



# **MidKent College**

## **Annual report and financial statements**

**for the year ended 31 July 2021**

## **Key Management Personnel, Board of Governors and Professional advisers**

### **Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which in 2020/21 comprises:

Simon Cook – Principal & Chief Executive  
Martin Peat – Executive Director of Finance and Estates  
Chris Hare – Executive Director of Employers and Corporate Services  
Jackie Watt – Executive Director of Curriculum and Quality  
Mike Garrod - Managing Director of MKC Training Services Limited.

### **Board of Governors**

A full list of Governors is given on page 13 to 15 of these financial statements. Ms C Burkin acted as Clerk to the Board of Governors throughout the period.

### **Professional advisers**

#### **Financial statements auditors and reporting accountants:**

Mazars LLP  
6 Sutton Plaza  
Sutton Court Road  
Sutton  
Surrey SM1 4FS

#### **Internal auditors:**

Scrutton Bland  
820 The Crescent  
Colchester Business Park  
Colchester  
Essex CO4 9YQ

#### **Bankers:**

Lloyds Banking Plc  
25 Gresham Street  
London EC2V 7HN

Barclays Bank  
Level 27,  
1 Churchill Place,  
London E14 5HP

#### **Solicitors:**

Eversheds  
Senator House  
85 Queen Victoria Street  
London EC4V 4JL

Thomson Snell and Passmore  
The Old Rectory  
St Mary's Road  
Greenhithe  
Kent DA9 9AS

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# MidKent College

## Strategic Report

### NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements of the Group, incorporating the results of MidKent College and its wholly owned subsidiary MKC Training Services Limited (MKCTS), for the year ended 31 July 2021.

#### Legal status

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

#### Group Mission

MidKent College will provide high-quality technical education and training to drive the ambitions and prosperity of the communities of Maidstone, Medway and surrounding areas. We will work in partnership to ensure our students have the skills and qualifications for the changing world of work. Our mission is to challenge and support all students to achieve their best.

#### Group Vision

We will be known as an outstanding provider of high-quality professional and technical education and training, by reputation and by results. This will provide students with the skills they need for the future, raising the aspirations of the communities of Medway and Maidstone and surrounding areas.

We will be the destination of choice for students, staff, parents, employers and the community. Our education and training will be delivered by skilled, passionate and inspiring industry practitioners, and we will build strong relationships with key partners to equip individuals who come to the College with skills to take their next steps in employment.

To achieve this, we will operate our two key campuses in Maidstone and Medway, and our subsidiary companies, in a manner which ensures financial stability.

#### Group Values

MidKent College's Core Values are the driving force behind improving teaching, learning and assessment at the College. The purpose of our values is to set the expectations we have of our staff, students and partners.

At MidKent College, we are driven by:

- Resilience
- Purpose
- Passion
- Pride

These values help us to deliver learning through enabling students and staff to exhibit the right:

- Behaviors
- Mindset
- Pedagogy

#### Public Value Statement

MidKent College is an institution at the heart of its local community, assisting individuals and groups to become the best they can be. We believe that education can and should be life-changing and inspirational. The Governors and staff of MidKent College seek to be the best we can be to ensure that we help to make this a reality in the communities that we serve. The College is not only here to provide the very best education and training for students but is also an asset for the benefit of our wider community.



## Strategic Plan 2020-2030

In December 2019, the Governing Body approved a new 10-year strategic plan and vision for MidKent College. This was the culmination of work involving key local and regional stakeholders, staff, students and Governors in shaping our long-term aspirations over the next 10 years. This was further enhanced and ratified in 2021 in the light of experiences during Covid.

MidKent College, in various forms, has existed for over 100 years and supports around 7,000 students annually to acquire the skills and training they need to take their next steps, be that in further study or employment. Along with our own specialist training company, MKC Training Services, that provides specialised skills training in construction and engineering, our two campus locations in Maidstone and Medway exist to serve these communities and support local economic prosperity. Having been rated "Good" by Ofsted in 2018, and with Outstanding financial health, we are now in a position of strength to set out our strategic plan for the next 10 years, which focusses on the following three strategic priorities:

- **Community**  
MidKent College will contribute to the transformation of the communities of Medway, Maidstone and the surrounding areas through working collaboratively to raise aspirations.
- **Education**  
MidKent College will be the first choice locally for high-quality technical education and training delivered by industry practitioners.
- **Economy**  
MidKent College will contribute to the prosperity of the local economies of Medway, Maidstone and surrounding areas, and horizon-scan to ensure we operate in a way that is financially sustainable.

In 2021 we agreed a further three priorities:

- **Digital Transformation**
- **The Environment**
- **Equality, Diversity & Inclusion**

We will achieve our vision by focussing on ensuring all programmes that we deliver are high-quality, increasing student volumes so we can operate at scale, and considering strategic opportunities to diversify and innovate.

Partnerships are critical to what we do. We recognise that our future plans cannot be delivered without working in partnership with other key local stakeholders who have a shared vision for transformation in our communities. In this strategic plan we are committing to working closer together with our partners, both current and future, to ensure that our students and staff have access to all the benefits these partnerships bring, including industry placements and employment.

Some elements of this plan may update over time, for example as new policies are implemented such as T-Levels, which we are excited to be delivering from 2022, or as the economic priorities of the region develop. To ensure we remain adaptable to change, progress against this strategic plan will be overseen by the MidKent College Governing Body.

## FINANCIAL POSITION

### Financial results

2020/21 saw the tenth full year of trading of the subsidiary company (MKC Training Services Ltd – MKCTS). MKCTS provides training to the MOD at the RSME Barracks in Chatham as part of the Holdfast Consortium.

The Group recorded a surplus before other gains and losses in the year of £5,462,000 (2019/20: £2,626,000), with total comprehensive income of £10,282,000 (2019/20: £8,430,000 expenditure), due to the major variation in the actuarial gains/losses.

The Group has accumulated reserves/net assets of £63,382,000 (2019/20: £53,100,000) and cash and short-term investment balances of £33,372,000 (2019/20: £24,668,000). The Group wishes to continue to accumulate reserves and cash balances in order to continue its investment in delivering high standard education.

Tangible fixed asset additions during the year amounted to £1,566,000 (2019/20: £1,267,000). This was all equipment purchases.

The Group has maintained the same level of reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2020/21 the FE funding bodies provided 54% of the Group's total income (2019/20: 54%).

## **Treasury policies and objectives**

Treasury management is the management of the Group'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 Group has a separate treasury management policy in place. Surplus cash is invested in line with this policy through Federated and short-term investments in banks.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements are restricted by limits in the Financial Memorandum agreed with the Education and Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

## **Cash flows and liquidity**

The group continues to enjoy significant cash inflows from operating activities, £10,641,000 (2019/20 - £8,310,000). This strong cash position enables continued investment in the facilities.

## **Reserves Policy**

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds restricted reserves of £217,000 on behalf of KFE (Kent Further Education Group) and a revaluation reserve against the Oakwood Park building of £1,175,000. As at the balance sheet date, the Income and Expenditure account reserve stands at £61,990,000 (2019/20: £51,635,000).

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

### **Student numbers**

In 2020/21 the Group has delivered activity that has produced £25,181,000 in funding body main allocation funding (2019/20 - £22,785,000). The College had 6,455 (2019/20 – 6,704) funded and 247 (2019/20 – 660) non funded students.

### **Student achievements**

The coronavirus pandemic placed some significant challenges on both College and students in 20/21, with the College moving to a distance learning delivery model at the point of lockdown in March 2020. Despite this, our students continue to achieve well in vocational programmes and the 2020/21 academic year saw a further increase to 83%. The college has seen a good improvement in outcomes at Level 3. These have been poor historically and a key challenge for the college.

### **Curriculum developments**

Curriculum reform continues to be relentless. The Government White Paper published in January 2021, sets out strong and clear ambitions for skills and we see this as a key focus for our future strategy.



We have introduced new courses to reflect student, and economic demand, such as e-sports and Games Development, enhancing the scope of specialist IT and Business skills. We have successfully introduced two new T Levels, Science and Health from September 2021 and we continue to adapt and evolve our curriculum to ensure it balances both student demand and economic need.

Our key focus moving forward is on growing opportunities for employment and raising aspirations within our communities. The South East Local Enterprise Partnership is increasing its influence on skills and curriculum. Led by businesses it has a clear focus on improving productivity, as well as economic prosperity in the region.

The College is represented by board membership on the Local Enterprise Partnership (LEP) Skills Advisory Group, the Kent & Medway Economic Partnership, Kent & Medway Skills Commission and Chamber of Commerce as well as a range of other key local and regional stakeholder groups. These along with increasing use of Labour Market Intelligence (LMI) and destinations data during business planning, help to ensure that the College continues to provide a curriculum and series of programmes that meet the needs of both students and local business.

Our increased focus on the local and regional economies means that we continue to provide a curriculum that enables students to increase their prospects of securing employment or continue to further study. This year we continue to see over 90% of students' progress to a positive destination, either a higher level of study, or employment.

We continue to ensure that study programmes not only allow students to achieve technical qualifications to improve their employment prospects, but also develop the skills and attributes that employers continue to ask for, over and above these qualifications. Qualities of reliability, hard work, enterprise, determination and enthusiasm are all areas of focus around our main curriculum to help students get the best chances of success in their future careers.

Our existing partnerships with several local special schools have helped to support the transition of young people into further education and offering increased assistance to students with learning difficulties and in particular, for those with autistic spectrum disorders (ASD).

## **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%. During the accounting period 1 August 2020 to 31 July 2021, the Group paid 59% (2019/20: 68%) of its invoices within 30 days, covid restrictions adversely affected the college performance with staff working off site. The Group incurred no interest charges in respect of late payment for this period therefore there was no financial impact.

## **Future Prospects**

The College is under plan led funding and hence Learner Responsive (16-18) income for 2021/22 has been confirmed at £20,012,300 (2020/21: £19,913,987).

## **Going Concern**

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

The College repaid a long-term loan in June 2014 and does not have any other borrowings.

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.

# MidKent College

## **Brexit Impact**

The College has assessed the impact to date of Brexit. The anticipated travel disruption as a result of forecast longer border checks at the key ports and Channel Tunnel in the region did not materialize and there was minimal impact on the ability of staff and students to travel to the campuses. The College noticed some longer lead times for deliveries, particularly of items manufactured in Europe, however, the impact was not significant.

## **Covid Impact and Response**

The College has followed the Government guidance since the beginning of the outbreak of the Covid 19 virus. Teaching continued and the college had secure and advanced IT systems in place to be able to continue distanced teaching and learning during the closure period. Innovative and creative solutions were found to ensure that all students were given opportunities to continue high quality learning during the closure period and there has been positive feedback on this response.

With the ESFA confirming the security of the main funding from an early stage, the College took the decision not to furlough any staff but to utilise them to additionally support community projects such as assisting Medway hospital with its IT needs, working with KCC on a food bank and additionally using College land to help locate a Covid testing station.

The College also continued to work with its one subcontractor to enable them to continue distance learning and maintain their payment to support them during this difficult period.

Savings made for the period of college closure were used to pay for the considerable costs of reopening with many social distancing measures being put into place. Therefore, with a very strong reserve position and careful cost control the College was able to manage this period in respect of its financial position.

## **RESOURCES**

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

Tangible resources include the main group sites, having a net book value of £91 million.

### **Financial**

The Group has £63 million (2019/20: £53m) of net assets, including £29 million pension liability (2019/20: £31m) and no debt (2019/20 - £nil).

### **People**

The Group employs on average 769 (2019/20: 740) people, of whom 606 (2019/20: 586) are teaching and teaching support staff.

### **Reputation**

The Group has a good reputation locally and nationally. Maintaining a quality brand is essential for the Group's success at attracting students and external relationships.



## PRINCIPAL RISKS AND UNCERTAINTIES:

The Group is satisfied that it has successfully embedded a system of internal control, including financial, operational and risk management which is designed to protect the Group's assets and reputation. This has been evidenced in part by the continued assessment of 'outstanding' financial health by the ESFA.

Risk management is now embedded within the Group's management structure. There is a formal process whereby management identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the Group. The internal controls are then implemented, and subsequent appraisals will review their effectiveness and progress against risk mitigation actions. Management will also consider any risks which may arise as a result of a new area of work being undertaken by the Group.

A risk register is maintained at Group level, using the Strategic Priorities as a framework, which is reviewed by the Risk and Audit Committee each term. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Outlined below is a description of the principal risk factors that may affect the Group. Not all the factors are within the Group's control. Other factors besides those listed below may also adversely affect the Group.

### 1. Government Funding for Education and Skills

There is a sustained and significant risk of funding reduction in the College's main funding streams.

The Group has considerable reliance on continued government funding through the further and higher education sector funding bodies. In 2020/21, 54% (2019/20: 54%) of the Group's revenue was ultimately funded from the Government's education and skills budgets. 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 particularly considering the cuts to the Adults Skills budget.

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

- The continued Government drive for study programmes to include GCSE English & Maths, which is still very new and could have a potential impact on staffing hours and specialisms.
- Lagged funding and decline of student numbers may impact future years.

This risk is mitigated in several ways:

- Funding is derived through several direct and indirect contractual arrangements, though such funding cannot be guaranteed.
- There is opportunity to offset some of the funding reduction through increases in tuition fees for some adult learners.
- By ensuring the Group has a good reputation within its local and regional communities and with key stakeholders and influencers.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies and the College has a good reputation in respect of the timeliness and accuracy of its funding returns.
- Ensuring the Group is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue undertaken with the funding bodies and close attention paid to national developments through national stakeholder groups.
- Continued dialogue with schools and local competitors.



## 2. Changes to the RSME Contract

MKC Training Services Limited began the delivery of a 30-year contract in January 2009. The contract was successfully renegotiated, although at a reduced level of income. The changed pricing mechanism reflects a transformed training delivery model to enable more roll-on, roll-off training and reduce the number of soldiers' not undergoing training. The cost profile was reduced in order to achieve more efficiencies and deliver the target surplus.

## 3. Failure to provide high quality teaching, learning and assessment

The College continues to increase overall achievement rates with a continuous improvement in vocational provision. Due to the inclusive nature of the college, and challenges that many students face, this continues to be a significant focus and aspiration of the college. The College was judged "Good" by Ofsted in November 2018 and has self assessed itself as Overall Good in 2021.

This risk is being mitigated by:

- The College keeps abreast of policy changes and adapts its practice and processes accordingly ensuring staff receive the appropriate professional development.
- The College reviews its curriculum plan annually using a wide range of data to produce an offer which both meets local and national priorities as well as developing students to progress to their next destination
- The college generates a quality improvement plan which is regularly reviewed and amended to address any issues deemed to impact on the quality of curriculum delivery.

## 4. Maintaining Adequate Funding of Pension Liabilities

The financial statements report the share of the pension scheme deficit on the Group's balance sheet in line with the requirements of FRS 102 (Section 28). Recent experience indicates that liabilities continue to exceed asset values, which represents a risk as if it were to continue the Group could breach its financial covenants if this resulted in negative reserves.

This risk is mitigated by:

- Annual monitoring of the pension position
- Giving due consideration to either making a one-off payment or increasing employer contributions

## STAKEHOLDER RELATIONSHIPS:

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

- Students;
- Education sector funding bodies;
- Staff;
- Local Employers (with specific links);
- MoD and Holdfast Consortium Members;
- Local Authorities;
- Local Enterprise Partnerships (LEPs);
- Government Offices;

- the Local Community;
- Other FE Institutions;
- Local schools;
- Trade Unions;
- Professional Bodies.

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

### **Diversity & Inclusion**

It is MidKent College's vision to provide a learning and working environment which celebrates diversity and where discrimination in all its forms is deemed to be unacceptable. The Diversity & Inclusion Strategy, which is published on the Group's website, represents a commitment from the Group to take firm action to redress inequality, and to promote diversity and inclusion in all our activities. The strategy sets out our core objectives for meeting our public sector equality duties and provides a detailed plan of the steps we intend to take to advance equality of opportunity.

Part of our recent duties in the Further Education sector includes optimising the life chances and success of all users of the Group. We will ensure that young people are developing in circumstances consistent with the principles of equality and the provision of safe and effective care. The strategy aims to meet the general duties imposed on the Group by legislation and sector guidance including the Equality Act 2010. It also goes further to include best practice in all areas of diversity whether they are covered by legislation or not. We respect and value differences in race, gender, sexual orientation, disability, religion or belief, age, gender reassignment, pregnancy or maternity, and marriage or civil partnership. We strive vigorously to remove conditions which place people at a disadvantage and we actively combat bigotry.

MidKent College's Vision, Values and Priorities play a vital role in the mainstreaming of equality and diversity so that it is an inherent part of every aspect of college life. Furthermore, they embody the goals and objectives of the organisation and form the foundation of the Equality Strategy. The Group undertakes equality impact assessments on all policies and procedures and publishes the results.

The Group is an 'Investor in Diversity' and is a 'Positive about Disabled' employer and has committed to the principles and objectives of these two standards. In particular the Group considers all employment applications from disabled persons, being cognisant of the aptitudes of the individuals concerned. A disabled applicant who meets the essential criteria for the post is guaranteed an interview. Where an existing employee becomes disabled, every effort is made to ensure that employment with the Group continues. The Group's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide opportunities equal to those of non-disabled employees.

The Group has implemented an updated Equality & Diversity training programme which all staff have attended. All staff complete an online training programme every three years with further refresher training and training for new starters carried out on an ongoing basis.

## Disability statement

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

- a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09, and the results of this formed the basis of funding capital projects aimed at improving access.
- b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
- c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- d) The admissions policy for all students is described in the College charter. 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 College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

## Trade union facility time

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

Numbers of employees who were relevant union officials during the period	FTE employee number
5	4

Percentage of time	Number of employees
0%	0
1-50%	5
51-99%	0
100%	0

Total cost of facility time	£29,813
Total pay bill	£20,666,000
Percentage of total bill spent on facility time	0.14%

Time spent on paid trade union activities as a percentage of total paid facility time	13.5%
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# MidKent College

## Gender Pay

### Mean Pay

Comparison of mean pay at the College shows that women are paid 10.93% less.

### Median Pay

Comparison of median pay at the College shows that women are paid 16.56% less.

### Bonus Pay

MidKent College did not make any bonus payments to any staff employed on the 31st March 2021 in the preceding 12 months.

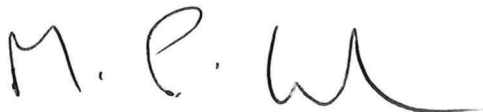
### Pay Quartiles – Gender breakdown

As part of the gender pay report organisations are required to report the gender breakdown for all four pay "Quartiles". These quartiles are created by listing the hourly pay for all staff from lowest to highest and then dividing the list into four equal parts. In respect of hourly pay quartiles, 66% of staff in the lower quartile are women, 74% of staff in the lower middle quartile are women, 59% of staff in the upper middle quartile are women, 48% of staff in the upper quartile are women

### Disclosure of information to auditors

The members who held office through the year and up to 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 Group'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 Group's auditors are aware of that information.

Approved by order of the members of the Corporation on 16 December 2021 and signed on its behalf by:



M Cook  
**Chair of Governors**

## Statement of Corporate Governance and Internal Control

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

The Group endeavors 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 2014 ("the Code") insofar as it is applicable to the further education sector

The Group is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the AOC Code of good governance for English Colleges. 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 Group complies with all the provisions of the AOC Code, and it has complied throughout the year ended 31 July 2021. The Governing Body recognises that, as a body entrusted with both public and private funds, it always has a particular duty to observe the highest standards of corporate governance. In carrying out its responsibilities, it takes full account of the new English Colleges' Foundation Code of Governance issued by the Association of Colleges in March 2015, which it formally adopted in July 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 members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below.

Name	Date of appointment	Term of office	Date of Resignation	Status of appointment	Committees served	Corporation meeting attendance
Mr N Baveystock	25 March 2020	4 Years		Independent Member	MKCTS Chair	5/6
Mrs P Baxter	Reappointed 11 December 2016	4 Years	10 December 2020	Independent Member	Search & Governance (Chair), Responsible for Safeguarding	2/2
Mr M Blanning	Reappointed 1 December 2017	4 Years		Independent Member Vice Chair from 17 July 2019	Finance & General Purposes, Quality, Teaching and	5/6



Name	Date of appointment	Term of office	Date of Resignation	Status of appointment	Committees served	Corporation meeting attendance
					Learning (Chair)	
Ms C Burkin	1 January 2011	N/A		Internal	Clerk to Corporation & all Committees	6/6
Mr M Cook	Appointed 15 July 2020  First meeting 14 October 2020	4 years		Independent Member	Chair of Governing Body, Finance & General Purposes, Quality, Teaching and Learning, Remuneration and Search & Governance	6/6
Mr S Cook	1 May 2015	N/A		Principal	Finance & General Purposes, Quality, Teaching and Learning, Risk & Audit, Governing Body and Search & Governance	6/6
Miss A Currie	14 October 2020	4 years		Independent Member	Finance & General Purposes  Chair 12 May 2021	6/6
Mr D Gagie	9 December 2020	4 Years		Independent Member	Finance & General Purposes  Quality of Teaching & Learning	4/4
Miss B Joshi	10 December 2019	4 Years		Staff Governor	Risk & Audit	5/6
Mrs C Locke	09 December 2020	4 Years		Independent Member	Sabbatical for 12 Months	2/2
Mrs A Orhiere	14 October 2020	4 Years		Independent Member	Finance & General Purposes	5/6
Mrs C Richardson	3 June 2020	4 Years		Independent Member	Risk & Audit	5/6

Name	Date of appointment	Term of office	Date of Resignation	Status of appointment	Committees served	Corporation meeting attendance
Mr C Reeves	Reappointed 24 March 2021	4 Years		Independent Member	Risk & Audit, Finance & General Purposes MKCTS	6/6
Mr C Reynolds	15 May 2015 Reappointed 14 May 2019	4 Years		Independent Member	Risk & Audit (Chair), Responsible for H&S and HR	6/6
Prof E Sallis	15 October 2019	4 Years		Independent Member	Quality, Teaching & Learning	6/6
Mr A Start	Reappointed 15 December 2017	4 Years	14 July 2021	Independent Member Chair from 12 December 2018	Governing Body Chair Remuneration	5/6
Mrs N Swain	July 2020	1 Year	July 2021	Co-opted member	Finance & General Purposes	5/5
Mr J White	15 October 2019	2 Years	14 July 2021	Student Governor	Quality, Teaching & Learning	5/6
Mr J Williams	31 January 2020	4 Years		Independent Member	Risk & Audit	4/6
Mrs A Woodhouse	31 January 2020	4 Years		Independent Member	Search & Governance	5/6
Mrs M Woolston	3 June 2020	4 Years		Independent Member	Quality, Teaching & Learning Safeguarding	3/6

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 Group together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets at least five times per year.

The Corporation conducts its business through several committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance and General Purposes, Remuneration, Search and Governance, Quality, Teaching and Learning, and Group Risk and Audit. Full minutes of all meetings, except those deemed confidential by the Corporation, are available on the College's website at [www.midkent.ac.uk](http://www.midkent.ac.uk) or from the Clerk to the Corporation at:

# MidKent College

MidKent College,  
Medway Campus,  
Medway Road,  
Gillingham,  
Kent. ME7 1FN.

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

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad hoc basis.

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and the Accounting Officer of the College are separate.

## **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee comprising of Governors 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.

## **Corporation performance**

The Governing Body (GB) currently comprises 19 members and is focused on ensuring the College is making progress towards achieving its strategic objectives. Membership in the reporting year included one staff Governor and one Student Governor. The board is passionate about ensuring that the college provided excellent education through good governance.

The Governing Body formally sits five times a year. In addition to this Governors are highly involved in a wide range of activities within the college including subcommittees which meet a minimum of 3 times a year and the Quality, Teaching and Learning Committee holds regular monitoring Zoom meetings; a Strategic Governor/SLT Away Day which has a particular focus on long term strategic planning; regular scheduled governor training events; link visits, and a wide variety of events involving students.

Governors have reviewed their role and responsibilities and changed the format of the GB meetings in order to provide the Principal and senior staff with high levels of challenge and support. This has ensured the College continues to improve the quality of provision and deliver a positive impact on the communities it serves. They make informed and transparent decisions with all minutes and papers (unless they are deemed confidential) available to the public on the College website and by request. Confidential minutes are annually reviewed by the Search & Governance Committee to determine whether they can be released as public documents.

The Search & Governance Committee continues to focus on skills and qualities of Governors to ensure that the Governing Body has a good balance of skills needed to provide the appropriate strategic direction, support and challenge for the College.



# MidKent College

The GB complied with the Foundation Code of Governance (adopted 23 March 2012) and adopted the Audit & Accountability Annex to the Code on 11 June 2013. It also adopted the Code of Good Governance for English Colleges in July 2015 and continues to strive to comply fully with the Ten Principal Responsibilities of Good Governance set out within that document. The GB formally reviews its own performance annually. Core aspects of work that help Governors fulfil their duties include:

- The quality of teaching, learning and outcomes for students has been placed at the centre of the GB agendas and that of its subcommittees. Helped through monthly Quality, Teaching & Learning monitoring calls to assess progress.
- Regular visits to various parts of the college by Governors to help validate information and speak to staff and students directly.
- The Student Representative has put Quality Improvement at the centre of its agenda and has focussed on ensuring quality issues are highlighted.
- The presence of college managers at Committees as observers helps provide transparency and openness.
- Strategic development of the operational plans in a response to the publication of the educational white paper.

## **Remuneration Committee**

Throughout the year ended 31 July 2021, the Corporation's remuneration Committee comprised of three Governors. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders.

Details of remuneration for the year ended 31 July 2021 are set out in note 6 to the financial statements. The Corporation adopted the College Senior Staff Remuneration Code and produces an Annual Report.

## **Risk and Audit Committee**

The Risk & Audit Committee comprises five members of the Corporation (who exclude the Chair). The committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the Group's systems of internal control and its arrangements for risk management, control and governance processes.

The Risk and Audit Committee meets on a termly basis and provides a forum for reporting by the Group's internal, regulatory and financial statements auditors, who have access to the Committee for independent discussion, without the presence of Group management.

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

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

The Risk and Audit Committee also advises the Corporation on the appointment of internal and independent auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

In recognition of the Group structure, the Committee became the Group Risk & Audit Committee in June 2021.

## **Finance and General Purposes Committee**

The Finance and General Purposes Committee comprises seven members of the Corporation plus the Accounting Officer. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to oversee and monitor the progress of the College's Strategic Plan in relation to

# MidKent College

Finance, Human Resources, Estates and Facilities, and Information and Communications Technology. The Committee also receives and considers reports from the main FE funding bodies, as they affect the Group's business.

The Finance and General Purposes Committee meets five times a year. There is a standing agenda for each meeting together with more targeted items for specific meetings.

## **Search and Governance Committee**

The Search and Governance Committee comprises of five members of the Corporation plus the Accounting Officer. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the appointment of members and such other matters relating to membership and appointments (excluding staff and student members) in accordance with the Instruments and Articles of Government (IAG).

The Search & Governance Committee meets three times a year.

## **Internal control**

### **Scope of responsibility**

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

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

### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to achievement of Group policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in MidKent College for the year ended 31 July 2021 and up to the date of approval of the annual report and financial statements.

### **Capacity to handle risk**

The Corporation has reviewed the key risks to which the Group 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 Group's significant risks that has been in place for the year ended 31 July 2021 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

### **The risk and control framework**

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- Regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts



- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate.

The Group has an Internal Audit Service, which operates in accordance with the requirements of the ESFA and ESFA's Post-16 Audit Code of Practice. The work of the Internal Audit Service is informed by an analysis of the risks to which the Group 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 and Risk Committee. At least annually, the Internal Audit Service provides the governing body with a report on internal audit activity in the Group. The report includes the service's independent opinion on the adequacy and effectiveness of the Group's system of risk management, controls and governance processes.

### **Review of effectiveness**

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

- The work of the internal auditors
- The work of the executive managers within the Group who have responsibility for the development and maintenance of the internal control framework
- Comments made by the Group's financial statements and regularity auditors in their management letter and through discussion as appropriate.

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

The Chief Executive and senior leadership team receive reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Chief Executive and senior leadership team and the Audit and Risk Committee also receive regular reports from internal audit and other sources of assurance, which includes 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 leadership team and the Audit and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Based on the advice of the Audit and Risk Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

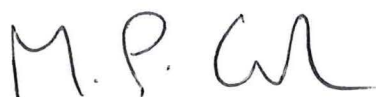
## Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

The College has no borrowings and has removed access to any credit facility. The College's forecasts and financial projections indicate that it will be able to operate without this facility for the foreseeable future.

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

**Approved by order of the members of the Corporation on 16 December 2021 and signed on its behalf by:**



M Cook

**Chair of Governors**

**16 December 2021**



S Cook

**Accounting Officer**

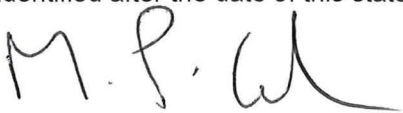
**16 December 2021**

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

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with 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 its consideration the Corporation has 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 its knowledge, the Corporation believes it can 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 further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Education and Skills Funding Agency. If any instances are identified after the date of this statement, these will be notified to the Education and Skills Funding Agency.



M Cook  
**Chair of Governors**  
16 December 2021



S Cook  
**Accounting Officer**  
16 December 2021



## 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 Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the corporation through its Accounting Officer is required to prepare financial statements for each financial year in accordance with the 2019 *Statement of Recommended Practice - Accounting for Further and Higher Education Institutions* and with the *College Accounts Direction 2020 to 2021* issued by the Education and Skills Funding Agency, and which give a true and fair view of the state of affairs of the Group and College and of the Group's results for the year.

In preparing the financial statements, the corporation is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements: and
- Prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Group will continue in operation.

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group, and 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 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 Group 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 Education and Skills Funding Agency are used only in accordance with the Financial Memorandum with the Education and Skills Funding Agency 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's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Education and Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 16 December 2021 and signed on its behalf by:



M Cook  
Chair of Governors

## **Independent Auditor's Report to the Members of the Corporation of MidKent College**

### **Opinion**

We have audited the financial statements of MidKent College (the 'College') and its subsidiaries (the 'group') for the year ended 31 July 2021 which comprise the Consolidated and College Statements of Comprehensive Income and Expenditure, the Consolidated and College Statements of Changes in Reserves, the Consolidated and College Balance Sheets, the Consolidated Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and College's affairs as at 31 July 2021 and of the Group's and College's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### **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 and the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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

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

### **Other information**

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

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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 where 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:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; or
- we have not received all the information and explanations we require for our audit.

## **Responsibilities of Corporation**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 22, 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Group's and 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 intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the College and its industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with the ESFA funding agreements, the OFS regulatory framework, the OFSTED regulatory framework, safeguarding, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements.

We evaluated the Members of the Corporation and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Members of the Corporation and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and

## MidKent College

- Considering the risk of acts by the Group and the College which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Members of the Corporation and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Other required reporting

#### **Opinion on other matters prescribed in the OfS Audit Code of Practice issued under the Further and Higher Education Act 1992**

In our opinion, in all material respects:

- funds provided by the OfS and UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions attached to them; and
- the requirements of OfS's accounts direction have been met.

### **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 OfS Audit Code of Practice requires us to report to you if, in our opinion:

- the provider's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated.

### **Use of the audit report**

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

**Mazars LLP**

**Mazars LLP**

**Chartered Accountants and Statutory Auditor**

6 Sutton Plaza, Sutton Court Road, Sutton, Surrey, SM1 4FS.

Date: 17 December 2021



## **Reporting Accountant's Report on Regularity to the Corporation of MidKent College ("The Corporation") and the Secretary of State for Education acting through the department for education ("The Department")**

In accordance with the terms of our engagement letter and further to the requirements of the funding agreement with the Education and Skills Funding Agency 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 MidKent College during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the 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 MidKent 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 MidKent 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 MidKent College and the Department for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of MidKent College and the reporting accountant**

The corporation of MidKent 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 Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed, and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Code issued by the 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:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the funding agreement with the ESFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year.
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

## Conclusion

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

**Mazars LLP**

Mazars LLP  
Chartered Accountants and Statutory Auditor  
6 Sutton Plaza  
Sutton Court Road  
Sutton  
Surrey  
SM1 4FS

Date: 17 December 2021

## Statement of Comprehensive Income

	Notes	<u>2021</u> Group £'000	<u>2021</u> College £'000	<u>2020</u> Group £'000	<u>2020</u> College £'000
<b>Income</b>					
Funding body grants	2	27,519	27,519	24,596	24,596
Tuition fees and education contracts	3	2,120	2,120	2,489	2,489
Other income	4	21,594	5,665	18,217	4,942
Endowment and investment income	5	16	15	129	110
<b>Total income</b>		<b>51,249</b>	<b>35,319</b>	<b>45,431</b>	<b>32,137</b>
<b>Expenditure</b>					
Staff costs	6	31,905	21,153	28,800	19,129
Other operating expenses	7	9,596	7,231	9,754	7,076
Depreciation	10	3,874	3,583	3,877	3,643
Interest and other finance costs	8	412	412	374	374
<b>Total expenditure</b>		<b>45,787</b>	<b>32,379</b>	<b>42,805</b>	<b>30,222</b>
<b>Surplus before other gains and losses</b>		<b>5,462</b>	<b>2,940</b>	<b>2,626</b>	<b>1,915</b>
Profit/(Loss) on disposal of assets		1	(19)	0	0
<b>Surplus before tax</b>		<b>5,463</b>	<b>2,921</b>	<b>2,626</b>	<b>1,915</b>
Taxation	9	0	0	0	0
<b>Surplus for the year</b>		<b>5,463</b>	<b>2,921</b>	<b>2,626</b>	<b>1,915</b>
Actuarial gain/(loss) in respect of pension schemes	22	4,819	4,819	(11,056)	(11,056)
<b>Total Comprehensive Income/(Expenditure) for the year</b>		<b>10,282</b>	<b>7,740</b>	<b>(8,430)</b>	<b>(9,141)</b>

## Statements of changes in reserves

	<u>Income and Expenditure account</u> £'000	<u>Revaluation Reserve</u> £'000	<u>Restricted Reserve</u> £'000	<u>Total</u> £'000
<b>Group</b>				
Balance at 1 August 2019	60,247	1,283	0	61,530
Surplus for the year	2,626	0		2,626
Transfers	(182)	(54)	236	0
Other comprehensive expenditure	(11,056)	0		(11,056)
<b>Total comprehensive Income/(Expenditure) for the year</b>	<b>(8,612)</b>	<b>(54)</b>	<b>236</b>	<b>(8,430)</b>
<b>Balance at 31 July 2020</b>	<b>51,635</b>	<b>1,229</b>	<b>236</b>	<b>53,100</b>
Surplus for the year	5,463	0		5,463
Transfers	73	(54)	(19)	0
Other comprehensive Income	4,819	0		4,819
<b>Total comprehensive Income/(Expenditure) for the year</b>	<b>10,355</b>	<b>(54)</b>	<b>(19)</b>	<b>10,282</b>
<b>Balance at 31 July 2021</b>	<b>61,990</b>	<b>1,175</b>	<b>217</b>	<b>63,382</b>
<b>College</b>				
Balance at 1 August 2019	57,731	1,283	0	59,014
Surplus for the year	1,915	0		1,915
Other comprehensive expenditure	(11,056)	0		(11,056)
Transfers	(182)	(54)	236	0
<b>Total comprehensive Income/(Expenditure) for the year</b>	<b>(9,323)</b>	<b>(54)</b>	<b>236</b>	<b>(9,141)</b>
<b>Balance at 31 July 2020</b>	<b>48,408</b>	<b>1,229</b>	<b>236</b>	<b>49,873</b>
Surplus for the year	2,921	0		2,921
Other comprehensive Income	4,819	0		4,819
Transfers	73	(54)	(19)	0
<b>Total comprehensive Income/(Expenditure) for the year</b>	<b>7,813</b>	<b>(54)</b>	<b>(19)</b>	<b>7,740</b>
<b>Balance at 31 July 2021</b>	<b>56,221</b>	<b>1,175</b>	<b>217</b>	<b>57,613</b>



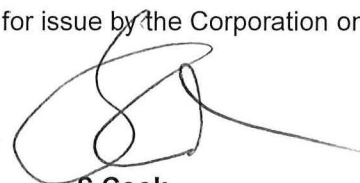
**Balance sheets**

	Notes	<u>2021</u> Group £'000	<u>2021</u> College £'000	<u>2020</u> Group £'000	<u>2020</u> College £'000
<b>Fixed assets</b>					
Tangible fixed assets	10	91,062	89,973	93,395	92,357
		<u>91,062</u>	<u>89,973</u>	<u>93,395</u>	<u>92,357</u>
<b>Current assets</b>					
Stocks		8	8	15	15
Trade and other receivables	12	4,915	5,272	3,122	4,611
Investments	13	6,268	5,242	6,263	5,238
Cash and cash equivalents		27,104	21,666	18,405	13,561
		<u>38,295</u>	<u>32,188</u>	<u>27,805</u>	<u>23,425</u>
<b>Creditors - amounts falling due within one year</b>	14	(8,550)	(7,123)	(7,941)	(5,750)
<b>Net current assets</b>		<u>29,745</u>	<u>25,065</u>	<u>19,864</u>	<u>17,675</u>
<b>Total assets less current liabilities</b>		<b>120,807</b>	<b>115,038</b>	<b>113,259</b>	<b>110,032</b>
Creditors - amounts falling due after more than one year	15	(28,189)	(28,189)	(28,907)	(28,907)
<b>Provisions</b>					
Defined benefit obligations	16	(29,068)	(29,068)	(31,062)	(31,062)
Other provisions	16	(168)	(168)	(190)	(190)
<b>Net assets</b>		<u><u>63,382</u></u>	<u><u>57,613</u></u>	<u><u>53,100</u></u>	<u><u>49,873</u></u>
Income and expenditure account		61,990	56,221	51,635	48,408
Revaluation reserve		1,175	1,175	1,229	1,229
Restricted Reserve		217	217	236	236
<b>Net assets</b>		<u><u>63,382</u></u>	<u><u>57,613</u></u>	<u><u>53,100</u></u>	<u><u>49,873</u></u>

The financial statements on pages 28 to 51 were approved and authorised for issue by the Corporation on 16 December 2021 and were signed on its behalf on that date by:



**M Cook**  
**Chair of Governors**  
**16 December 2021**



**S Cook**  
**Accounting Officer**  
**16 December 2021**

**Consolidated statement of Cashflows**

	Notes	<u>2021</u> £'000	<u>2020</u> £'000
<b>Cash inflow from operating activities</b>			
Surplus for the year		5,463	2,626
<b>Adjustment for non cash items</b>			
Depreciation		3,874	3,877
Decrease in stocks		7	13
(Increase) in debtors		(1,792)	(1)
Increase/(Decrease) in creditors due within one year		609	(356)
(Decrease) in creditors due after one year		(718)	(68)
(Decrease)/Increase in provisions		(22)	13
Pension costs less contributions payable		2,825	1,961
<b>Adjustment for investing or financing activities</b>			
Investment income		(16)	(129)
Interest payable		412	374
Profit on sale of fixed assets		(1)	0
<b>Net cashflow from operating activities</b>		<u><b>10,641</b></u>	<u><b>8,310</b></u>
<b>Cashflows investing activities</b>			
Proceeds from sale of fixed assets		26	0
Investment income		16	129
Withdrawal of deposits		(6)	1,972
Payments made to acquire fixed assets		(1,566)	(1,267)
		<u><b>(1,530)</b></u>	<u><b>834</b></u>
<b>Cashflows financing activities</b>			
Interest paid		(412)	(374)
		<u><b>(412)</b></u>	<u><b>(374)</b></u>
Increase in cash and cash equivalents in the year		8,699	8,770
Cash and cash equivalents at beginning of the year	17	18,405	9,635
<b>Cash and cash equivalents at end of the year</b>	17	<u><b>27,104</b></u>	<u><b>18,405</b></u>

## Notes to the Financial Statements

### 1. Accounting policies

#### Statement of accounting policies

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

#### Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2020 to 2021 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

#### Basis of consolidation

The consolidated financial statements include the College and its subsidiary, MKC Training Services Limited and MKC Aspire Limited. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2021.

#### Going concern

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

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.

#### Recognition of income

Funding body recurrent grants are recognised as informed by the results of the funding audit undertaken. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of October 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.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets. Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors, for example the National Health Service.



## Notes to the Financial Statements (continued)

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

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

### **Maintenance of premises**

The cost of routine maintenance and improvements within the existing buildings are charged to the income and expenditure account in the year incurred.

### **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 year with all resulting exchange differences being taken to the income and expenditure account in the year in which they arise.

### **Post-retirement benefits**

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

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 based on quinquennial valuations using a prospective benefit method. As stated in Note 22, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

### **Enhanced Pensions**

The actual cost of any enhanced on-going pension to a former member of staff is paid by the college annually. An estimate of the expected future cost of any enhancement to the on-going pension of a former member of staff is charged in full to the college's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

## Notes to the Financial Statements (continued)

### 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.

### Tangible fixed assets:

#### Land and buildings

Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at valuation based on open market value for existing use as at 1 April 1993. Land and buildings acquired subsequently are included in the balance sheet at cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Buildings are depreciated over the expected useful economic life to the Group of 50 years with elements of the buildings depreciated at fewer years in order to comply with component accounting requirements as under:

Windows, roofs -	25 years
Lifts	15 years
Flooring, partitioning -	10 years
Cabling, fire alarms, CCTV, blinds -	5 years

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy taking into account the requirements of component accounting in FRS 102.

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 15 "Tangible fixed assets", the Group followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993, but not to adopt a policy of revaluations of these properties in future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 102.

#### Subsequent expenditure on existing fixed assets

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

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



## Notes to the Financial Statements (continued)

### Equipment

Equipment costing less than £1,000 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition. All other equipment is capitalised at cost.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. All equipment is depreciated on a straight-line basis over its estimated useful economic life as follows:

Equipment	10 - 25% pa
-----------	-------------

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the Statement of Comprehensive Income over the expected useful economic life of the related equipment.

### Capitalisation of interest costs

All loan interest incurred on relevant borrowings is capitalised up to the date of practical completion. Following which, interest is charged to Statement of Comprehensive Income.

### Leased assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

### Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

### Investments

Current assets investments are included in the balance sheet at fair value.

### 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 Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the 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.

### Cash and cash equivalents

Cash and cash equivalent include sums on short term deposits with recognised banks and building societies.

### Provisions

Provisions are recognised when the Group 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.



# Notes to the Financial Statements (continued)

## Agency arrangements

The College acts as an agent in the collection and payment of Learner Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Statement of Comprehensive Income and are shown separately in note 24, except for Adult Bursary funds that are now included in the main allocation and the 5% of the grant received which is available to the College to cover administration costs in relation to the grant. The College employs five members of staff to support the administration of Learner Support Fund applications and payments.

## 2 Funding council grants

	<u>2021</u> Group £'000	<u>2021</u> College £'000	<u>2020</u> Group £'000	<u>2020</u> College £'000
<b>Recurrent Grants</b>				
ESFA - Adults	2,231	2,231	2,152	2,152
ESFA - 16-18	21,283	21,283	18,184	18,184
ESFA - Apprenticeships	1,667	1,667	2,159	2,159
ESFA - Other Income	864	864	749	749
Higer Education Funding Council	234	234	336	336
Release of Government Capital Grants	1,240	1,240	1,016	1,016
<b>Total</b>	<b>27,519</b>	<b>27,519</b>	<b>24,596</b>	<b>24,596</b>

	<u>2021</u> Group £'000	<u>2021</u> College £'000	<u>2020</u> Group £'000	<u>2020</u> College £'000
<b>OFS Grant Income</b>				
OFS Grant Income	234	234	336	336
HE Grant	17	17	18	18
HE Income for Taught Awards	373	373	756	756
<b>Total</b>	<b>624</b>	<b>624</b>	<b>1,110</b>	<b>1,110</b>

## 3 Tuition fees and education contracts

	<u>2021</u> Group £'000	<u>2021</u> College £'000	<u>2020</u> Group £'000	<u>2020</u> College £'000
FE Fees	381	381	481	481
Fees for FE loan supported courses	381	381	418	418
Fees for HE loan supported courses	373	373	756	756
<b>Total tuition fees</b>	<b>1,135</b>	<b>1,135</b>	<b>1,655</b>	<b>1,655</b>
Education contracts	985	985	834	834
<b>Total</b>	<b>2,120</b>	<b>2,120</b>	<b>2,489</b>	<b>2,489</b>

# MidKent College

## Notes to the Financial Statements (continued)

### 4 Other income

	<u>2021</u> Group £'000	<u>2021</u> College £'000	<u>2020</u> Group £'000	<u>2020</u> College £'000
Other income	21,594	5,665	18,217	4,942
<b>Total</b>	<b>21,594</b>	<b>5,665</b>	<b>18,217</b>	<b>4,942</b>

### 5 Investment income

	<u>2021</u> Group £'000	<u>2021</u> College £'000	<u>2020</u> Group £'000	<u>2020</u> College £'000
Other interest receivable	16	15	129	110
<b>Total</b>	<b>16</b>	<b>15</b>	<b>129</b>	<b>110</b>

### 6 Staff costs

#### Group

The average number of persons (including key management personnel) employed by the group during the year, disclosed on an average headcount basis, was:

	<u>2021</u> Number	<u>2020</u> Number
Teaching staff	606	586
Non teaching staff	163	154
<b>Total payroll</b>	<b>769</b>	<b>740</b>

#### Staff costs for the above persons

Group	<u>2021</u> £'000	<u>2020</u> £'000
Wages and salaries	21,991	20,060
Social security costs	2,191	2,067
Other pension costs	7,200	6,028
<b>Total payroll</b>	<b>31,382</b>	<b>28,155</b>
Contracted out staffing services	523	645
<b>Total</b>	<b>31,905</b>	<b>28,800</b>

Notes to the Financial Statements (continued)

**College**

The average number of persons (including key management personnel) employed (including sessional staff but not contracted out staff) by the college during the year, disclosed on an average headcount basis, was:

	<u>2021</u> Number	<u>2020</u> Number
Teaching staff	427	412
Non teaching staff	135	126
<b>Total payroll</b>	<u><u>562</u></u>	<u><u>538</u></u>

**Staff costs for the above persons**

	<u>2021</u> £'000	<u>2020</u> £'000
Wages and salaries	13,157	12,102
Social security costs	1,343	1,293
Other pension costs	6,166	5,111
<b>Total payroll</b>	<u><u>20,666</u></u>	<u><u>18,506</u></u>
Contracted out staffing services	487	623
<b>Total</b>	<u><u>21,153</u></u>	<u><u>19,129</u></u>



## Notes to the Financial Statements (continued)

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Chief Executive, Executive Director of Finance and Estates, Executive Director of Employers and Corporate Services and Executive Director of Curriculum and Quality.

**Emoluments of key management personnel, Accounting Officer and other higher paid staff**

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

	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Key Management		Other staff	
	No.	No.	No.	No.
£60,000 - £64,999	0	0	3	2
£65,000 - £69,999	0	0	2	3
£70,000 - £74,999	0	0	0	0
£75,000 - £79,999	0	0	0	0
£85,000 - £89,999	0	0	0	0
£90,000 - £94,999	0	2	0	0
£95,000 - £99,999	2	0	0	0
£100,000 - £104,999	1	1	0	0
£150,000 - £154,999	1	1	0	0
<b>Total</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>5</b>

The emoluments of the key management personnel are made up as follows:

	<u>2021</u>	<u>2020</u>
	£'000	£'000
Salaries	444	437
Employers National Insurance contributions	56	55
Benefits in kind	4	4
Compensation for loss of office	0	0
	<b>504</b>	<b>496</b>
Pension contributions	91	87
<b>Total emoluments</b>	<b>595</b>	<b>583</b>

Notes to the Financial Statements (continued)

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

	<u>2021</u> £'000	<u>2020</u> £'000
Salaries	150	150
Benefits in kind	<u>2</u>	<u>2</u>
	<b>152</b>	<b>152</b>
Pension contributions	<u>36</u>	<u>35</u>
<b>Total</b>	<b><u>188</u></b>	<b><u>187</u></b>

The remuneration package of Key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body.

The Principal and Chief Executive reports to the Chair of Governing Council, who undertakes an annual review of his performance against the college's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Principal/Chief Executives pay, and remuneration expressed as a multiple, based on the full staff establishment list, all on a full-time equivalent basis.

	<b>2021</b> <b>No.</b>	<b>2020</b> <b>No.</b>
Principal's basic salary as a multiple of the median of all staff	5.31	5.34
Principal and CEO's total remuneration as a multiple of the median of all staff	6.48	5.64

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

**7 Other operating expenses**

	<u>2021</u> Group £'000	<u>2021</u> College £'000	<u>2020</u> Group £'000	<u>2020</u> College £'000
Teaching costs	2,812	1,728	2,907	1,787
Non teaching costs	3,490	2,802	3,834	3,029
Premises costs	3,294	2,701	3,013	2,260
<b>Total</b>	<b>9,596</b>	<b>7,231</b>	<b>9,754</b>	<b>7,076</b>

Other operating expenses include:

	<u>2021</u> Group £'000	<u>2021</u> College £'000	<u>2020</u> Group £'000	<u>2020</u> College £'000
Auditors' remuneration				
Financial statements audit	38	31	36	30
Internal audit	24	24	23	23
Other services provided				
by financial statements auditors	3	3	2	0
Other services provided	0	0	0	0
by internal auditors				
Hire of assets under operating leases	105	78	254	156
Hire of other equipment	58	17	49	13
Other rental payments	18	18	25	25

**8 Interest Payable**

<b>Group and College</b>	<u>2021</u> £'000	<u>2020</u> £'000
Pension finance costs (note 22)	412	374
<b>Total</b>	<b>412</b>	<b>374</b>

**9 Taxation**

There was no taxation payable during the current or prior period.



# MidKent College

## Notes to the Financial Statements (continued)

### 10 Tangible fixed assets

Group	<u>Land and buildings</u> £'000	<u>Equipment</u> £'000	<u>Total</u> £'000
<b>Cost or valuation</b>			
At 1 August 2020	128,731	14,956	143,687
Additions	0	1,566	1,566
Disposals	(44)	(36)	(80)
<b>At 31 July 2021</b>	<b>128,687</b>	<b>16,486</b>	<b>145,173</b>
<b>Depreciation</b>			
At 1 August 2020	38,828	11,464	50,292
Charge for the year	2,913	961	3,874
On disposals	(34)	(21)	(55)
<b>At 31 July 2021</b>	<b>41,707</b>	<b>12,404</b>	<b>54,111</b>
<b>Net book value at 31 July 2020</b>	<b>89,903</b>	<b>3,492</b>	<b>93,395</b>
<b>Net book value at 31 July 2021</b>	<b>86,980</b>	<b>4,082</b>	<b>91,062</b>
<b>College</b>	<b><u>Land and buildings</u></b> £'000	<b><u>Equipment</u></b> £'000	<b><u>Total</u></b> £'000
<b>Cost or valuation</b>			
At 1 August 2020	128,731	11,418	140,149
Additions	0	1,224	1,224
Disposals	(44)	(21)	(65)
<b>At 31 July 2021</b>	<b>128,687</b>	<b>12,621</b>	<b>141,308</b>
<b>Depreciation</b>			
At 1 August 2020	38,828	8,964	47,792
Charge for the year	2,913	670	3,583
On disposals	(34)	(6)	(40)
<b>At 31 July 2021</b>	<b>41,707</b>	<b>9,628</b>	<b>51,335</b>
<b>Net book value at 31 July 2020</b>	<b>89,903</b>	<b>2,454</b>	<b>92,357</b>
<b>Net book value at 31 July 2021</b>	<b>86,980</b>	<b>2,993</b>	<b>89,973</b>

Inherited land and buildings were valued as at 1 April 1993 at £3,357,000 at open market value for existing use by a firm of independent chartered surveyors. Any disposal of land and buildings requires the consent of the ESFA in accordance with the financial memorandum between the Group and the ESFA. The fixed asset summary above includes intangible assets with a net book value of £61k. The additions for the current year include assets under construction of £568k mainly for the FEDC project.

**11 Non-current investments**

MidKent College owns 100% of the ordinary shares of MKC Training Services Limited and 100% of the ordinary shares of MKC Aspire Limited both of which are incorporated in England and Wales. The principal business activity of MKC Training Services Limited is providing training to the Royal School of Military Engineers. MKC Aspire Limited has not traded in the current or prior year.

**12 Trade and other receivables**

Amounts falling due within one year:	<u>2021</u> Group £'000	<u>2021</u> College £'000	<u>2020</u> Group £'000	<u>2020</u> College £'000
Trade receivables	3,112	123	2,136	392
Amounts owed by group undertakings:				
Subsidiary undertakings	0	3,097	0	2,398
Prepayments and accrued income	1,577	826	706	541
Amounts owed by Education and Skills Funding Agency	226	226	280	280
<b>Total</b>	<b>4,915</b>	<b>4,272</b>	<b>3,122</b>	<b>3,611</b>
Amounts falling due after more than one year:				
Subsidiary undertakings	0	1,000	0	1,000
	<b>0</b>	<b>1,000</b>	<b>0</b>	<b>1,000</b>

**13 Current investments**

	<u>2021</u> Group £'000	<u>2021</u> College £'000	<u>2020</u> Group £'000	<u>2020</u> College £'000
Short term deposits	6,268	5,242	6,263	5,238
<b>Total</b>	<b>6,268</b>	<b>5,242</b>	<b>6,263</b>	<b>5,238</b>

Deposits are held with banks and Federated Cash Management Funds operating in the London market and licensed by the Financial Conduct Authority which are available for draw down on a maximum one-day notice period.

**14 Creditors: amounts falling due within one year**

	<u>2021</u> Group £'000	<u>2021</u> College £'000	<u>2020</u> Group £'000	<u>2020</u> College £'000
Trade payables	562	451	623	266
Other taxation and social security	1,176	888	1,381	357
Accruals	2,845	1,822	3,006	2,200
Deferred income - non government	2,754	2,749	1,052	1,048
Deferred income - government capital grants	1,007	1,007	1,016	1,016
Amounts owed to the ESFA	206	206	863	863
<b>Total</b>	<b>8,550</b>	<b>7,123</b>	<b>7,941</b>	<b>5,750</b>

**15 Creditors: amounts falling due after more than one year**

	<u>2021</u> Group £'000	<u>2021</u> College £'000	<u>2020</u> Group £'000	<u>2020</u> College £'000
Deferred income-government capital grants	28,189	28,189	28,907	28,907
<b>Total</b>	<b>28,189</b>	<b>28,189</b>	<b>28,907</b>	<b>28,907</b>

**16 Provisions**

Group and College	<u>2021</u> Defined Benefit Obligations £'000	<u>2021</u> Enhanced pensions £'000	<u>2021</u> Total £'000
At 1 August 2020	31,062	190	31,252
Expenditure in the year	(1,087)	(13)	(1,100)
Transferred from income and expenditure account	(907)	(8)	(915)
<b>At 31 July 2021</b>	<b>29,068</b>	<b>168</b>	<b>29,236</b>



## Notes to the Financial Statements (continued)

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 22.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	<u>2021</u>	<u>2020</u>
Price inflation	2.6%	2.3%
Discount rate	1.6%	1.4%

**17 Cash and cash equivalents**

Group	At 1 August 2020 £'000	Cash flows £'000	Other changes £'000	At 31 July 2021 £'000
Cash and cash equivalents	18,405	8,699	0	27,104
<b>Total</b>	<b>18,405</b>	<b>8,699</b>	<b>0</b>	<b>27,104</b>

**18 Capital commitments**

	<u>2021</u> Group £'000	<u>2021</u> College £'000	<u>2020</u> Group £'000	<u>2020</u> College £'000
Authorised and contracted for	334	312	112	86
Authorised but not contracted for	0	0	0	0
	<b>334</b>	<b>312</b>	<b>112</b>	<b>86</b>

# MidKent College

## Notes to the Financial Statements (continued)

### 19 Lease obligations

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

	<u>2021</u>	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Equipment</b>				
Not later than one year	102	78	103	78
Later than one year and not later than five years	85	0	126	78
<b>Total</b>	<b>187</b>	<b>78</b>	<b>229</b>	<b>156</b>

### 20 Contingent liabilities

There were no contingent liabilities (2020: nil).

### 21 Events after the reporting period

There were no material events after the reporting period.

### 22 Defined benefit obligations

The College's employees belong to two principal pension schemes: The Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Kent County Council. Both are defined benefit schemes. Employees of the subsidiary, MKC Training Services Limited are enrolled in either the Prudential Platinum Scheme or a Stakeholder pension.

<b>Total pension costs for the year</b>	<u>2021</u>	<u>2020</u>
	<b>£'000</b>	<b>£'000</b>
Teachers Pension	1,578	1,513
Local Government Pension Scheme contributions paid:	1,087	957
FRS 102 (28) charge	2,825	1,961
Employer Pension Contributions	1,087	1,054
KCC Pension Interest Charge	(412)	(374)
MKCTS contributions paid	1,034	917
<b>Total Pension cost for year</b>	<b>7,200</b>	<b>6,028</b>

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 the LGPS 31 March 2019.

## Notes to the Financial Statements (continued)

### Teachers' Pension Scheme

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

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

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

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

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 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 £1,578,403 (2019/20: £1,512,697)

### Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Kent County Council. The total contribution made for the year ended 31 July 2021 was £1,494,235 (2020: £1,337,460), of which employer's contributions totalled £1,087,376 (2020: £957,308) and employees' contributions totalled £406,859 (2020: £380,153). The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 12.5% for employees.

### Principal Actuarial Assumptions

	<u>At 31 July</u> <u>2021</u>	<u>At 31 July</u> <u>2020</u>
Rate of increase in salaries	3.8%	3.3%
Future pensions increases	2.8%	2.3%
Discount rate for scheme liabilities	1.6%	1.4%
Inflation assumption (CPI)	2.8%	2.3%
Commutation of pensions to lump sums	50.0%	50.0%



Notes to the Financial Statements (continued)

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

	<u>At 31 July</u> <u>2021</u>	<u>At 31 July</u> <u>2020</u>
<i>Retiring today</i>		
Males	21.6	21.8
Females	23.6	23.8
<i>Retiring in 20 years</i>		
Males	22.9	23.2
Females	25.1	25.2

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

	<u>Fair Value</u> <u>at 31 July</u> <u>2021</u> <u>£'000</u>	<u>Fair Value</u> <u>at 31 July</u> <u>2020</u> <u>£'000</u>
Equities	37,622	32,690
Bonds	8,055	6,517
Property	6,024	5,545
Cash	1,716	1,537
Gilts	367	339
Absolute return fund	4,061	3,842
Total market value of assets	<u>57,845</u>	<u>50,470</u>

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

	<u>2021</u> <u>£'000</u>	<u>2020</u> <u>£'000</u>
Fair value of plan assets	57,845	50,470
Present value of plan liabilities	(86,913)	(81,532)
Present value of unfunded liabilities	<u>0</u>	<u>0</u>
<b>Net pensions (liability) (Note 16)</b>	<u><b>(29,068)</b></u>	<u><b>(31,062)</b></u>

## Notes to the Financial Statements (continued)

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

	<u>2021</u> £'000	<u>2020</u> £'000
<b>Amounts included in staff costs</b>		
Current service (cost)	(3,442)	(2,052)
Past service (cost)	(22)	(281)
Admin costs	(36)	(27)
Employer contributions	1,087	1,054
	<u>(2,413)</u>	<u>(1,306)</u>
<b>Amounts included in interest payable</b>		
Net interest payable	(412)	(374)
	<u>(412)</u>	<u>(374)</u>
<b>Amounts recognised in Other Comprehensive Income</b>		
Return on pension plan assets	6,924	236
Changes in assumptions underlying the present value of plan liabilities	(4,743)	(9,313)
Change in demographic assumptions	1,046	1,328
Actuarial Loss	0	28
Defined Benefit Loss	1,592	(3,335)
Amount recognised in Other Comprehensive Income	<u>4,819</u>	<u>(11,056)</u>

# MidKent College

## Notes to the Financial Statements (continued)

Movement in net defined benefit liability during the year

	<u>2021</u> £'000	<u>2020</u> £'000
Deficit in scheme at 1 August 2020	(31,062)	(18,045)
Movement in year:		
Current service cost	(3,442)	(2,333)
Employer contributions	1,087	1,054
Net interest on the defined liability	(412)	(374)
Administration Expenses	(36)	(27)
Actuarial gain or loss	4,819	(11,056)
Past service cost	(22)	(281)
<b>Net defined benefit liability at 31 July 2021</b>	<u><b>(29,068)</b></u>	<u><b>(31,062)</b></u>

### Asset and Liability Reconciliation

	<u>2021</u> £'000	<u>2020</u> £'000
<b>Changes in the present value of defined benefit obligations</b>		
Defined benefit obligations at start of period	81,532	67,391
Current Service cost	3,442	2,333
Interest cost	1,092	1,409
Contributions by Scheme participants	404	350
Changes in financial assumptions	4,743	9,313
Estimated benefits paid	(1,684)	(1,552)
Changes in demographic assumptions	(1,046)	(1,328)
Past service costs	22	281
Experience (Gain)/Loss on Defined Benefit Obligations	(1,592)	3,335
<b>Defined benefit obligations at end of period</b>	<u><b>86,913</b></u>	<u><b>81,532</b></u>

### Reconciliation of Assets

	<u>2021</u> £'000	<u>2020</u> £'000
<b>Fair value of plan assets Assets at 1 August 2020</b>	50,470	49,346
Interest on plan assets	680	1,035
Return on plan assets	6,924	236
Employer contributions	1,087	1,054
Contributions by Scheme participants	404	350
Estimated benefits paid	(1,684)	(1,552)
Administration Expenses	(36)	(27)
Other actuarial gains	0	28
<b>Assets at 31 July 2021</b>	<u><b>57,845</b></u>	<u><b>50,470</b></u>



## Notes to the Financial Statements (continued)

### 23 Related party transactions

The College has taken advantage of the exemption available in accordance with FRS102 (33) not to disclose transactions entered into with MKC Training Services Limited as it is a wholly owned subsidiary of the College.

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 such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. The College maintains a register of business interests held by governors and key management personnel which is regularly updated and reviewed annually. The following is a summary of those transactions.

The CEO and Principal of the college is also a trustee of: Rivermead Inclusive Trust and Royal Engineers Vocational Education & Training Trust (REVETT). The college received income of £214,920 from Rivermead Inclusive Trust.

The Executive Director of Finance and Estates for the College was also a Trustee and Company Secretary for the Lower Lines Park Trust. The college received £77,686 for services provided to that trust.

Independent Governing Body member, Mr A Start, is a Director for Capita Business services. The College paid £35 to Capita for a subscription service.

The College paid £15,000, to the Kent Further Education Group for its annual membership.

### 24 Amounts disbursed as agent

<b>Learner support funds</b>	<b><u>2021</u></b>	<b><u>2020</u></b>
	<b>£'000</b>	<b>£'000</b>
Opening funds	599	446
College Access Funds	102	0
Funding body grants - hardship support	962	878
Funding body grants - childcare	41	61
	<b>1,704</b>	<b>1,385</b>
Disbursed to students	<b>(980)</b>	<b>(756)</b>
Administration costs	0	(30)
<b>Total</b>	<b>724</b>	<b>599</b>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The nature of some grants has changed and for those items, amounts held at 31 July 2021 have been brought into the college accounts during the year under review. The amounts handled as agent and therefore not included in the college accounts are shown above.