-time equivalents), of whom 620 are teaching staff.

PRINCIPAL RISKS AND UNCERTAINTIES:
The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management, which is designed to protect the College's assets and reputation.

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

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

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

The current COVID 19 pandemic has significantly affected the day to day running of the College as it has all FE Colleges. However, on the financial front the College has managed the risks well with no significant additional costs related to COVID 19. This was partly achieved by taking prompt action to manage costs in areas worst affected by COVID, particularly our Commercial areas. The College also placed most of its Commercial staff on Furlough throughout the first lockdown, topping up the 20% wages shortfall for all these staff. The College claimed in total £203,841 in Furlough payments in 2019/20. The College also reforecast its 2020/21 budget prior to year-end considering the projected downturn in certain income streams and reducing the associated costs, ensuring a robust and realistic budget for the year ahead.

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through the Office for Students. In 2019/20, 80% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same, or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding:

- The success of the apprenticeship levy
- Employers who do not pay the levy being required to pay 10% of the cost of apprenticeship training
- The move from apprenticeship frameworks to standards with the associated changes in funding rates
- The implementation of Government reform
- Impact of post COVID-19 economic recovery
- Potential increases in Teacher's pension contribution rates
- Impact of Brexit

This risk is mitigated in a number of ways:

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

2 Tuition fee policy

In line with the majority of other colleges, Milton Keynes College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- Competitor analysis to ensure fees are in line with the sector
- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

3 Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- Staff;
- Local employers;
- Local authorities;
- Local Enterprise Partnerships (LEPs);

- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.
- Ministry of Justice
- Regional & national employers (IoT)

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

Trade union facility time (AA)

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

Numbers of employees who were relevant period	FTE employee number
22	19.5

Percentage of time	Number of employees
1-50%	22

Total cost of facility time	£14,251
Total pay bill	£34,820,000
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	**0.06%**

Equal Opportunities

The College is committed to ensuring equality of opportunity for all who learn and work within it. It holds Leaders in Diversity status. It respects and values positively differences in age, disability, gender, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief and sexual orientation. It strives vigorously to remove conditions which place people at a disadvantage and works to be fully inclusive in its approach. This policy is resourced, implemented and monitored on a planned basis. The College's Equality and Diversity Strategy and Action Plan is published on the College's website.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is Accredited as a Leader in Diversity, and a member of the Mindful Employer initiative to assist the mental health wellbeing of staff. The College has also implemented an updated Equality and Diversity online training programme which all staff have undertaken. Refresher training and training for new starters is carried out regularly. The College has trained mental health first aiders who respond quickly to support our students' needs.

Disability Statement

a. as part of the redevelopment of the buildings it has installed lifts and ramps so that most of the facilities will allow access to people with a disability;
b. the College has a Learning Support Manager who provides information and advice and coordinates support where necessary for students with disabilities;
c. there is a list of specialist equipment, such as lighting and audio facilities, which the College can make available for use by students;
d. the admissions policy for all students is described in the College Handbook. Appeals against a decision not to offer a place are dealt with under the complaints policy;

e. the College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
f. specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format;
g. counselling and welfare services are described in the College Handbook.

Staff are involved in decision making through representation on the Governing Body, the EGPG, the Investor in Diversity Steering Group and the EAF. The College works collaboratively with the recognised trades unions, UCU and Unison.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 16th December 2020 and signed on its behalf by:

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 College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2019 to 31st July 2020 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 12th November 2015.

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

The Corporation

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

Name	***Date of appointment***	***Term of Office***	***Date of Resignation/ Retirement***	***Status of appointment***	***Committees Served***	***Attendance in 2019/20 at Corporation Meetings (i.e. Board & Committees*)***
Dotun Adeoye	07.02.18	3 years	2.10.19	Independent	Search & Governance	n/a
Des'reeya Al-Shiraz	03.12.19	3 years	4.12.19	Student		n/a
Richard Bartlett-Rawlings	03.10.19	3 years		Independent	Audit & Risk	9/10
Tony Berwick	08.05.19 Resigned 04.10.20	3 years		Independent		7/8
Rebecca Carrington**	20.11.17 Reappointed 18.11.20	3 years		Independent		3/3
Alan Cook	01.08.19	3 years		Independent	Chair of Audit & Risk Remuneration	11/11
Peter Cox	19.07.20	3 years		Independent	Audit & Risk	10/11
Kaye Dwight	07.10.20	3 years		Staff		0/0
Mat Gotkowski	08.05.19	3 years		Independent	Audit & Risk	11/11
Nathan Indge	27.03.19	3 years	28.02.20	Staff		3/4
Louise James	21.09.16	3 years	20.09.19	Staff		0/0
Elizabeth Marr	16.06.18	3 years		Independent	Remuneration	7/8
David Meadowcroft	13.06.18	3 years		Independent	Chair of Governors Remuneration	8/8
Julie Mills	01.02.11	Ex Officio		College CEO and Group Principal	Search & Governance	10/10
Asad Mir	06.11.19	3 years		Student		6/8
Stephen Norrish	23.11.18	3 years		Independent	Chair of Search & Governance/Remuneration	10/10
Ruby Parmar	07.02.18	3 years		Independent	Remuneration	7/8
Georgia Pongourou	Appointed 19.11.20	3 years		Student		
Charlynne Pullen	17.7.19	3 years		Independent	Search & Governance	9/10
Neil Sainsbury	03.10.19	3 years		Independent		7/7
Aniesa Shah	01.10.19	3 years		Staff		7/8
Gwynneth Tan	19.07.20	3 years		Independent	Chair of Remuneration	7/8
Manish Verma	08.05.19	3 years		Independent		6/8

Karen Brown acts as Clerk to the Corporation

* Audit & Risk, Remuneration, Search & Governance
**Agreed absence 1/9/19 – 1/3/20
The overall attendance in 2019/20 was:

- Board meetings 91%
- Audit Committee 94%
- Search & Governance Committee 100%
- Remuneration Committee – the committee did not meet in 2019/20.

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

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, quality targets, health & safety, equality and diversity, safeguarding and personnel related matters. In 2019/20 the Corporation met eight times; due to the pandemic the scheduled away-day was cancelled. Agendas, papers and reports are made available to Governors in a timely manner, prior to meetings.

In 2019/20 the Corporation conducted its business through regular Corporation meetings and three committees: Audit & Risk, Remuneration and Search & Governance. Each committee has terms of reference which are approved by the Corporation. The Audit & Risk Committee met three times, the Search and Governance Committee met twice and the Remuneration Committee did not meet. From 23rd March 2020, and in response to COVID-19, all meetings were held via Microsoft Teams; attendance has been very good.

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration by the Corporation as a whole. The Corporation has a Search and Governance Committee which comprises four members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years (usually three years), except in exceptional circumstances. Members may apply to serve a further term (maximum usually three terms).

Corporation Performance

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

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

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

Remuneration Committee

The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post holders. The Committee met in September 2020.

Details of the remuneration of the senior post holders for the year ended 31 July 2020 are set out in note 7 to the financial statements.

The Corporation has adopted the AOC's Colleges' Senior Post Holders Remuneration Code for 2019/20.

Audit & Risk Committee

The Audit & Risk Committee comprises at least three members who may or may not be members of the Corporation (excluding the Accounting Officer and Chair of Governors). In 2019/20 the Committee comprised four members of the Corporation and two co-opted committee members. The Committee met three times.

Three new members were appointed to the Committee during 2019/20 and members have the appropriate skills and experience to challenge and support College management. Corporation members include the Committee Chair who has extensive governance and financial experience, two qualified accountants who are auditors with major accounting firms and a corporate lawyer. Co-opted members have audit and risk management experience.

The Audit & Risk Committee operates in accordance with written terms of reference approved by the Corporation. It meets on a termly basis and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan and report their findings to management and the Audit & 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 & Risk Committee also advises the Corporation on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation. The contract for internal and external audit was subject to competitive tender during 2017/18 resulting in the change of internal and external auditors for the 2017/18 financial year. The contract for internal and external audit continues to be benchmarked on a regular basis against sector norms.

Internal Control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically. The system of internal control has been in place at Milton Keynes College for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

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

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

Milton Keynes College has an internal audit service, which operates in accordance with the requirements of the Education and Skills Funding Agency Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit & Risk Committee. At least annually, the Head of Internal Audit (HIA) provides the Corporation (via The Audit & Risk Committee) with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

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 within the College who have responsibility for the development and maintenance of the internal control framework
- comments by the College's financial statements auditor, the regularity auditor, and the appointed funding auditor in their management letters and other reports

The CEO & Group Principal has been advised on the implications of the result of her 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.

The CEO & Group Principal and the senior management team receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The CEO & Group Principal and senior management team and the Audit and Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit and Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and Audit and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Corporation carried out the annual assessment for the year ended 31st July 2020 by considering documentation from the senior management team and internal audit, and taking account of events since 31st July 2020.

Based on the advice of the Audit and Risk Committee and the CEO & Group Principal, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the corporate body and the safeguarding of their assets" and "contractual responsibilities under its funding agreements and contracts with ESFA".

Approved by order of the members of the Corporation 16th December 2020 and signed on its behalf by:

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

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

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

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 College, or material non-compliance with the Education and Skills Funding Agency's terms and conditions of funding under the College's financial memorandum.

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

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

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2019 to 2020 issued by the ESFA, and which give a true and fair view of the state of affairs of the group and the parent College and the result for that year.

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

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

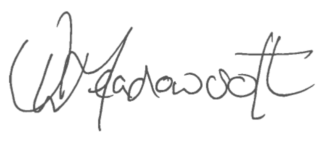
The Corporation is also required to prepare a Report of the Governing Body which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the group and parent College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 16th December 2020 and signed on its behalf by:



David Meadowcroft
Chair of Governors

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

Opinion

We have audited the financial statements of Milton Keynes College (the 'parent college') and its subsidiaries (the 'group') for the year ended 31 July 2020 which comprise the group statement of comprehensive income, the group and parent college statement of changes in reserves and balance sheets, 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, in all material respects:

- The financial statements give a true and fair view of the state of the group's and the parent college's affairs as at 31 July 2020 and of the group's surplus of income over expenditure for the year then ended; we have taken into account relevant statutory and other mandatory disclosure and accounting requirements, and the requirements of the OfS and other funders;
- The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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;
- funds provided by the OfS, the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the OfS's 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the parent college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Corporation is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 Audit 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 by the parent college; or
- the parent college financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

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

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

Responsibilities of the Corporation

As explained more fully in the statement of responsibilities of members of the Corporation, the Corporation is 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 Corporation determines 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 Corporation is 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 Corporation either intends to liquidate the group or the parent college or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities 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.

A further description of our responsibilities for the audit of the financial statements is located 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 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 Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the college and the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

Buzzacott LLP

Hugh Swainson
25.1.2021

Buzzacott LLP
Chartered Accountants and Registered Auditors
130 Wood Street
London
EC2V 6DL

Reporting Accountant's Assurance Report on Regularity

To: The Corporation of Milton Keynes College and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 4 October 2018 and further to the requirements 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 that in all material respects the expenditure disbursed and income received by Milton Keynes College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post 16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach
We conducted our engagement in accordance with the Post 16 Audit Code of Practice issued by the Department. 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 College's income and expenditure.

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;
- Further testing and review of self-assessment questionnaire 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 2019 to 31 July 2020, has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Buzzacott LLP

Hugh Swainson
25.1.2021

Buzzacott LLP
Chartered Accountants and Registered Auditors
130 Wood Street
London
EC2V 6DL

Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2020	Year ended 31 July 2019
		Group and College	Group and College
		£'000	£'000
INCOME			
Funding body grants	2	37,193	44,944
Tuition fees and education contracts	3	6,083	5,770
Other grants and contracts	4	204	53
Other income	5	4,309	4,330
Investment income	6	14	22
Total income		**47,803**	**55,119**
EXPENDITURE			
Staff costs	7	35,117	40,494
Fundamental restructuring costs	7	309	405
Other operating expenses	8	11,943	14,087
Depreciation	11	1,191	1,125
Interest and other finance costs	9	594	543
Total expenditure		**49,154**	**56,654**
Deficit before tax		**(1,351)**	**(1,535)**
Taxation	10	-	-
Deficit for the year		**(1,351)**	**(1,535)**
Actuarial loss in respect of pensions schemes	20	(10,251)	(7,179)
Total Unrestricted Comprehensive Income for the year		**(11,602)**	**(8,714)**

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2018	(3,237)	6,435	3,198
Deficit from the income and expenditure account	(1,535)	-	(1,535)
Other comprehensive income	(7,179)	-	(7,179)
Transfers between revaluation and income and expenditure reserves	79	(79)	-
	(8,635)	(79)	(8,714)
Balance at 31st July 2019	(11,872)	6,356	(5,516)
Deficit from the income and expenditure account	(1,351)	-	(1,351)
Other comprehensive income	(10,251)	-	(10,251)
Transfers between revaluation and income and expenditure reserves	79	(79)	-
Total comprehensive income for the year	(11,523)	(79)	(11,602)
Balance at 31 July 2020	(23,395)	6,277	(17,118)
College			
Balance at 1st August 2018	(3,195)	6,435	3,240
Deficit from the income and expenditure account	(1,535)	-	(1,535)
Other comprehensive income	(7,179)	-	(7,179)
Transfers between revaluation and income and expenditure reserves	79	(79)	-
	(8,635)	(79)	(8,714)
Balance at 31st July 2019	(11,830)	6,356	(5,474)
Deficit from the income and expenditure account	(1,351)	-	(1,351)
Other comprehensive income	(10,251)	-	(10,251)
Transfers between revaluation and income and expenditure reserves	79	(79)	-
Total comprehensive income for the year	(11,523)	(79)	(11,602)
Balance at 31 July 2020	(23,353)	6,277	(17,076)

Balance sheets as at 31 July

	Notes	Group	College	Group	College
		2020	2020	2019	2019
		£'000	£'000	£'000	£'000
Non current assets					
Tangible Fixed assets	11	31,686	31,686	30,588	30,588
Investments	12	-	-	-	-
		31,686	**31,686**	**30,588**	**30,588**
Current assets					
Stocks		15	15	23	23
Trade and other receivables	13	2,358	2,400	1,644	1,686
Cash and cash equivalents	17	4,418	4,418	2,794	2,794
		6,791	**6,833**	**4,461**	**4,503**
Less: Creditors – amounts falling due within one year	14	(8,658)	(8,658)	(6,303)	(6,303)
Net current liabilities		**(1,867)**	**(1,825)**	**(1,842)**	**(1,800)**
Total assets less current liabilities		**29,819**	**29,861**	**28,746**	**28,788**
Creditors – amounts falling due after more than one year	15	(4,112)	(4,112)	(4,450)	(4,450)
Provisions					
Defined benefit obligations	20	(42,825)	(42,825)	(29,812)	(29,812)
Total net liabilities		**(17,118)**	**(17,076)**	**(5,516)**	**(5,474)**
Unrestricted Reserves					
Income and expenditure account		(23,395)	(23,353)	(11,872)	(11,830)
Revaluation reserve		6,277	6,277	6,356	6,356
Total unrestricted reserves		**(17,118)**	**(17,076)**	**(5,516)**	**(5,474)**

The financial statements on pages 23 to 45 were approved and authorised for issue by the Corporation on 16th December 2020 and were signed on its behalf on that date by:

David Meadowcroft
Chair of Governors

Julie Mills
CEO & Group Principal

Consolidated Statement of Cash Flows

	Notes	2020	2019
		£'000	**£'000**
Cash flow from operating activities			
Deficit for the year		(1,351)	(1,535)
Adjustment for non-cash items			
Depreciation		1,191	1,125
Decrease in stocks		8	2
(Increase) decrease in debtors		(714)	2,390
Increase (decrease) in creditors due within one year		2,355	(3,458)
Increase (decrease) in creditors due after one year		12	(174)
Pensions costs less contributions payable		2,186	1,817
Adjustment for investing or financing activities			
Investment income		(14)	(22)
Interest payable		594	543
Net cash flow from operating activities		4,267	688
Cash flows from investing activities			
Investment income		14	22
Payments made to acquire fixed assets		(2,289)	(716)
		(2,275)	(694)
Cash flows from financing activities			
Interest paid		(18)	(27)
Repayments of amounts borrowed		(350)	(350)
		(368)	(377)
Increase (decrease) in cash and cash equivalents in the year		**1,624**	**(383)**
Cash and cash equivalents at beginning of the year	17	2,794	3,177
Cash and cash equivalents at end of the year	17	4,418	2,794

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 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2019 to 2020* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.
The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention 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, Prison Education Training Services (MK) Limited, Code Makers Academy Limited and MKC Commercial Limited. These subsidiaries are dormant. All financial statements are made up to 31 July 2020.

Going concern

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

The College currently has £525k of loans outstanding with bankers on terms negotiated in 2011, which are not secured against the assets of the College.

The College's forecasts and financial projections indicate that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements. Factored into these projections are prudent budget assumptions to safeguard against further COVID related risks.

Recognition of income

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

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited directly to the Statement of Comprehensive Income.
Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grant funding

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

Fee Income

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

Investment income

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

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

Buckinghamshire Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

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

Short term Employment benefits

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FEHE SORP are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

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

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

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1992 but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing more than £1,000 per individual item or group of items is capitalised at cost. All other equipment is written off in the period of acquisition

All assets are depreciated over their useful economic life as follows:

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

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

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Investments

Investments in subsidiaries

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

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

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

Provisions and contingent liabilities

Provisions are recognised when

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

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

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Prudent assumptions used for future cashflows forecasts, including factoring in potential COVID related risks including reduction in income.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Dilapidations*

The College has a building dilapidation provision to provide for estimated repairs for premises it has served notice to vacate in the next financial year. This estimate was based upon the landlords surveyors report, taking into account the probable likelihood of specific repairs needing to be carried out prior to handing the premises back to the property owner.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	Year ended 31 July 2020 Group and College £'000	Year ended 31 July 2019 Group and College £'000
Recurrent grants		
Education and Skills Funding Agency – 16-18	14,259	15,228
Education and Skills Funding Agency – Adult	3,094	2,817
Education and Skills Funding Agency - Apprenticeships	2,393	1,810
Office for Students	314	99
Specific grants		
Ministry of Justice – Prison Education Framework	16,960	24,915
Releases of government capital grants	173	174
Total	**37,193**	**45,043**

Grant and fee income for higher education courses	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 College £'000
Grant income from the Office for Students	314	99
Fee income from taught awards	2,727	2,471
Total	**3,041**	**2,570**

3 Tuition fees and education contracts

	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 College £'000
Adult education fees	396	519
Apprenticeship fees and contracts	268	250
Fees for FE loan supported courses	841	749
Fees for HE loan supported courses	2,727	2,471
International students fees	8	1
Total tuition fees	4,240	3,989
Education contracts	1,843	1,681
Total	**6,083**	**5,670**

4 Other grants and contracts	**Year ended 31 July 2020 College £'000**	**Year ended 31 July 2019 College £'000**
Other grants and contracts	-	53
Coronavirus Job Retention Scheme grant	204	-
Total	**204**	**53**

The Corporation furloughed Catering, Nursery and Commercial staff under the government's Coronavirus Job Retention Scheme. The funding received of £203,841 relates to staff costs which are included within the staff costs note below as appropriate.

5 Other income	**Year ended 31 July 2020 College £'000**	**Year ended 31 July 2019 College £'000**
Catering and residences	981	713
Other income generating activities	376	812
Other Initiatives	1,953	1,257
Commercial Activities/ Miscellaneous Income	493	847
Bursary Income (16-18 bursary income)	506	701
Total	**4,309**	**4,330**

6 Investment income	**Year ended 31 July 2020 College £'000**	**Year ended 31 July 2019 College £'000**
Other interest receivable	14	22
Total	**14**	**22**

7 Staff costs – Group and College

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

	2020	2019
	No.	No.
Teaching staff	731	753
Non-teaching staff	375	381
	1,106	**1,134**

Staff costs for the above persons

	2020	2019
	£'000	£'000
Wages and salaries	25,822	31,303
Social security costs	2,230	2,881
FRS 102 pension charge	2,186	1,817
Other pension costs	4,582	4,513
Payroll sub total	**34,820**	**40,514**
Contracted out staffing services	297	(20)
	35,117	**40,494**
Fundamental restructuring costs – Contractual	309	405
- Non contractual	-	-
Total Staff costs	**35,426**	**40,899**

Key Management Personnel

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

The remuneration package of the Senior Post Holders is subject to regular reviews by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance. Four members of the Executive Leadership Teams are Senior Post Holders.

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

The Corporation has adopted the AOC's Colleges' Senior Post Holders Remuneration Code from 2019/20 and will assess pay in line with its principles in future.

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

	2020	2019
	No.	No.
The number of key management personnel including the Accounting Officer was:	6	5

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	
	2020	**2019**	**2020**	**2019**
	No.	**No.**	**No.**	**No.**
£15,001 to £20,000 p.a.	-	1		
£25,000 to £30,000 p.a.	1	-		
£60,001 to £65,000 p.a.	-	-	6	7
£65,001 to £70,000 p.a.	-	-	3	2
£70,001 to £75,000 p.a.	1	-	1	-
£75,001 to £80,000 p.a.	-	-	1	1
£80,001 to £85,000 p.a.	-	-	1	1
£85,001 to £90,000 p.a.	1	1	-	-
£105,001 to £110,000 p.a.	1	1	-	-
£110,001 to £115,000 p.a.	1	1	-	-
£145,001 to £150,000 p.a.	1	1	-	-
	6	**5**	**12**	**11**

Key management personnel emoluments is made up as follows:

	2020	**2019**
	£'000	**£'000**
Salaries- gross of salary sacrifice and waived emoluments	557	453
Benefits in kind	-	-
	557	453
Pension contributions	106	73
	663	526

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 includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2020	**2019**
	£'000	**£'000**
Salaries	150	150
Benefits in kind	-	-
	150	150
Pension contributions	35	24

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	5.7	5.1
Accounting Officer's total remuneration as a multiple of the median of all staff	4.8	4.6

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

8 Other operating expenses

	2020 College £'000	2019 College £'000
Teaching costs	5,026	7,183
Non-teaching costs	4,294	4,278
Premises costs	2,623	2,626
Total	**11,943**	**14,087**

Other operating expenses include:	**2020 £'000**	**2019 £'000**
Auditors' remuneration:		
Financial statements audit	39	34
Internal audit	40	35
Hire of assets under operating leases	267	153

9 Interest and other finance costs – Group and College

	2020 £'000	2019 £'000
On bank loans, overdrafts and other loans:	18	27
	18	27
Net interest on defined pension liability (note 21)	576	516
Total	**594**	**543**

10 Taxation

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

11 Tangible fixed assets (Group and college)

	Land and buildings		Equipment	Computers	Assets in the course of construction	Total
	Freehold	Long leasehold				
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 August 2019	44,658	2,969	3,770	4,097	51	55,545
Additions	1,074	-	117	120	978	2,289
At 31 July 2020	**45,732**	**2,969**	**3,887**	**4,217**	**1,029**	**57,834**
Depreciation						
At 1 August 2019	16,149	2,969	2,567	3,272	-	24,957
Charge for the year	718	-	193	280	-	1,191
At 31 July 2020	**16,867**	**2,969**	**2,760**	**3,552**	**-**	**26,148**
Net book value at 31 July 2020	**28,865**	**-**	**1,127**	**665**	**1,029**	**31,686**
Net book value at 31 July 2019	28,509	-	1,203	825	51	30,588

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

12 Non-current investments

	College 2020	College 2019
	£'000	£'000
Investments in subsidiary companies	-	-
Total	**-**	**-**

The College's subsidiary undertakings are as follows:

Name	Date Acquired	Percentage Holding	Principal Activity
Prison Services Training Service (MK) Limited	30.01.01	100%	Dormant
Milton Keynes Manpower Forum Limited	01.08.01	100%	Dormant
The Code Makers Academy Limited	04.09.19	100%	Dormant
MKC Commercial Limited	01.05.20	100%	Dormant

The College's subsidiary undertakings are incorporated in Great Britain and registered in England and Wales. All subsidiary companies were dormant during 2019/20.

13 Trade and other receivables

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	209	209	849	849
Amounts owed by group undertakings:				
Subsidiary undertakings	-	42	-	42
Prepayments and accrued income	2,149	2,149	795	795
Total	**2,359**	**2,401**	**1,644**	**1,686**

14 Creditors: amounts falling due within one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans and overdrafts	350	350	350	350
Trade payables	1,154	1,154	1,233	1.233
Deferred VAT payment	-	-	-	-
Other taxation and social security	558	558	560	560
Accruals and deferred income	5,346	5,346	3,949	3,949
Deferred income - government capital grants	185	185	185	185
Deferred income - government revenue grants	1,065	1,065	26	26
Total	**8,658**	**8,658**	**6,303**	**6,303**

15 Creditors: amounts falling due after one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank	175	175	525	525
Deferred income - government capital grants	3,937	3,937	3,925	3,925
Total	**4,112**	**4,112**	**4,450**	**4,450**

16 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	College 2020 £'000	College 2019 £'000
In one year or less	350	350
Between one and two years	175	350
Between two and five years	-	175
Total	**525**	**875**

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

17 Cash and cash equivalents

	At 1 August 2019 £'000	Cash flows £'000	Other changes £'000	At 31 July 2020 £'000
Cash and cash equivalents	2,794	1,624	-	4,418
Total	**2,794**	**1,624**	**-**	**4,418**

18 Capital and other commitments

There were capital commitments of £714,911 as at 31 July 2020 (2019; none).

19 Lease obligations

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

	Group and College 2020 £'000	2019 £'000
Future minimum lease payments due		
Not later than one year	267	253
Later than one year and not later than five years	519	709
Total lease payments due	**786**	**963**

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 2016.

Total pension cost for the year		**2020**		**2019**
		£000		**£000**
Teachers' Pension Scheme: contributions paid		2,917		2,862
Local Government Pension Scheme:				
Contributions paid	1,665		1,651	
FRS 102 (28) charge	2,186		1,817	
Charge to the Statement of Comprehensive Income		3,851		3,468
Total Pension Cost for Year within staff costs		**6,768**		**6,330**

Teachers' Pension Scheme

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

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

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

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

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

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

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

The pension costs paid to TPS in the year amounted to £2,911,000 (2019: £2,966,000)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Buckinghamshire Local Authority. The total contributions made for the year ended 31 July 2020 were £2,285,457, of which employer's contributions totalled £1,665,431 and employees' contributions totalled £620,026. The agreed contribution rates for future years are 14.5% 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 2016 updated to 31 July 2020 by a qualified independent actuary.

	At 31 July 2020	**At 31 July 2019**
Rate of increase in salaries	2.00%	2.00%
Future pensions increases	2.20%	2.35%
Discount rate for scheme liabilities	1.40%	2.15%

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

	At 31 July 2020	**At 31 July 2019**
	Years	Years
Retiring today		
Males	21.5	21.4
Females	24.8	24.6
Retiring in 20 years		
Males	23.7	23.5
Females	27.1	26.9

The amount included in the balance sheet in respect of the defined benefit pension is as follows:

	2020	**2019**
	£'000	**£'000**
Fair value of plan assets	42,646	38,840
Present value of plan liabilities	(85,471)	(68,652)
Net pensions liability	**(42,825)**	**(29,812)**

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

	2020	**2019**
	£'000	**£'000**
Amounts included in staff costs		
Current service cost	4,089	3,428
Past service cost	-	17
Total	**4,089**	**3,445**
Amounts included in Interest payable		
Net interest cost	576	516
	576	**516**

Amount recognised in Other Comprehensive Income		
Return on pension plan assets	1,589	750
Experience gains arising on defined benefit obligations	1,466	-
Changes in assumptions underlying the present value of plan liabilities	(12,325)	(7,929)
Other actuarial gains/ (losses) on assets	(981)	-
Amount recognised in Other Comprehensive Income	**(10,251)**	**(7,179)**

Movement in net defined benefit (liability)/asset during year

	2020	**2019**
	£'000	**£'000**
Net defined benefit (liability)/asset in scheme at 1 August	(29,812)	(20,300)
Movement in year:		
Current service cost	(4,089)	(3,428)
Employer contributions	1,665	1,657
Past Service Costs	-	(17)
Administration costs	(35)	(29)
Net interest on the defined (liability)/asset	(576)	(516)
Actuarial gain or loss	(10,251)	(7,179)
Capitalised gain on settlement	273	-
Net defined benefit (liability)/asset at 31 July	**(42,825)**	**(29,812)**

Asset and Liability Reconciliation

	2020	**2019**
	£'000	**£'000**
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	68,652	55,970
Current service cost	4,089	3,428
Interest cost	1,432	1,481
Contributions by Scheme participants	620	634
Experience gains and losses on defined benefit obligations	(1,466)	-
Changes in financial assumptions	12,484	7,929
Estimated benefits paid	(1,127	(807)
Past Service Costs	-	17
Change in demographic assumptions	(159)	-
Liability assumed/(extinguished) on settlements	946	-
Defined benefit obligations at end of period	**85,471**	**68,652**

Changes in fair value of plan assets

Fair value of plan assets at start of period	38,840	35,670
Interest on plan assets	856	965
Return on plan assets	1,589	750
Employer contributions	1,665	1,657
Contributions by Scheme participants	620	634
Administration Costs	(35)	(29)
Settlements paid	1,219	-
Estimated benefits paid	(1,217)	(807)
Other actuarial gains (losses_	(981)	-
Fair value of plan assets at end of period	**42,646**	**38,840**

21 Related Party Transaction

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

Rebecca Carrington is a Director of Arts1 which carried out work for the College this financial year to the value of £7,756 (2019: £262,365). There was a nil creditor balance as at the 31st July 2020.

Julie Mills, Peter Cox and Ruby Parmar are Directors of MK Business Leaders Partnership which carried out work for the College this financial year to the value of £900. There was a nil creditor balance as at the 31st July 2020.

The total expenses paid to or on behalf of the Governors (excluding the CEO & Group Principal) during the year was £131 – 3 Governors (2019: £194 - 1 Governor). This related to out of pocket expenses, evidenced by receipt. The actual cost was reimbursed.

22 Amounts disbursed as agent

	2020	2019
	£'000	£'000
Funding body Grants		
16-18 bursary grants	238	204
Interest earned	3	3
	238	207
Disbursed to students	(229)	(187)
Administration costs	(17)	(17)
Balance unspent as at 31 July, included in creditors	**(5)**	**3**

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

23 Access and participation expenditure

	2020 £'000
Access investment	287
Financial support provided to students	17
Total access and participation expenditure	**304**

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

24 Events after the reporting period

There were no post year events to report.