



MidKent College

Annual report and financial statements

for the year ended 31 July 2023

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 2022/23 comprises:

Simon Cook – Principal & Chief Executive
Martin Peat – Executive Director of Finance and Estates
Chris Hare – Executive Director of Employers and Corporate Services
Jim Mawby – Executive Director of Curriculum and Quality
Christina Hart – Executive Director Student Experience
Mike Garrod - Managing Director of MKC Training Services Limited

Board of Governors

A full list of Governors is given on page 12 to 13 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:

Validera
New Derwent House
69-73 Theobalds Road
London
WC1X 8TA

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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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 2023.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the business of 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.

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Strategic Plan 2020-2030

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, our strategic plan, reviewed regularly by The Governing Body, has a focus on the following seven strategic priorities:

- **Community**
We will contribute to the transformation of the communities of Medway, Maidstone and the surrounding areas through working collaboratively to raise aspirations.
- **Education**
We will be the first choice locally for high-quality technical education and training delivered by industry practitioners.
- **Economy**
We will contribute to the prosperity of the local economies of Medway, Maidstone and surrounding areas, and ensure we operate in a way that is financially sustainable.
- **Digital Transformation**
We will be a pioneer for the adoption of technology in teaching, learning and assessment and across our business operations.
- **Sustainability**
We will be a mindful and considerate organisation that evaluates and be a leader in mitigating the impact of our operations on the local and global environment.
- **Equality, Diversity & Inclusion**
We will be a welcoming and supportive environment for our staff, students, and communities where people from different backgrounds can achieve their potential.
- **Workforce**
We will be recognised as a first-choice local employer that invests in training, working environment and welfare of its staff.

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.

The success now of MidKent College is down to many of the partnerships that we have with a range of key local and regional stakeholders who have a shared vision for transformation in our communities. These partnerships range from the community groups who use our facilities, key local partners who help support our students through the services that they provide, the businesses that work alongside us and recruit students into the jobs that they have and the key strategic partners and employers who help shape our work, provide funding and help provide a cohesive education and training offer across the region.

We have embraced fully the strategy set out in the Skills for Jobs White Paper launched in 2021. This has helped to further cement relationships in Kent & Medway between the three FE Colleges, represented through KFE (Kent Further Education) and Business as represented through the LSIP (the Local Skills Improvement Partnership). This has helped to secure additional funds through two SDF (Strategic Development Funds) projects across all three Colleges. These have allowed MidKent College to take a focus on decarbonisation in construction with a new Skills Factory and a Home Energy Centre opened in 2022. In continuing to respond to the skills needs articulated through the LSIP, in 2023 we established two immersive classrooms, part of a countywide network of twelve interconnected innovation spaces developed by the Kent colleges.

In October 2023 we are opening our Institute of Technology (IoT) centre at our Maidstone campus. In collaboration with South Essex College, we have created an exciting opportunity to develop the higher technical skills for the future workforce needs utilising state of the art technology to support teaching and

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learning. The key priorities for the IoT align with the Local Skills Improvement plan and include higher apprenticeships and higher-level skills.

We continue to innovate and are now developing plans to establish a Retro-fit academy in 2024. We have pursued these projects and plans in full partnership with our fellow colleges and employers in the county.

FINANCIAL POSITION

Financial results

The Group recorded a surplus before other gains and losses in the year of £2,302,000 (2021/22: £1,108,000), with total comprehensive income of £5,768,000 (2021/22: £31,084,000). The drop in comprehensive income is largely due to a major variation in the actuarial gains of £27m, as a result of a change to the actuarial assumptions, as shown in the notes to the accounts 16 and 22.

The Group has accumulated reserves/net assets of £100,234,000 (2021/22: £94,466,000) and cash and short-term investment balances of £19,849,000 (2021/22: £42,432,000). The Group wishes to continue to preserve strong levels of reserves and cash balances to generate returns for investment in line with our investment policy in delivering high standard education. We used some of those returns this year, for example, to create the Medway School of Arts.

Tangible fixed asset additions during the year amounted to £4,938,000 (2021/22: £3,463,000). 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 2022/23 the FE funding bodies provided 55% of the Group's total income (2021/22: 56%).

MKCTS provides training to the MOD at the RSME Barracks in Chatham as part of the Holdfast Consortium as well as delivering a number of commercial courses in the Civil Sector.

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 short- and long-term treasury management policy in place as well as an investment policy. The Group has cash reserves largely because of the trading operations conducted by our MKCTS subsidiary since incorporation over ten years ago. The College has invested in a long-term fund managed by a wealth management firm. These reserves provide a high degree of financial security for the Group as a whole and enables timely investments to help diversify the income generated by the trading subsidiary and to improve the facilities and services we offer as a college which we might not otherwise be able to afford.

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, £6,873,000 (2021/22 - £12,832,000). 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 £71k on behalf of KFE (Kent Further Education) and a revaluation reserve against the Oakwood Park building of £1,067k. As at the balance sheet date, the Income and Expenditure account reserve stands at £98,955,000 (2020/21: £93,212,000).

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2022/23 the Group has delivered activity that has produced £24,942,000 in funding body main allocation funding (2021/22 - £24,523,000). The College had 5,032 (2021/22 – 4,641) funded and 638 (2021/22 – 903) non funded students.

Meeting local skills needs

We continue to focus our work on growing opportunities for employment and raising aspirations within our communities. Key local and regional stakeholders continue to help support our work from helping to shape our curriculum and provision through to engaging students in work to help improve their skills. Coupled with our approach to partnership working, we continue to grow the vast range of organisations that we work with to help support the skills needs of our communities. Furthermore, our commitment to meeting local skill needs are demonstrated in the following published documents, accessed via www.midkent.ac.uk

- Annual Accountability Statement 2023-24
- Governing Body review of meeting local need

We focus our work on four key stakeholder groups:

- **Employers (including Employer representative groups such as Chambers of Commerce)**
- **Civic Institutions (Local Councils, LEPs etc)**
- **Education Partners (Schools, Universities, Colleges, and other training providers)**
- **Community Groups (Including Charities and volunteering groups)**

Much of our work in the last year has been on working closely with the pilot Local Skills Improvement Plan (LSIP) and awarded Strategic Development Fund (SDF) bid that were as a result of the Skills for Jobs White Paper in early 2021.

The LSIP pilot has now been awarded on a permanent basis as a result of the success of its pilot phase and alongside the SDF bids won have shown the importance of partnership working, involving all three FE Colleges in Kent and Medway in collaboration.

The LSIP is helping to connect our smaller business community with the skills agenda and to help shape training needs now and in the future.

Our successful SDF bid has led to the establishment of a Skills Factory and Home Energy Centre at our Maidstone campus, which along with two similar facilities, one for Engineering and the other the Food Sector at the two other FE Colleges is helping address broader skills needs in helping to reduce our negative impact on the environment. This success has led to a second SDF award in collaboration with our partner FE Colleges in Kent and Medway to focus on digital skills and VR technology and we have invested in creating two immersive classrooms, one at each campus, which alongside the other partner colleges completes the collaborative project to instal twelve of these facilities across Kent.

Our 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 into further 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 schools have helped to support the transition of young people into further education and in particular offering increased assistance to students with a range of additional learning needs and for those with autistic spectrum disorders (ASD).

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Finally, our work within the communities of Medway, Maidstone and the surrounding areas are flourishing and thriving. The work undertaken by our community engagement teams is connecting a wide range of charities, community groups and individuals to our College to help provide work experiences and activities to students, but also help contribute to our ambitions of ensuring the College is seen as a key community asset.

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 2022 to 31 July 2023, the Group paid 80% (2021/22: 73%) of its invoices within 30 days. The Group incurred no interest charges in respect of late payment for this period.

Future Prospects

The College is under plan led funding and hence Learner Responsive (16-18) income for 2023/24 has been confirmed at £23,092,630 (2022/23: £21,048,550).

Going Concern

The College's activities, along with the factors likely to affect its future development and performance, are 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.

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 £100 million (2021/22: £94m) of net assets (2021/22: £2m) and no debt (2021/22 - £nil).

People

The Group employs on average 820 (2021/22 797) people, of whom 629 (2021/22: 620) 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 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 Group 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. Risk: 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 2022/23, 55% (2021/22: 56%) 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 current economic circumstances and lack of funding increases to keep pace with inflation.
- The continued Government reforms of qualifications that now include removal of funding for some qualifications.
- Increased competition amongst school sixth forms leading to fewer students studying at College compared to school.

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.
- Ensuring the Group has a good reputation within its local and regional communities and with key stakeholders and influencers.
- Considerable focus and investment are 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. Risk: Failure to provide high quality teaching, learning and assessment

The College continues to maintain strong pass rates in the vast majority of curriculum areas, although retention has been a challenge in some areas in the post-pandemic era. Due to the inclusive nature of the College, and challenges that many students face, this continues to be a significant focus for the College. The College was judged "Good" by Ofsted in November 2018 and has self-assessed itself as Overall Good in 2021. The College undertook several external reviews looking at the provision across the College and this gave assurance that the standards remained at a proficient level across the curriculum.

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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 an annual quality improvement plan which is regularly reviewed and amended to address any issues deemed to impact on the quality of education. In addition information is triangulated through Governor informal and link visits that report into the Quality Teaching & Learning Committee.

3. Risk: 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.

4. Risk: External Global Factors

The associated risks to the College because of several external global factors are constantly assessed and continue to represent a range of risks to the College.

The impact on businesses Post Brexit is felt in Kent particularly with many businesses now looking to recruit locally and immediately, along with the difficulties this presents for many local businesses and communities impacted by blockages in the major transport routes to Europe that go through Kent.

The impact of the current War in Europe is seen in Kent with high numbers of Ukrainians locating in Kent and in need of support. We have successfully supported a large number of Ukrainian adults by providing ESOL courses to enable them to work towards employment.

The post-Covid recovery period and impact on students, staff and the College is also seen in our operational activities, and we continue to address these issues.

Finally, the current Cost of Living Crisis, the impact on energy prices, on staff having to commute to and from work where they have no alternative to work from home, especially student facing staff are factors that all contribute to a much more challenging operating environment that is much more unpredictable and challenging.

We have added new risks to our Strategic Risk register, along with regular reporting at Board level to help keep us alive to the changing circumstances and how we can best ensure stability throughout this period.

Equality, Diversity & Inclusion

As set out on one of our seven Strategic Pillars, 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 Equality, 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 students. 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

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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 in the light 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. Our focus in this work is moving our workforce from compliance to confidence in creating an inclusive, purposeful, and productive environment for everyone.

Disability statement

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

- a) As part of its Estates strategy the College updated its access audit. Experts in this field conducted a full access audit during the summer of 2022, 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	4
FTE Employee Number	2.6
Percentage of time @ 1-50%	4
Total cost of facility time	£22,084
Total pay bill	£20,716,000
Percentage of total bill spent on facility time	0.11%
Time spent on paid trade union activities as a percentage of total paid facility time	13.5%

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Gender Pay

The College continues to work on creating an inclusive culture for all, our gender pay gaps are one way we do this to ensure that there are no unintended biases across specific grades. Our action plan has seen improvements made to specific grades and job roles to ensure we reduce the gap.

Mean Pay

Comparison of mean pay at the College shows that women are paid 12.7% less.

Median Pay

Comparison of median pay at the College shows that women are paid 20.63% less.

Bonus Pay

MidKent College did not make any bonus payments to any staff employed on the 31st March 2023 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, 69% of staff in the lower quartile are women, 73% of staff in the lower middle quartile are women, 62% of staff in the upper middle quartile are women, 52% 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 14 December 2023 and signed on its behalf by:



M Cook
Chair of Governors

Statement of Corporate Governance and Internal Control

The following statement enables readers of the annual report and financial statements of the Group to better understand its governance and legal structure. This statement covers the period from 1 August 2022 to 31 July 2023 and also 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 New Code of Good Governance ("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 the College has adopted and complied with the new AOC Code of Good Governance 2023. 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 Code, and it has complied throughout the year ended 31 July 2023. The Corporation 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.

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 M Abdel-Maguid	12 December 2022	4 years		Independent Member	Quality, Teaching & Learning	5/5
Mr N Baveystock	25 March 2020	4 Years		Independent Member	MKCTS Chair	5/6
Ms C Burkin	1 January 2011	N/A		Internal	Clerk to Corporation & all Committees	6/6
Mr A Cole	12 December 2022	4 years		Independent Member	Quality, Teaching & Learning	5/5
Mr M Cook	Appointed 15 July 2020 First meeting 14 October 2020	4 years		Independent Member	Chair of Corporation, Finance & Resources, Quality, Teaching and Learning, Remuneration and Search & Governance	5/6
Mr S Cook	1 May 2015	N/A		Principal & CEO	In attendance: Finance & Resources, Quality, Teaching	6/6

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					and Learning, Group Risk & Audit and Search & Governance	
Miss A Currie	14 October 2020	4 years		Independent Member	Finance & Resources Chair from 12 May 2021	6/6
Mrs J Dyakova	12 December 2022	4 years		Independent Member	Group Risk & Audit	45/5
Mr D Gagie	9 December 2020	4 Years		Independent Member	Finance & Resources Quality of Teaching & Learning	3/6
Mr M Gillespie	12 December 2022	4 years		Independent Member	Quality, Teaching & Learning	4/5
Miss B Joshi	10 December 2019	4 Years		Staff Governor	Quality Teaching & Learning	4/6
Mrs A Orhiere	14 October 2020	4 Years		Independent Member	Finance & Resources	3/6
Mrs M Quadri	12 December 2022	4 years		Independent Member	Finance & Resources	3/5
Mr C Reeves	Reappointed 24 March 2021	4 Years		Independent Member	Finance & Resources MKCTS/ Senior Independent Governor	4/5
Mr C Reynolds	15 May 2015 Reappointed 14 May 2019	4 Years		Independent Member	Group Risk & Audit (Chair), Responsible for H&S	5/6
Mrs C Richardson	3 June 2020	4 Years		Independent Member	Group Risk & Audit	2/4 Sabbatical from May – November 2023
Mrs L Snedden	9 June 2021	4 Years		Staff Governor	Group Risk & Audit	4/6
Mr J Stratford	14 July 2022	1 year		Student Governor	Quality, Teaching & Learning	3/6
Ms E Swain	23 March 2023	Rest of the academic year		Student Governor	Quality, Teaching & Learning	3/3
Mr J Williams	31 January 2020	4 Years		Independent Member	Group Risk & Audit	6/6
Mrs A Woodhouse	31 January 2020	4 Years		Independent Member	Search & Governance (Chair) Vice Chair	6/6
Mrs M Woolston	3 June 2020	4 Years		Independent Member	Quality, Teaching & Learning Safeguarding	4/6

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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 Resources, 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 or from the Clerk to the Corporation at:

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 consideration by the Corporation. The Corporation has a Search & Governance Committee comprising of five Governors and 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 Corporation currently comprises 21 members and is focused on ensuring the College is making progress towards achieving its strategic objectives. Membership in the reporting year included two staff Governors and two Student Governors. The board is passionate about ensuring that the College provides excellent education through good governance.

The Corporation 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. The Quality, Teaching and Learning Committee holds regular monitoring calls between meetings. There is a

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Strategic Governor Away Day which has a particular focus on long term strategic planning. And there are regular scheduled governor training events; Governor visits to specific areas of the College to meet students and staff and Governors attend a wide variety of events involving students, such as performances, exhibitions and Student Voice meetings.

Governors have reviewed their role and responsibilities and changed the format of the Governing Body 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, typically consisting of commercially sensitive matters, 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 Corporation has a good balance of skills needed to provide the appropriate strategic direction, support and challenge for the College.

The Corporation adopted the new Code of Good Governance in May 2023 and continues to strive to comply fully with the Code. The Governing Body formally reviews its own performance annually and undertook an External Review in 2022/23 in line with the governance code(s) used by the Corporation. This was carried out by Shirley Collier MBE. The outcome summary is published on the College website and the review will be carried out every three years in compliance with the new requirements of the financial statements. 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 Corporation's 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 Governors continue to ensure that quality issues are highlighted and that the student experience is at the forefront of Governance conversations, including Governor involvement in the Student Voice process at The College.
- The presence of College managers at Committees and Corporation as observers helps provide transparency and openness.
- Strategic development of the operational plans in a response to the publication of the educational white paper. This has included an external Governance Review in response to the expectations set out in The White Paper.

Remuneration Committee

Throughout the year ended 31 July 2023, 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 postholders.

Details of remuneration for the year ended 31 July 2023 are set out in note 6 to the financial statements. The Corporation adopted the College Senior Staff Remuneration Code and produces an Annual Report.

Group Risk and Audit Committee

The Group Risk & Audit Committee comprises six members of the Corporation and one co-opted member. 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 Group 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.

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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 Group 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 Group Risk and Audit Committee also advises the Corporation on appointing internal and independent auditors and their remuneration for audit and non-audit work and reporting annually to the Corporation.

Finance and Resource Committee

The Finance and Resources Committee (previously Finance and General Purposes) comprises five members of the Corporation and one co-opted member 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 Finance, Investments, 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 Resources 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 including 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 four times a year.

Governor Development

In accordance with the financial statement requirements, the Corporation must report on activities undertaken over the year to develop governors and clerks/heads of governance. Governors at the College have access to the ETF Modules of the Governance Development Programme and are required to complete the modules relevant to their role on the Board/Committee. In addition to this, the Corporation have four bespoke training sessions focused on their duties such as Safeguarding & EDI. Attendance at the bespoke sessions is mandatory and monitored and available from the Clerk. During this period members also received training on cyber security, social media and finance/funding.

The Clerk attends the bespoke training sessions for Governors and this year has completed the Governance Professional Leadership Programme and a number of ETF webinars specific to the role.

Chair Remuneration

The Charities Commission granted permission for the Chair to be remunerated from January 2022 for the duration of his office.

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

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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 2023 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 the Group is exposed to, along with the operating, financial and compliance controls 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 2023 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.

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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 College's activities, along with the factors likely to affect its future development and performance, are 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 14 December 2023 and signed on its behalf by:



M Cook

Chair of Governors

14 December 2023



S Cook

Accounting Officer

14 December 2023

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

As accounting officer, I confirm that the corporation has had due regard to the framework of authorities governing regularity, priority and compliance, and the requirements of grant funding agreements and contracts with ESFA and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with those authorities and terms and conditions of funding.

I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the corporation's grant funding agreements and contracts with ESFA, or any other public funder. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

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

Statement of the chair of governors

On behalf of the corporation, I confirm that the accounting officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.



M Cook
Chair of Governors
14 December 2023



S Cook
Accounting Officer
14 December 2023

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 2022 to 2023* 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 14 December 2023 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 2023 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 2023 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 20, 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. 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 considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: 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 and money laundering.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the College is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the College which were contrary to applicable laws and regulations, including fraud.

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We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and pension legislation.

In addition, we evaluated the governors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to defined benefit pension valuation assumptions, income recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

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

- Making enquiries of the members of the corporation 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. 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: 29 January 2024

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 2022 to 31 July 2023 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 2022 to 31 July 2023 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.

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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.
- Reviewed the Colleges compliance with the requirements of HM Treasury's 'Managing Public Money' document.

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 2022 to 31 July 2023 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: 29 January 2024

Statement of Comprehensive Income

	Notes	<u>2023</u> Group £'000	<u>2023</u> College £'000	<u>2022</u> Group £'000	<u>2022</u> College £'000
Income					
Funding body grants	2	27,589	27,589	27,182	27,182
Tuition fees and education contracts	3	2,311	2,316	2,362	2,362
Other income	4	20,221	5,961	19,312	8,431
Endowment and investment income	5	636	613	109	102
Total income		50,757	36,479	48,965	38,077
Expenditure					
Staff costs	6	33,030	21,465	32,941	22,272
Other operating expenses	7	10,924	8,192	10,229	7,485
Depreciation	10	4,472	4,001	4,175	3,842
Interest and other finance costs	8	56	56	455	455
Total expenditure		48,482	33,714	47,800	34,054
Surplus before other gains and losses		2,275	2,765	1,165	4,023
Profit / (Loss) on disposal of assets		27	27	(57)	(59)
Surplus before tax		2,302	2,792	1,108	3,964
Taxation	9	0	0	0	0
Surplus for the year		2,302	2,792	1,108	3,964
Actuarial gain in respect of pension schemes	22	3,325	3,325	29,976	29,976
Investment Gain	13	141	141	0	0
Total Comprehensive Income for the year		5,768	6,258	31,084	33,940

Statements of changes in reserves

	<u>Income and Expenditure account</u>	<u>Revaluation Reserve</u>	<u>Restricted Reserve</u>	<u>Investment Reserve</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000
Group					
Balance at 1 August 2021	61,990	1,175	217	0	63,382
Surplus for the year	1,108	0	0	0	1,108
Transfers	138	(54)	(84)	0	0
Other comprehensive income	29,976	0	0	0	29,976
Total comprehensive Income/(Expenditure) for the year	31,222	(54)	(84)	0	31,084
Balance at 31 July 2022	93,212	1,121	133	0	94,466
Surplus for the year	2,302	0	0	0	2,302
Transfers	116	(54)	(62)	141	141
Other comprehensive Income	3,325	0	0	0	3,325
Total comprehensive Income/(Expenditure) for the year	5,743	(54)	(62)	141	5,768
Balance at 31 July 2023	98,955	1,067	71	141	100,234
College					
Balance at 1 August 2021	56,221	1,175	217	0	57,613
Surplus for the year	3,964	0	0	0	3,964
Other comprehensive income	29,976	0	0	0	29,976
Transfers	138	(54)	(84)	0	0
Total comprehensive Income/(Expenditure) for the year	34,078	(54)	(84)	0	33,940
Balance at 31 July 2022	90,299	1,121	133	0	91,553
Surplus for the year	2,792	0	0	0	2,792
Other comprehensive Income	3,325	0	0	141	3,466
Transfers	116	(54)	(62)	0	0
Total comprehensive Income/(Expenditure) for the year	6,233	(54)	(62)	141	6,258
Balance at 31 July 2023	96,532	1,067	71	141	97,811

MidKent College

Balance sheets

	Notes	<u>2023</u> Group £'000	<u>2023</u> College £'000	<u>2022</u> Group £'000	<u>2022</u> College £'000
Fixed assets					
Tangible fixed assets	10	90,722	89,470	90,256	89,056
Long Term Investments	13	25,239	25,239	0	0
		<u>115,961</u>	<u>114,709</u>	<u>90,256</u>	<u>89,056</u>
Current assets					
Stocks		31	31	9	9
Trade and other receivables	12	4,549	5,007	3,752	5,515
Investments	13	11,546	10,479	26,077	25,044
Cash and cash equivalents	17	8,303	5,875	16,355	12,274
		<u>24,429</u>	<u>21,392</u>	<u>46,193</u>	<u>42,842</u>
Creditors - amounts falling due within one year	14	(12,269)	(10,403)	(11,881)	(10,243)
Net current assets		<u>12,160</u>	<u>10,989</u>	<u>34,312</u>	<u>32,599</u>
Total assets less current liabilities		128,121	125,698	124,568	121,655
Creditors - amounts falling due after more than one year	15	(27,763)	(27,763)	(27,636)	(27,636)
Provisions					
Defined benefit obligations	16	0	0	(2,320)	(2,320)
Other provisions	16	(124)	(124)	(146)	(146)
Net assets		<u>100,234</u>	<u>97,811</u>	<u>94,466</u>	<u>91,553</u>
Income and expenditure account		98,955	96,532	93,212	90,299
Revaluation reserve		1,067	1,067	1,121	1,121
Restricted Reserve		71	71	133	133
Investment Reserve		141	141	0	0
Net assets		<u>100,234</u>	<u>97,811</u>	<u>94,466</u>	<u>91,553</u>

The financial statements on pages 26 to 49 were approved and authorised for issue by the Corporation on 14 December 2023 and were signed on its behalf on that date by:

M Cook
Chair of Governors
14 December 2023

S Cook
Accounting Officer
14 December 2023

Consolidated statement of Cashflows

	Notes	<u>2023</u> £'000	<u>2022</u> £'000
Cash inflow from operating activities			
Surplus for the year		2,302	1,108
Adjustment for non cash items			
Depreciation	10	4,472	4,175
(Increase) in stocks		(22)	(1)
(Increase)/Decrease in debtors	12	(797)	1,163
Increase in creditors due within one year	14	388	3,331
Increase/(Decrease) in creditors due after one year	15	127	(553)
(Decrease) in provisions	16	(22)	(22)
Pension costs less contributions payable	22	1,005	3,228
Adjustment for investing or financing activities			
Investment income	5	(510)	(109)
Interest payable	8	56	455
(Profit)/Loss on sale of fixed assets		(27)	57
Net cashflow from operating activities		<u>6,972</u>	<u>12,832</u>
Cashflows investing activities			
Proceeds from sale of fixed assets		27	37
Investment income	5	510	109
Withdrawal of deposits	13	(10,567)	(19,809)
Payments made to acquire fixed assets	10	(4,938)	(3,463)
		<u>(14,968)</u>	<u>(23,126)</u>
Cashflows financing activities			
Interest paid	8	(56)	(455)
		<u>(56)</u>	<u>(455)</u>
(Decrease) in cash and cash equivalents in the year		(8,052)	(10,749)
Cash and cash equivalents at beginning of the year	17	16,355	27,104
Cash and cash equivalents at end of the year	17	<u>8,303</u>	<u>16,355</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 2022 to 2023 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 2023.

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.

MidKent College

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 50Years 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

MidKent College

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
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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 in subsidiaries

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

Other investments

Investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income.

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 equivalents include sums on short term deposits with recognised banks and building societies.

MidKent College

Notes to the Financial Statements (continued)

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.

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.

Judgements in applying accounting policies and key sources of estimation uncertainty

Judgements in applying accounting policies

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

Determine whether leases entered into by the college either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22 will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2022 to value the pensions liability at 31 July 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability. As the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a notional surplus. As management do not consider that the Group will be able to recover the surplus either through reduced contributions in the future or through refunds from the plan, the surplus has not been recognised in these financial statements in line with paragraph 28.22 of FRS102.

MidKent College

Notes to the Financial Statements (continued)

2 Funding council grants

	<u>2023</u> Group £'000	<u>2023</u> College £'000	<u>2022</u> Group £'000	<u>2022</u> College £'000
Recurrent Grants				
ESFA - Adults	1,279	1,279	1,503	1,503
ESFA - 16-18	22,140	22,140	21,194	21,194
ESFA - Apprenticeships	1,523	1,523	1,826	1,826
ESFA - Other Income	724	724	680	680
Other Funded Income	559	559	649	649
Higher Education Funding Council	170	170	167	167
Release of Government Capital Grants	1,194	1,194	1,163	1,163
Total	27,589	27,589	27,182	27,182

	<u>2023</u> Group £'000	<u>2023</u> College £'000	<u>2022</u> Group £'000	<u>2022</u> College £'000
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OFS Grant Income

OFS Grant Income	170	170	167	167
HE Grant	31	31	10	10
HE Income for Taught Awards	426	426	476	476
Total	627	627	653	653

3 Tuition fees and education contracts

	<u>2023</u> Group £'000	<u>2023</u> College £'000	<u>2022</u> Group £'000	<u>2022</u> College £'000
FE Fees	333	338	375	375
Fees for FE loan supported courses	193	193	367	367
Fees for HE loan supported courses	426	426	476	476
Total tuition fees	952	957	1,218	1,218
Education contracts	1,359	1,359	1,144	1,144
Total	2,311	2,316	2,362	2,362

MidKent College

Notes to the Financial Statements (continued)

4 Other income

	<u>2023</u> Group £'000	<u>2023</u> College £'000	<u>2022</u> Group £'000	<u>2022</u> College £'000
Other income	20,221	5,961	19,312	8,431
Total	20,221	5,961	19,312	8,431

5 Investment income

	<u>2023</u> Group £'000	<u>2023</u> College £'000	<u>2022</u> Group £'000	<u>2022</u> College £'000
Other interest receivable	636	613	109	102
Total	636	613	109	102

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>2023</u> Number	<u>2022</u> Number
Teaching staff	629	620
Non teaching staff	191	177
Total payroll	820	797

Staff costs for the above persons

Group	<u>2023</u> £'000	<u>2022</u> £'000
Wages and salaries	23,760	22,300
Social security costs	2,492	2,398
Other pension costs	6,029	7,770
Total payroll	32,281	32,468
Contracted out staffing services	749	473
Total	33,030	32,941

MidKent College

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>2023</u> Number	<u>2022</u> Number
Teaching staff	453	428
Non teaching staff	140	142
Total payroll	593	570

Staff costs for the above persons

	<u>2023</u> £'000	<u>2022</u> £'000
Wages and salaries	14,152	13,615
Social security costs	1,466	1,448
Other pension costs	5,098	6,790
Total payroll	20,716	21,853
Contracted out staffing services	749	419
Total	21,465	22,272

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, Executive Director of Curriculum and Quality and Executive Director of Student Experience.

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>2023</u> Key Management No.	<u>2022</u> No.	<u>2023</u> Other staff No.	<u>2022</u> No.
£60,000 - £64,999	0	0	3	2
£65,000 - £69,999	0	0	3	2
£75,000 - £79,999	0	0	0	1
£90,000 - £94,999	1	0	0	0
£95,000 - £99,999	2	2	0	0
£100,000 - £104,999	1	2	1	1
£150,000 - £154,999	1	1	0	0
Total	5	5	7	6

MidKent College

Notes to the Financial Statements (continued)

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

	<u>2023</u> £'000	<u>2022</u> £'000
Salaries	526	456
Employers National Insurance contributions	64	60
Benefits in kind	4	2
Compensation for loss of office	0	0
	<u>594</u>	<u>518</u>
Pension contributions	105	96
Total emoluments	<u><u>699</u></u>	<u><u>614</u></u>

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

	<u>2023</u> £'000	<u>2022</u> £'000
Salaries	156	153
Benefits in kind	2	2
	<u>158</u>	<u>155</u>
Pension contributions	37	36
Total	<u><u>195</u></u>	<u><u>191</u></u>

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 Charities Commission granted permission for the Chair to be remunerated from January 2022. The Chair of Governors, M Cook, has received remuneration from the college of £25k during the year (2022: £10k).

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.

	2023 No.	2022 No.
Principal's basic salary as a multiple of the median of all staff	4.95	5.36
Principal and CEO's total remuneration as a multiple of the median of all staff	6.11	6.62

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

MidKent College

Notes to the Financial Statements (continued)

7 Other operating expenses

	<u>2023</u> Group £'000	<u>2023</u> College £'000	<u>2022</u> Group £'000	<u>2022</u> College £'000
Teaching costs	4,019	2,429	3,034	1,752
Non teaching costs	3,229	2,860	3,946	3,178
Premises costs	3,676	2,903	3,249	2,555
Total	10,924	8,192	10,229	7,485

Other operating expenses include:

	<u>2023</u> Group £'000	<u>2023</u> College £'000	<u>2022</u> Group £'000	<u>2022</u> College £'000
Auditors' remuneration				
Financial statements audit	59	52	39	33
Internal audit	31	31	23	23
Other services provided				
by financial statements auditors	3	3	10	10
Other services provided	0	0	0	0
by internal auditors				
Hire of assets under operating leases	121	91	106	78
Hire of other equipment	81	28	76	19
Other rental payments	121	74	56	51

8 Interest Payable

Group and College	<u>2023</u> £'000	<u>2022</u> £'000
Pension finance costs (note 22)	56	455
Total	56	455

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
Cost or valuation			
At 1 August 2022	128,584	19,916	148,500
Additions	0	4,938	4,938
Disposals	0	(46)	(46)
At 31 July 2023	128,584	24,808	153,392
Depreciation			
At 1 August 2022	44,600	13,644	58,244
Charge for the year	2,838	1,634	4,472
On disposals	0	(46)	(46)
At 31 July 2023	47,438	15,232	62,670
Net book value at 31 July 2022	83,984	6,272	90,256
Net book value at 31 July 2023	81,146	9,576	90,722

College	<u>Land and buildings</u> £'000	<u>Equipment</u> £'000	<u>Total</u> £'000
Cost or valuation			
At 1 August 2022	128,584	15,615	144,199
Additions	0	4,415	4,415
Disposals	0	(39)	(39)
At 31 July 2023	128,584	19,991	148,575
Depreciation			
At 1 August 2022	44,600	10,543	55,143
Charge for the year	2,838	1,163	4,001
On disposals	0	(39)	(39)
At 31 July 2023	47,438	11,667	59,105
Net book value at 31 July 2022	83,984	5,072	89,056
Net book value at 31 July 2023	81,146	8,324	89,470

MidKent College

Notes to the Financial Statements (continued)

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 £8k. The additions for the current year include assets under construction of £1,350k which includes £659k for the Institute of Technology project, £151k for ICT related projects, £369k for the Decarbonisation project and £170k for refurbishments.

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 receivable

Amounts falling due within one year:	<u>2023</u> Group £'000	<u>2023</u> College £'000	<u>2022</u> Group £'000	<u>2022</u> College £'000
Trade receivables	2,131	291	1,778	125
Amounts owed by group undertakings:				
Subsidiary undertakings	0	3,198	0	4,275
Prepayments and accrued income	2,260	1,360	1,641	783
Amounts owed by Education and Skills Funding Agency	158	158	332	332
Total	4,549	5,007	3,751	5,515

13 Investments

	<u>2023</u> Group £'000	<u>2023</u> College £'000	<u>2022</u> Group £'000	<u>2022</u> College £'000
Long term Investments	25,239	25,239	0	0
Short term deposits	11,546	10,479	26,077	25,044
Total	36,785	35,718	26,077	25,044

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 a staggered draw down on quarterly notice periods. Longer term Investments Funds are held by The Charles Stanley UK Wealth Management Group.

MidKent College

Notes to the Financial Statements (continued)

	<u>2023</u> £'000	<u>2022</u> £'000
CS Investments		
Value of Initial Investment	25,000	0
Interest Realised	126	0
Associated Charges	(28)	0
Investment Gain	141	0
Total	25,239	0

14 Creditors: amounts falling due within one year

	<u>2023</u> Group £'000	<u>2023</u> College £'000	<u>2022</u> Group £'000	<u>2022</u> College £'000
Trade payables	1,480	842	868	408
Other taxation and social security	1,295	920	1,298	994
Accruals	2,968	2,124	3,648	2,805
Deferred income - non government	3,435	3,426	3,030	2,999
Deferred income - government capital grants	1,326	1,326	1,163	1,163
Amounts owed to the ESFA	1,765	1,765	1,874	1,874
Total	12,269	10,403	11,881	10,243

15 Creditors: amounts falling due after more than one year

	<u>2023</u> Group £'000	<u>2023</u> College £'000	<u>2022</u> Group £'000	<u>2022</u> College £'000
Deferred income-government capital grants	27,763	27,763	27,636	27,636
Total	27,763	27,763	27,636	27,636

16 Provisions

Group and College	<u>2023</u> Defined Benefit Obligations £'000	<u>2023</u> Enhanced pensions £'000	<u>2023</u> Total £'000
At 1 August 2022	2,320	146	2,466
Expenditure in the year	(1,325)	(13)	(1,338)
Transferred from income and expenditure account	(995)	(9)	(1,004)
At 31 July 2023	0	124	124

MidKent College

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>2023</u>	<u>2022</u>
Price inflation	2.9%	2.8%
Discount rate	5.2%	3.4%

17 Cash and cash equivalents

Group	At 1 August 2022 £'000	Cash flows £'000	Other changes £'000	At 31 July 2023 £'000
Cash and cash equivalents	16,355	(8,052)	0	8,303
Total	16,355	(8,052)	0	8,303

18 Capital commitments

	<u>2023</u> Group £'000	<u>2023</u> College £'000	<u>2022</u> Group £'000	<u>2022</u> College £'000
Authorised and contracted for	733	733	410	285
Authorised but not contracted for	0	0	0	0
	733	733	410	285

19 Lease obligations

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

	<u>2023</u> Group £'000	<u>2023</u> College £'000	<u>2022</u> Group £'000	<u>2022</u> College £'000
Equipment				
Not later than one year	117	93	101	77
Later than one year and not later than five years	288	252	370	309
Total	405	345	471	386

MidKent College

Notes to the Financial Statements (continued)

20 Contingent liabilities

There were no contingent liabilities (2022: nil).

21 Events after the reporting period

There are no 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.

Total pension costs for the year	<u>2023</u> £'000	<u>2022</u> £'000
Teachers Pension	1,492	1,516
Local Government Pension Scheme contributions paid:	1,332	1,255
FRS 102 (28) charge	1,005	3,228
Employer Pension Contributions	1,325	1,246
KCC Pension Interest Charge	(56)	(455)
MKCTS contributions paid	931	980
Total Pension cost for year	<u>6,029</u>	<u>7,770</u>

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.

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.

Notes to the Financial Statements (continued)

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 up to the 2022-23 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 £1,492,351 (2021/22: £1,515,569)

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 2023 was £1,791,814 (2022: £1,699,209), of which employer's contributions totalled £1,331,809 (2022: £1,255,551) and employees' contributions totalled £460,005 (2022: £443,658). The agreed contribution rates for future years are 18.4% for employers and range from 5.5% to 12.5% for employees.

CPI assumption

Pension Increase Orders are used to set the level of pension increases with effect from 1 April of each year, with reference to the change in CPI inflation over the 12 months to the previous September, which was announced in October. This was 10.1% and was considerably higher than the CPI assumption set by employers as at 31 July 2022. Although Pension Increase orders have always been set with reference to the September CPI for the last 10 years and the September RPI for the preceding 20 years, they are not automatically set and they are only known with absolute certainty when the Pension Increase Order is enacted by Parliament, which is usually in April of the following year. Similarly, the likely level of the forthcoming Pension Increase Order 2023 was not known at 31 July. Consequently, no adjustment has been made to recognise the possible 2023 Pension Increase Order within the CPI assumption.

Principal Actuarial Assumptions

	<u>At 31 July</u> <u>2023</u>	<u>At 31 July</u> <u>2022</u>
Rate of increase in salaries	3.9%	3.8%
Future pensions increases	2.9%	2.8%
Discount rate for scheme liabilities	5.2%	3.4%
Inflation assumption (CPI)	2.9%	2.8%
Commutation of pensions to lump sums	50.0%	50.0%

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

MidKent College

Notes to the Financial Statements (continued)

	<u>At 31 July</u> <u>2023</u>	<u>At 31 July</u> <u>2022</u>
<i>Retiring today</i>		
Males	20.7	21.0
Females	23.2	23.5
<i>Retiring in 20 years</i>		
Males	22.0	22.3
Females	24.6	24.9

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>2023</u> <u>£'000</u>	<u>Fair Value</u> <u>at 31 July</u> <u>2022</u> <u>£'000</u>
Equities	38,364	37,365
Bonds	8,235	7,654
Property	6,037	6,927
Cash	690	1,072
Gilts	334	330
Absolute return fund	4,309	4,198
Infrastructure	2,220	0
Total market value of assets	<u>60,189</u>	<u>57,546</u>

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

	<u>2023</u> <u>£'000</u>	<u>2022</u> <u>£'000</u>
Fair value of plan assets	60,189	57,546
Present value of plan liabilities	(50,761)	(59,866)
Surplus not recognised	(9,428)	0
Net pensions (liability) (Note 16)	<u>0</u>	<u>(2,320)</u>

MidKent College

Notes to the Financial Statements (continued)

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

	<u>2023</u> £'000	<u>2022</u> £'000
Amounts included in staff costs		
Current service (cost)	(2,239)	(3,986)
Past service (cost)	0	0
Admin costs	(35)	(33)
Employer contributions	<u>1,325</u>	<u>1,246</u>
	<u>(949)</u>	<u>(2,773)</u>
Amounts included in interest payable		
Net interest payable	(56)	(455)
	<u>(56)</u>	<u>(455)</u>
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	(1,358)	(1,340)
Changes in assumptions underlying the present value of plan liabilities	20,051	29,895
Change in demographic assumptions	1,045	1,644
Actuarial Loss	2,246	0
Defined Benefit Loss	(9,231)	(223)
Surplus not recognised	<u>(9,428)</u>	<u>0</u>
Amount recognised in Other Comprehensive Income	<u>3,325</u>	<u>29,976</u>

MidKent College

Notes to the Financial Statements (continued)

Movement in net defined benefit liability during the year

	<u>2023</u> £'000	<u>2022</u> £'000
Deficit in scheme at 1 August 2022	(2,320)	(29,068)
Movement in year:		
Current service cost	(2,239)	(3,986)
Employer contributions	1,325	1,246
Net interest on the defined liability	(56)	(455)
Administration Expenses	(35)	(33)
Actuarial gain or loss	3,325	29,976
Past service cost	0	0
Net defined benefit liability at 31 July 2023	0	(2,320)

Asset and Liability Reconciliation

	<u>2023</u> £'000	<u>2022</u> £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	59,866	86,913
Current Service cost	2,239	3,986
Interest cost	2,010	1,382
Contributions by Scheme participants	452	435
Changes in financial assumptions	(20,051)	(29,895)
Estimated benefits paid	(1,941)	(1,534)
Changes in demographic assumptions	(1,045)	(1,644)
Past service costs	0	0
Experience Loss/(Gain) on Defined Benefit Obligations	9,231	223
Defined benefit obligations at end of period	59,761	59,866

Reconciliation of Assets

	<u>2023</u> £'000	<u>2022</u> £'000
Fair value of plan assets Assets at 1 August 2022	57,546	57,845
Interest on plan assets	1,954	927
Return on plan assets	(1,358)	(1,340)
Employer contributions	1,325	1,246
Contributions by Scheme participants	452	435
Estimated benefits paid	(1,941)	(1,534)
Administration Expenses	(35)	(33)
Other actuarial gains	2,246	0
Assets at 31 July 2023	60,189	57,546

MidKent College

Notes to the Financial Statements (continued)

23 Related party transactions

During the year, the College charged management fees to its wholly owned subsidiary, MKC Training Services Limited of £3,059k (2022- £3,024k); In addition, the £1m loan was repaid by Training Services, staff charges of £36k, training charges of £8k, loan interest of £12k and space rental of £37k (2022- £121k) were paid by the subsidiary to the College in accordance with FRS102. As of 31st July £3,198k (2022- £4,275k) was due from MKC Training Services Limited.

During the year MKC Training Services charged the College £42k for teaching support and £149k for consultancy work on course design (2022- £ nil). As of 31st July nothing was due from the College to MKC Training Services

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 a trustee of Royal Engineers Vocational Education & Training Trust (REVETT) and an Ambassador of the Chatham Historic Dockyard Trust. The college paid expenses of £145,000 to The Dockyard.

C Reynolds is also an Ambassador of the Chatham Historic Dockyard.

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

The total expenses paid to or on behalf of the Governors during the year was £536; 1 governor. This represents travel and subsistence expenses incurred in attending Governor meetings and charity events in their official capacity.

The Charities Commission granted permission for the Chair to be remunerated from January 2022. The Chair of Governors, M Cook, has received remuneration from the college of £25k during the year (2022: £10k).

24 Amounts disbursed as agent

Learner support funds	<u>2023</u>	<u>2022</u>
	£'000	£'000
Opening funds	878	724
College Access Funds	0	47
Funding body grants - hardship support	916	789
Funding body grants - childcare	32	67
	1,826	1,627
Disbursed to students	(655)	(749)
Administration costs	(36)	0
Total	<u>1,135</u>	<u>878</u>

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 amounts handled as agent and therefore not included in the college accounts are shown above.