



**Middlesbrough**  
**College**

**Report and Financial Statements**  
**for the year ended 31 July 2021**

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

### **Key management personnel**

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

Zoe A Lewis, Principal and CEO; Accounting Officer  
Gary Cumiskey, Deputy Principal / CEO  
Carolyn Kipling, Vice Principal Finance and Registry (resigned 16 July 2021)  
Miranda Coles, Interim Vice Principal Finance and Registry (appointed 17 July 2021)  
John Chance, Vice Principal Quality and Standards  
Jane Steel, Vice Principal Staff and Students  
Andy Wond, Executive Director Information Services and Estates (resigned 31 January 2021)  
Sara Marshall, Group Director of Campus and Digital Services (appointed 1 February 2021)  
Kelly Parkinson, Executive Director of Human Resources

### **Board of Governors**

A full list of Governors is given on pages 18-20 of these financial statements.

Zeta Foster acted as Clerk to the Corporation for the period to 31 July 2021.

### **Professional advisers**

#### **Financial statements and regularity auditor:**

Mazars LLP  
The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

#### **Internal Auditor:**

RSM Risk Assurance Services LLP  
1 St. James Gate  
Newcastle Upon Tyne  
NE1 4AD

#### **Bankers:**

Santander Bank  
Corporate Banking  
Level 9 Baltic Place  
South Shore Road  
Gateshead  
NE8 3AE

#### **Legal advisers:**

Womble Bond Dickinson (UK) LLP  
St Ann's Wharf  
112 Quayside  
Newcastle Upon Tyne  
NE1 3DX

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## **Principal's Foreword**

At Middlesbrough College, from the Governing Body to every staff member, we are driven by a determination to generate opportunity, employment and prosperity for our communities, linking our provision to the skills needs of local employers and supporting our students to achieve the very best they can.

Over recent years, the College has been through a period of significant growth, successfully realigning our offer to the skills requirements of our economy; developing and expanding our STEM offer (science, technology, engineering and maths), and forging strong partnerships with employers to develop the talent and productivity of their businesses.

The College continues to be one of the largest apprenticeship training providers in the North East of England covering priority sectors and supporting employers across the region with their workforce development needs and in 2019 the College acquired a local private training provider, TTE, who enjoys a strong, well-known brand, offering technical training in the UK and overseas. This acquisition further strengthens our industrial offer to employers and learners and we hold ambitious plans to invest further in this specialist facility in the coming years.

We continue to remain at the forefront of Government skills policy, having recently been approved as part of the North East Institute of Technology and, also as an approved provider of T levels from 2021. These two national initiatives have been supported with capital investment from the Department of Education which we have used to create a University Centre and two specialist T Level centres serving the digital and construction sectors – due to open in 2022.

We are delighted to have achieved 'Outstanding financial health' in 2020/2021 for the second year in a row which has provided the financial headroom from which we can support the investments above and move forward our ambitious plans.

During 2021 the College launched two new key strategies:

1. Our Taking Teaching Higher Strategy which bolsters staff development, professional updating and mentoring capacity across the College and
2. An ambitious five year digital strategy which includes significant investment in student devices, College systems, virtual learning environments and digital innovation across all that we do.

The £20m campus and innovation investment plan will allow us to build on the solid foundations of our GOOD Ofsted rating and maintain the exceptionally high levels of staff, student, apprentice and employer satisfaction recorded in 2020/21.

Despite the difficult and uncertain economic climate, the College is confident that, working with our local partners, we can serve employers with the highly skilled talent that they need and play an increasingly important and exciting part regenerating our local and regional economy.

We would like to congratulate and thank our students, staff and governors for what has been another amazingly successful year for the College.



**Zoe Lewis**  
**Principal / Chief Executive**  
**16 December 2021**

## Report of the Governing Body

### NATURE, OBJECTIVES AND STRATEGIES

The Members present their report and the audited financial statements for the year ended 31 July 2021.

#### Legal status

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

The College owns 100% of the issued share capital of the following subsidiaries which exist to support the College's principal mission and objectives:

- **Northern Skills Group Business Services Limited** (formerly known as Northern Skills Group Limited), was acquired on 1 August 2016 and provides business support services to Middlesbrough College.
- **Northern Apprenticeship Company Limited** operates as an apprenticeship training agency employing apprentices engaged on a training programme with a major local organisation.
- **TTE (Technical) UK Limited** was acquired in December 2019 and offers study programme, apprenticeships and commercial training courses locally from its base in Middlesbrough.
- **TTE International Limited** was acquired in December 2019 and offers commercial training courses mainly to large overseas global organisations from its base in Middlesbrough.
- **TTE Apprenticeships Limited** was acquired in December 2019 and operates as an apprenticeship training agency employing apprentices engaged on training programmes with large local organisations.
- **Middlesbrough College Management Services Limited (dormant)** - The company was incorporated in 1993. The company did not trade during 2020 / 2021.
- **University Centre Middlesbrough Limited (dormant)** - University Centre Middlesbrough Limited (formerly known as Mizaru Media Limited) was incorporated in 2011. The company did not trade during 2020 / 2021. The name-change to University Centre Middlesbrough Limited took place on 1<sup>st</sup> November 2021.

#### Mission

The College's Mission Statement for 2020 / 2021 was "To provide education and skills that enhance the region's economic and social prosperity

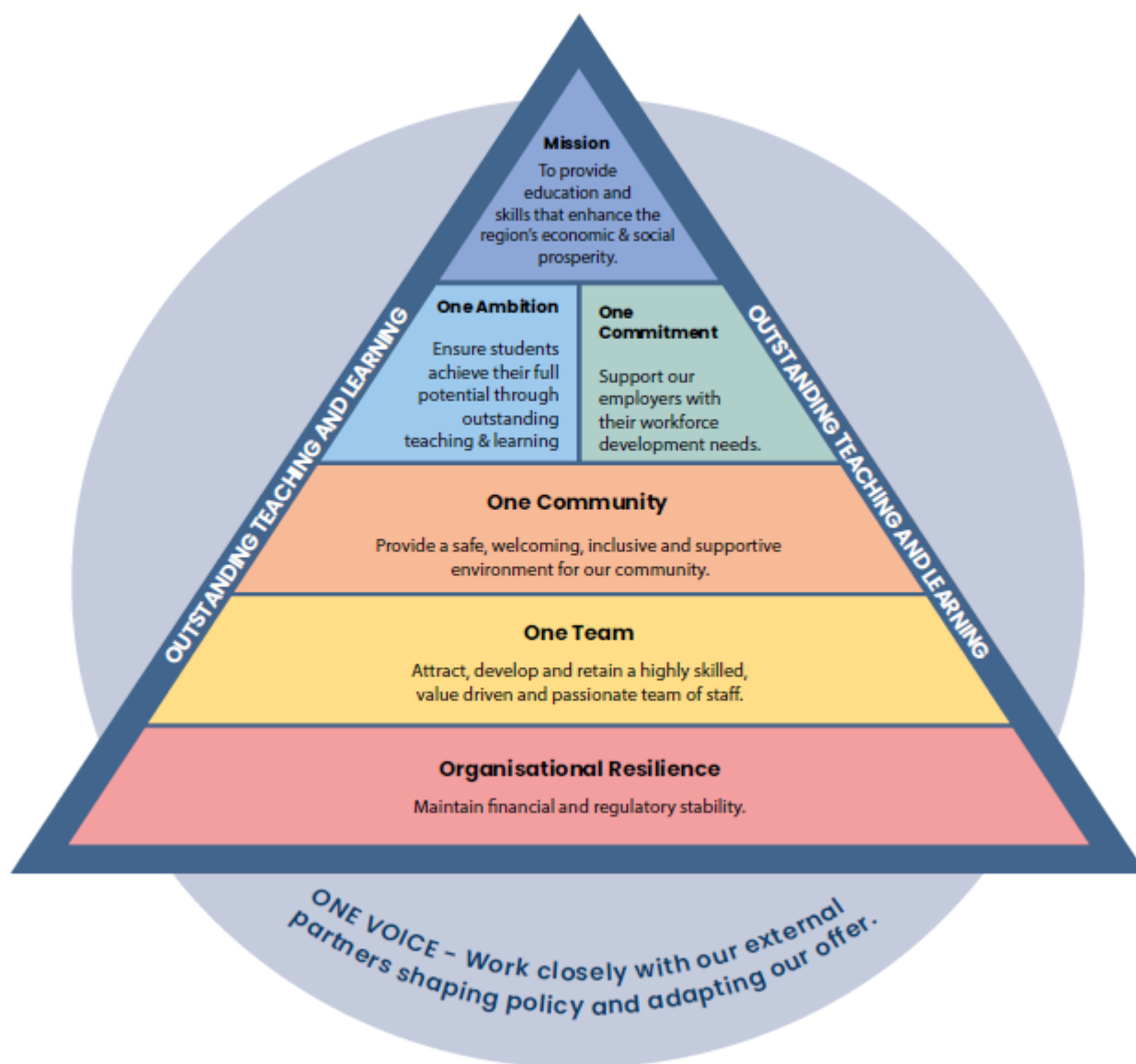
#### Strategic Aims and Priorities

The Governing Body and Senior Leadership Team updated the five year strategic plan in May 2018, which builds upon our recent success and sets out our statement of ambition for the period 2018 – 2023, a refresh has been undertaken during 2020 / 2021 for the period 2020 - 2023.

The Strategic Plan reinforces the need to ensure the College meets the needs of the local economy and emphasises our obligation to ensure that all students gain the skills they need to progress into further education and ultimately employment.

## ***Our Vision***

To be an outstanding provider of education and training, which improves educational outcomes, employment prospects and lifetime opportunities for our students.



## ***Our Values***

The College values set out the behaviour expected of both staff and students and are very much at the heart of delivery of the College strategy. These values have been developed in consultation with staff and students and represent both who we are now and how we aim to be perceived by others.



Within the Strategic Priority “Organisational Resilience” the College has set its overarching Financial Objective

**“To deliver our strategy through strong financial stability, enabling continued investment in assets and resources”.**

In order to deliver this objective, we will:

- Ensure strong financial stability and meet bank covenants and ESFA health ratings at all times.
- Increase investment in our IT systems and infrastructure, and continue our campus development plans to maintain an outstanding, state of the art learning environment – across all sites.
- Open out facilities for community and charity use.
- Ensure we at least retain our current market share of school leavers across our 3 key catchment boroughs.
- Actively prepare for future demographic growth, whilst maximising other growth opportunities that have a positive impact on learners, employers and the local community.
- Provide a forum which regularly assesses, monitors and manages risk.
- Ensure adequate arrangements are in place to safeguard our reputation and to ensure continuity of our business.
- Ensure our Governing Body maintains a broad range of skills and experience, able to set and review our strategic plan with objectivity and ‘value driven’ decision making and provide appropriate levels of challenge and support to ensure its delivery.

The College monitors its performance against the strategic plan and its achievement of the strategic priorities. The **financial performance indicators** by which the College determines its success in achieving this are:

- Achieve at least “Good” rating in ESFA financial health measure.
- Continue to meet all bank covenants providing sufficient headroom.
- Set and deliver surplus operating budgets.
- Generate cash from operations – EBITDA target at least £3m.
- Maintain capital investment levels at £1.25m.

The College has also adopted some “Golden Rules” against its financial health rating objective which are:

- Current ratio maintained >1
- EBITDA as % of income >7%
- Borrowings as % of income <35%

The golden rules provide a safety net and early warning system for any one ratio reducing below the minimum targeted level in order to maintain the financial health rating of Good.

All financial objectives and golden rules have been met or exceeded as at 31 July 2021 as follows:

Financial objective / golden rule	31 July 2021 Actual
“Good” financial health	260 points <b>Outstanding</b>
Meet bank covenants	100%
Operating surplus set and delivered	£2.4m
EBITDA >=£3m	£4.9m
Annual capital >= £1.25m	£7.9m
Current ratio >1	1.84
EBITDA >7%	10.4%
Borrowings to income <35%	24.8%

## Strategic Capital Investments

In 2021 the College set out on a significant capital investment programme including to £12.6m of planned investments between August 2020 and November 2021 supported by £8.5m of grant funding. These planned investments increase the facilities at the main campus at Middlehaven, providing a dedicated learning space for higher level learners in its Institute of Technology (IoT) and other curriculum developments including an investment in T Level accommodation.

Total capital expenditure in 2021 fell short of planned levels, reaching £7.9m, as major construction projects were delayed due to the impact of Covid-19 and other macro-economic factors, which restricted availability of construction manpower and materials. Unspent capital budgets from 2021 have been carried forward into 2022 and it is anticipated that all of the above projects will be completed by spring 2022 with minimal cost overrun. Impacts on students have been minimised as the College has been able to house all effected learners in appropriate alternative accommodation on campus.

## Key Performance Measures

The College has a full suite of Key Performance Measures across the curriculum and business support areas which are linked to strategic objectives. These are measured termly, and progress is reported to the Governing Body.

Despite the disruptions caused by Covid-19 and national lockdowns, outcomes for learners have remained consistently high.



Study Programme achievement rates are 91.5% and are significantly above national rate. Analysis by qualification type shows that A levels, Awards, Certificates, Diplomas, GCSE's, Basic Skills, Access to HE, ESOL and other regulated and non-regulated qualifications are above national rate. Students with High Needs achieve as well as their peers.

Qualifications by level for study programmes shows that, all levels (1, 2 & 3) are above national rate. All Study Programme subject sector area achievement rates with significant starts are above national rate. In addition, both vocational and academic value added is positive.

Adult achievement rates for all significant qualification types, except Awards are above national rate. Achievement for adults overall is 92.1%, over 2% above national rate (which includes a lot of long provision).

Achievement rates for apprentices have declined in the year, the impacted areas being Catering & Hospitality, Hair & Beauty, Dental which have all been significantly affected by the Covid-19 pandemic. In Catering and Hair and Beauty many industries were closed for significant periods of time and in Dental the ability to operate under normal pre Covid-19 conditions is still not possible. Overall apprentice success rate is 67.9%, just above national rate.

The majority of GCSE and Functional Skills learners make good progress towards achieving GCSE grade. DfE English and mathematics average progress data have been constantly high the past 4 years. In 20/21 progress data is calculated to be above 0.1 for both English and maths.

Basic skills achievement rates have significantly improved over three years and are well above national rate.

The above performance was assessed using a combination of teacher assessed grades and examinations as a result of disruption caused by the Covid-19 pandemic. In particular, the government considered that exams could not be held in summer 2021 in a way which was perceived to be fair.

As a result, Ofqual and the Department for Education (DfE) decided that for GCSE, AS and A level grades would be based on teacher assessment and only on the content that had been delivered to learners by their teachers. Alternative arrangements were also introduced for the award of vocational training qualifications and other general qualifications where one, or a combination of, teacher assessment and examinations were used depending on the nature of the qualification.

In support of these changes Ofqual introduced a new regulatory framework, called the VTQ Contingency Regulatory Framework (VCRF). The VCRF permitted awarding organisations to issue results on the basis of alternative evidence including teachers' judgements of learners' performance (referred to as Teacher Assessed Grades) when exams did not take place and/or when learners could not complete all internal assessment.

Overall, the College considers that learners are well prepared for the next stage of their education, training or employment. The significant majority of learners, progress to further/higher education, employment or training at a level suitable to meet appropriate career plans. Learner satisfaction rates are high across all provision types

## **The Students' Voice**

The College has continued with its commitment to ensuring that the student voice is at the heart of its decision making process.

- Elections were held to appoint a 2<sup>nd</sup> Lead Student Council Officer and the Deputy President from the previous year continued on to be the Lead Student Council Officer. They both worked together on chairing Student Council Meetings and were also both student governors.

- The College recruited 25 student Ambassadors to represent the student body and to support cross College events.
- The College annual capital investment programme is linked to the Student Voice and investment is made in key areas where they have requested improvements and further investment in facilities and equipment.
- The College Student Council met four times during the year and was informed by separate Directorate Student Councils. Student Voice feedback continued during the lockdowns.
- During the year a number of awareness events were held on key topics of mental health, drugs and body image.
- Freshers and Re-Freshers events were held in September and January online due to Covid-19.

## **RESOURCES**

The Group has various resources that it can deploy in pursuit of its strategic objectives and delivers its educational services from its Middlehaven campus, premises in South Bank, Middlesbrough (via TTE) and satellite locations in Newcastle and other north east towns.

### **Financial**

At 31 July 2021 the Group had £3.8m of net assets (31 July 2020: net liabilities of £1.2m), cash at bank of £6.6m (31 July 2020: £3.0m), loan balances of £11.3m (2020: £11.9m) and defined benefit pension liability of £27.5m (31 July 2020: £30.1m).

The Group has generated cash from operations during the year which has been utilised towards capital investment projects, reducing debt, and generating cash reserves to support ongoing investment.

### **People**

During the year, the Group employed 737 people (expressed as full-time equivalents), of whom 400 are teaching staff. (2019/20: 720 and 456 respectively).

### **Student numbers**

The Group enrolled approximately 13,406 students. The student population included 4,145 16-18 year old students, 1,900 apprentices, 661 higher education students and 6,964 adult learners.

### **Reputation**

The College has a good reputation locally and regionally, based on a good quality provision of education and training. The College has strong links and relationships with local employers and other stakeholders.

### **Stakeholder relationships**

Middlesbrough College has many stakeholders. These include:

- Current, future and past students;
- Staff and their trade unions;
- Education sector funding bodies;
- Local employers (with specific links);
- Local authorities / Tees Valley Combined Authority;
- Government Offices and Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions, schools and universities;
- Professional bodies;
- Awarding bodies.

The College recognises the importance of these relationships and engages in regular communication and dialogue with its stakeholders.

## Public benefit

Middlesbrough College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 18 - 20.

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

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce and Local Enterprise Partnerships (LEPs)

## Financial results

The Group delivered an underlying surplus in the year of £2.4m, (after adjusting for non-cash pension entries) and underlying EBITDA was £4.9m in the year (2020 £1.7m and £3.8m respectively):

	2021
<b>Underlying earnings reconciliation</b>	<b>£'000</b>
<b>Total Comprehensive Income</b>	<b>5,004</b>
Less actuarial gain	(5,325)
<b>Deficit before tax</b>	<b>(321)</b>
FRS102 service charge	2,281 *
Pension interest	415
Enhanced pension interest	43
<b>Underlying surplus</b>	<b>2,418</b>
Net loan interest payable	194
Capital grant amortisation (income)	(1,117)
Depreciation and amortisation	3,406
<b>Underlying EBITDA</b>	<b>4,901</b>
*- Stated net of employer contribution	

The above result includes the first full year of trading activity of the TTE group of companies which was acquired in December 2019. These companies contributed income of £3.8m (2020: £2.4m) and an operating surplus of £0.4m (Period from 13 December 2019 to 31 July 2020 £2.4m income and an operating deficit of £0.3m).

In the context of Covid-19 uncertainty the College had budgeted an overall underlying surplus of £0.3m in 2020/21. The uplift to the underlying surplus of £2.4m achieved in the year is driven principally by unbudgeted income growth. This includes £0.6m of in-year growth due to strong recruitment of 16–18-year-

old learners and stronger than anticipated demand for apprenticeships, which drove a £1.3m increase in income above budgeted levels. A number of additional unbudgeted income streams were also secured in-year including £0.5m of catch-up support from the ESFA and £0.2m of support for student transport from TVCA.

Including the above unbudgeted income streams (and the impact of a 4.7% increase in the funding rate for 16–18-year-old learners) income for the Group increased by £4.2m to £46.8m (2020: £42.6m). The College remains highly dependent on the education sector funding bodies and the locally devolved adult education budget for its principal sources of funding (largely from recurrent grants). In 2021 this funding accounted for 82% of the Group's total income (excluding release of capital grants) (2020 79%). In particular:

- **Education and Skills Funding Agency - 16-18.** The group was funded by the Education & Skills Funding Agency (ESFA) for 3,926 learners aged 16-18 equating to £23.5m of programme funding (2019 / 20 3,683 learners £19.7m). Actual recruitment in 2020 / 21 was above allocation at 4,145. The College received in-year growth for 118 learners at £0.616m leaving £0.890m unfunded delivery.
- **Tees Valley Combined Authority – Adult.** The College's Adult Education delivery funded by the Tees Valley Combined Authority was £3.9m against an initial allocation of £3.2m. The College received growth funding to cover the total over-delivery of £0.7m.
- **Education and Skills Funding Agency – Adult.** The College's Adult Education delivery funded by the Education and Skills Funding Agency (delivery outside of the Tees Valley) was £1.3m against an allocation of £1.4m being under delivery of £0.1m due to the impact of the Covid-19 pandemic. As delivery was within the 10% tolerance margin set by the ESFA the College will suffer no clawback of funding.
- **Education and Skills Funding Agency – Apprenticeships.** Due to Covid-19 the College had set a prudent budget for Apprenticeships of £4.1m for 2021. However, positive levels of recruitment resulted in the College delivering £5.4m for the year.

The Group's reported financial position is influenced heavily by movements in the actuarial valuation of the Local Government Pension Scheme which has fluctuated significantly in recent years as a result of changes to actuarial assumptions and the impact of the Covid-19 pandemic on underlying asset values:

<b>Group financial position</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
Net assets/(liabilities)	3,789	(1,215)
Defined benefit obligations	(27,535)	(30,164)
Net Assets (excluding defined benefit obligations)	31,324	28,949
Tangible fixed assets	75,965	71,385
Borrowings	11,326	11,964
Cash	6,585	3,055
Net debt	4,741	8,909

In 2020 the Group's reserves were impacted significantly by a £17.5m adverse actuarial valuation of the College's share of the LGPS scheme assets and liabilities which almost trebled the College's defined benefit pension liability to £30.1m (from £10.9m) and caused the group to report net liabilities of £1.2m. In the current year this situation has partly reversed as there has been a £2.6m improvement in overall pension valuation. Alongside the underlying surplus generated in the year the Group has returned to a positive net assets position of £3.7m.

Tangible fixed assets additions during the year amounted to £7.9m. This comprised £2.8m of expenditure on equipment (which included additional laptops and IT equipment to support remote working through Covid-19)

and £5.1m of expenditure on construction projects and related equipment which remained in the course of construction at the year-end. This expenditure is linked to the Colleges' participation in the North East Institute of Technology and development of the campus to house the new T Levels curriculum

## **Cash flows and Liquidity**

The College continued to invest in its strategic capital programme during the year, resulting in a cash outflow of £7.9m from capital investment whilst at the same time repaying loan funds of £0.6m during the year. The overall increase in cash for the year was £3.5m (2020 £1.1m decrease).

Net debt at 31 July 2021 was £4.7m (2020: £8.9m). The decrease in net debt is mainly due to cash generation in the year from operations.

At the year-end the College had £11.3m outstanding borrowings from a 16 year £13.4m loan facility (which matures in 2030) and an undrawn £4m revolving credit facility which runs to 31 July 2022. During the year, loan interest of £0.2m was incurred (2020: £0.3m), at a floating rate following one month LIBOR plus a fixed margin of between 1.45% and 1.60%, resulting in a total interest rate charge of between 1.95% and 2.10%. The College remains compliant with all of its bank covenants.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded.

## **Financial Health**

The College's financial health as measured by the ESFA and self-assessed has been maintained at a rating of "Outstanding" for 2021. The College's medium term financial plan prepared in July 2020 shows the College maintaining at least "Good" financial health rating throughout the period to July 2026.

## **Treasury Policy and Objectives**

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance are consistent with those risks.

The College has a separate treasury management policy in place.

Short-term borrowing for temporary revenue purposes is authorised by the Principal/Chief Executive. Such arrangements are restricted by limits in the College's 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.

## **Reserves Policy**

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

## **Curriculum developments**

The College currently has an overall Grade 2 "Good" Ofsted rating (dated September 2018) was awarded TEF Gold status by OfS (2017) for Higher Education provision, and continues to deliver strong, consistent learner outcomes, across study programme, adult and HE delivery. However, in May 2021 a focussed Ofsted inspection of initial Teacher Education provision (37 students) awarded the College a Grade 3 (Requires Improvement) in that area. In addition, apprenticeship achievement declined during 2021 and

Covid-19 has had a significant negative impact on delivery in the service and health industries, which is expected to continue in 2022 as these industries try to recover.

A detailed action plan has been developed and good progress is being made to address the issues identified. Overall feedback from learners and employers through the formal QDP survey is good, and whilst feedback from HE learners slightly declined compared to last year it remains above the national rate.

During the year “Taking Teaching Higher” a new Teaching and Learning Strategy has been developed to help embed a culture where teachers are reflective practitioners, who access regular feedback and CPD and welcome learning walks, digital innovation and understand the teaching theories that underpin their practice.

Through national lockdowns courses continued online and laptops were loaned to learners who did not have access to IT resources. SEND and High Needs learners who had difficulty studying remotely online, continued to access face to face support. Attendance and online engagement during this time was good.

The College continues to respond swiftly to government policy, implementing T levels, forming part of the North East Institute of Technology and the Teesworks Academy. The curriculum is biased towards technical and professional high priority sectors.

T Level qualifications are new, two-year challenging qualifications which have 45 days industry placement attached and are now running in the following subjects:

- Digital Production, Design and Development
- Design, Surveying and Planning for Construction
- Building Services Engineering for Construction
- Onsite Construction
- Health
- Childcare Education.
- 

the College works closely with national bodies and Government to help inform and influence policy.

In 2020, the College begun construction of a new Digital Centre, Construction Centre and Institute of Technology building alongside delivery of improvements to the catering facilities within the existing sixth form centre. The new IOT building is complete and being used to deliver HE curriculum. Following some delays due to Covid-19 completion of the other buildings is now imminent, and plans are in place to move the curriculum into these buildings in January 2022.

## **Future prospects**

The College's 16-18 ESFA funded recruitment for the following academic period, 2021/2022, is in line with allocation. Apprenticeship carry-in funding is also stronger than planned and monthly recruitment is in line with the College growth plan which considers the ongoing impact of Covid-19. Recruitment on Higher Education courses and those funded through Advanced Learner Loans income have fallen slightly behind budget, but it is anticipated that this impact will be offset by strong apprenticeship performance.

In addition, the Colleges TVCA adult funding allocation has increased to £4.573m in 2021/22 compared to £3.924m in 2020/21

Management is also currently assessing the future impacts of external cost pressures on budgets in 2021/22 and beyond. These include significant increases in energy prices and increases in the underlying cost of staffing resource as a result of recently announced increases in employers National Insurance Contributions.

Despite these cost pressures, it is anticipated that, the 2021/2021 budgeted underlying surplus position of £1m will be exceeded, placing the College in a stronger financial position than budget and forecast.

## **Going concern**

After making appropriate enquiries, the Governing Body considers that the College has adequate resources to continue in operational existence for the foreseeable future and has approved the 5-year financial plan to July 2026. As of 25 November 2021 the Group had available to it £9.5m of cash at bank, and additional headroom of £4.0m in its revolving loan facility to fund working capital requirements. In addition, the College has set an achievable surplus budget for 2022 and forecasts surpluses into future periods. The ESFA financial health measure has remained “Outstanding” and remains at least “Good” throughout the forecast period to 2026. For this reason, it continues to adopt the going concern basis in preparing the Financial Statements.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The College has well developed strategies for managing risk and strives to embed risk management in all that it does. The College’s risk management processes are designed to protect its assets, reputation and financial stability. The College compiles its risk register, based on perceived risks to achievement of its Strategic Plan, and uses the risk register to monitor and address key risks.

The College’s risk register is broken down into strategic risks, departmental risks and provision type risks. The College’s financial risks are documented and monitored through this process. There is also a separate Health and Safety Risk Register which feeds into the overarching College Strategic Risk Register.

The Risk Register is considered by the College’s Risk Management Group, the Senior Leadership Team and Audit & Risk Committee to the Governing Body. All risks that are considered to be both likely and which would have a serious effect on the College are classified as high level risks plus any new strategic risks are reviewed and endorsed by the Senior Leadership Team to ensure they accurately reflect all significant risks to the College.

The College also has in place a business continuity plan which is reviewed annually. Disaster recovery scenario training has been undertaken by key staff.

Outlined below is a description of the principal risks that may affect the College. This list is not comprehensive and not all of the factors are within the College’s control.

### **Risk Event**

- Global event / pandemic affects our ability to operate and government ability to fund training.
- Failure to meet three year budget strategy and maintain at least “Good” financial health.
- Failure to recruit and retain good staff and deliver workforce development plan.
- Failure to adequately safeguard all learners and meet Prevent Duty.
- Inability to meet an overall Ofsted Grade 2 outcome.
- Inability to influence external stakeholders and poor external reputation.
- Failure to provide a structure of support to students in line with College policies and EIF.
- Failure to invest in Capital IT infrastructure and implement disaster recovery process and ensure Business Continuity is in place.
- Failure to provide an environment that conforms to relevant health and safety regulations.
- Failure to ensure compliance with legal, regulation, statutory and governance requirements.

Key risks are mitigated in the following ways:

- Investment in staff and their development.
- Rigorous quality procedures are embedded throughout the College;
- Planned and managed implementation of growth, investment and marketing strategies;
- Implementation and monitoring of operational delivery plans;
- Focusing on maintaining and managing key relationships with funding bodies and customers maintaining regular dialogue with the ESFA and LEP / Local Combined Authority;
- Careful monitoring and awareness of policy changes and implementing nimble responses; work undertaken to ensure readiness for T-Level implementation; and

- Ensuring the College focuses its delivery in priority areas.
- Regular engagement with stakeholders and policy makers.

### **Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2020 to 31 July 2021 the College paid all invoices within 30 days unless there was a query with the supplier account or the invoice itself and is therefore confident that the College complies with this target.

### **Equal Opportunities**

Middlesbrough College is committed to providing an environment in which there is equality of opportunity for all members of its community and our commitment for equality, diversity and inclusion ensures that all who learn and work at Middlesbrough College, and potential applicants to the College, are treated fairly and valued for their talents and ability, in all aspects of its activities as an employer and provider of education and training.

Middlesbrough College has in place a Single Equality Scheme and Action Plan that is linked to the College Strategic Plan and its Mission Statement and is informed by the Equality Act 2010 and associated legislation.

The College's Equality Policy and Statement is published on the College's website and is available on request in a range of alternative formats. The linked Action Plan is updated and presented to the College Governing Body and College Senior Leadership Team termly.

### **Disability Statement**

Middlesbrough College is committed to providing an environment in which there is equality of opportunity for all members of its community and visitors. Our commitment for equality, diversity and inclusion ensures that all who learn and work at the College are treated fairly in response to the Equality Act 2010. It also aims to promote all other strands of equality and human rights. The Disability Statement is available online.

Middlesbrough College recognises that everyone's needs are unique and will work with students to identify any barriers that exist and make every effort to remove them. The College welcomes applications from students with learning difficulties or disabilities or additional support needs and the College aims to provide the appropriate resources, facilities and services to enable students to be successful in their chosen programme of study. The expertise of our staff enables us to provide excellent help and guidance to all prospective students.

Middlesbrough College proudly promotes itself as an equal opportunities employer and acknowledges the diverse needs of its employees and the community it serves. The College holds Disability Confident Leadership status. The College values diversity and inclusion by adopting a positive and proactive approach to support employees and future job applicants with disabilities or known health issues and promotes the Disability Confident Scheme in our supply chain.

### **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. The information for 2020 / 2021 is set out below:

Numbers of employees who were relevant union officials during the period	4
FTE employee number	3.55



Percentage of time	Number of employees
0%	0
1-50%	4
51-99%	0
100%	0

Total cost of facility time	£17,556
Total pay bill	£28,664,836
Percentage of total bill spent on facility time	0.06%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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### Human Trafficking Statement

The College, as part of the Further Education Sector, recognises it has a responsibility to take a robust approach to slavery and human trafficking under The Modern Slavery Act 2015 (Transparency in Supply Chains) Regulations 2015.

The College is absolutely committed to preventing slavery and human trafficking in its corporate activities and to ensuring that its supply chains are free from slavery and human trafficking.

The College's Slavery and Human Trafficking statement was approved by the Governing Body on 18 October 2021 and is available on the College website at: [www.mbro.ac.uk](http://www.mbro.ac.uk) within the Governor's website; policies and procedures.

### Disclosure of Information to Auditor

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

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



Mr Robert Davies  
Chairman of Governors  
16 December 2021

## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

This statement covers the period from 1 August 2020 to 31 July 2021 and up to the date of approval of the annual report and Financial Statements on the 16 December 2021.

Middlesbrough College endeavours to conduct its business:

1. In accordance with the seven principles identified by the Committee on Standards in Public Life:
  - Selflessness
  - Integrity
  - Objectivity
  - Accountability
  - Openness
  - Honesty
  - Leadership.
2. In full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the Code”).
3. Having due regard to the UK Corporate Governance Code (“the Code”) insofar as it is applicable to the Further Education Sector.

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

In the opinion of the Governing Body, the College complies with the provisions of the Code of Governance and reported on a “comply or explain” basis to the Search and Governance Committee at its meeting on the 17 September 2021 and confirmed at the Governing Body meeting of 18 October 2021 for the period 1 August 2020 to 31 July 2021.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges originally issued by the Association of Colleges in March 2015, which the College formally adopted on 15 October 2015. The subsequent update of May 2019, was adopted by the College on 19 July 2019.

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 College has a Public Value Statement and is published in the updated mid-term 2020-2023 Strategic Plan.

Middlesbrough College is committed to adding value to the social, economic and physical well-being of the local community it serves. We are committed to raising aspiration, increasing opportunity and providing a foundation for sustainable economic growth and prosperity.

Central to our responsibility is our work with partner organisations and our obligation to enrich the social, cultural, economic and physical well-being of our whole community.

In practice, this means we are ready, willing and able to respond to the needs of our community whatever and wherever they may be.

In making this commitment we may be challenged to work in new ways and, at times, our own capability or capacity may be tested.

We are nevertheless determined to devote ourselves to, and measure ourselves against, this endeavour.

Governors serving on the Governing Body during 2020/2021 and up to 16 December 2021.

Governors appointed in 2020/2021 and up to 16 December 2021 have been highlighted (shaded) where appropriate.

\* denotes date of re-appointment.

\*\* denotes Chair of Committee.

Name	Date of appointment	Term of Office	Date of resignation	Status of appointment	Committees Served	Attendance (1 August 2020 to 31 July 2021)
Rachel Anderson	21 March 2019	20 March 2023	-	College Governor	Audit & Risk	85%
Heather Ashton	21 March 2019	20 March 2023	-	College Governor	Corporate Services. Remuneration (**) (appointed as Chair on 15 July 2019) Search and Governance (from 15 July 2019)	76%
Ashley Coleman-Cooke (Vice Chair of Governors 1 August 2020 to 16 December 2021)	29 March 2017 (2 <sup>nd</sup> term of office)	28 March 2021  Further extended term to 31 July 2021	-	College Governor	Appeals (Senior Postholders). Audit & Risk. Remuneration. Search & Governance. Selection (Senior Posts). Settlement. Special (**). Standards (**).	77%
Carol Cooney	20 May 2017 (2 <sup>nd</sup> term of office)	19 May 2025	14 October 2021	College Governor	Standards.	77%
Robert Davies  (Chair of Governors 1 August 2020 to 16 December 2021)	31 July 2017 (2 <sup>nd</sup> term of office)  *Further extended term of office 31 July 2021	30 July 2021  Further extended term ends 30 July 2023 (or sooner)		College Governor	Corporate Services Remuneration. Search & Governance (**). Selection (Senior Posts) (**). Settlement (**).	100%
Mark Ellis	15 July 2021	14 July 2025		Staff Governor	Corporate Services	100%

## The Further Education Corporation of Middlesbrough College – Report and Financial Statements 2020 / 2021

Name	Date of appointment	Term of Office	Date of resignation	Status of appointment	Committees Served	Attendance (1 August 2020 to 31 July 2021)
Marina Gaze	1 November 2019 (2 <sup>nd</sup> term of office)	31 October 2023	-	College Governor	Standards.	100%
Jean Golightly	16 October 2017	15 October 2021	Term of office ended 15 October 2021	College Governor (until end of first term of office)	Standards	69%
Lee Holdsworth	16 October 2017	15 October 2021	Term of office ended 15 October 2021	College Governor until 15 October 2021 then became an External Member	Audit & Risk.	62%
Michael Laidler	15 July 2019	14 July 2023		College Governor	Standards.	69%
Sharon Lane	18 October 2018	17 October 2022		College Governor	Standards	64%
Patrick Lenihan	18 October 2021	31 July 2023		Student Governor	N/A	N/A for 2020-21
Zoe Lewis	26 September 2013	-	-	Principal / Chief Executive (Accounting Officer)	Corporate Services. Search & Governance. Selection (Senior Posts). Standards.	100%
Petrina Lynn	22 March 2021	21 March 2025		College Governor	Standards	100%
Morgan McClintock	19 October 2020	18 October 2024		College Governor	Standards Search and Governance from 18 October 2020	100%
Sara Mirsalehi	15 July 2019	14 July 2023		College Governor	Corporate Services.	92%
Shannon Mudd	17 December 2020	31 July 2022		Student Governor	N/A	71%
Tony Parkinson	1 January 2018	31 December 2021	14 September 2020	College Governor	Corporate Services.	0% (absence approved for the year by the Board)
Phil Sharp	23 March 2020	22 March 2024		College Governor	Corporate Services	92%
Daniel Still	17 October 2019	16 October 2023		Staff Governor (Academic)	Standards	85%

The Further Education Corporation of Middlesbrough College – Report and Financial Statements 2020 / 2021

Name	Date of appointment	Term of Office	Date of resignation	Status of appointment	Committees Served	Attendance (1 August 2020 to 31 July 2021)
Peter Studd	9 July 2018 (2 <sup>nd</sup> term of office)	11 July 2023	-	College Governor	Corporate Services (**). Search and Governance (from 15 July 2019) (appointed as Chair on 15 July 2019) Remuneration 2019-20 Special Appeals (Senior Postholders)(**)	88%
Ana Thompson	16 December 2019	31 July 2021		Student Governor	N/A	44%
David Wade	16 December 2019	15 December 2023	19 April 2021	Staff Governor (Business Support)	Corporate Services	88%
Iain Wright	14 December 2017	13 December 2021	-	College Governor	Audit & Risk (**) appointed as Chair on 15 July 2019 Search & Governance. Remuneration (2020-21)	94%

**Overall Attendance 2020/2021 (excluding External Members)**

	Attendance Rate (Percentage)
Overall Attendance	84%

**Governing Body Attendance 2020/2021 (excluding External Members)**

	Attendance Rate (Percentage)
Governing Body	69%

**Committee Attendance 2020/2021 (excluding External Members)**

	Attendance Rate (Percentage)
Audit & Risk	81%
Corporate Services	92%
Remuneration	75%
Search & Governance	78%

Standards	85%
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#### External Members Attendance 2020/2021

Name of External Member	Attendance Rate (Percentage) For both Committee and GB	Attendance Rate (Percentage) for Committee
Mr John Autherson (Appointed 1 January 2018) Resigned 18 September 2021	44%	100%
Ms C Cannon (Appointed 22 March 2021)	60%	50%
Mr S Green (Re-appointed 16 October 2021)	33%	75%
Mr A Hanif (Re-appointed 6 July 2021)	0%	Not applicable
Mr Lee Holdsworth (Appointed 18 October 2021)	n/a for academic year 2020-21	
Mr Morgan McClintock (Appointed 24 April 2020 until 18 October 2020 at which point took up a College Governor role)	100%	Not applicable (see Governor record)
Miss S Shepherd (Re-appointed 1 August 2021)	100%	100%
Mr A Stephenson (Re-appointed 12 July 2019)	33%	75%
Mr S Wilson (Re-appointed 19 May 2019)	44%	75%
<b>Total</b>	<b>52%</b>	<b>79%</b>

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

The Governing Body is provided with regular and timely information on the overall financial performance of the College, together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters, such as health and safety and environmental issues.

The professional expertise of the Governing Body in terms of financial management and control and associated skills are considered to be strong amongst its current membership.

The Governing Body meets at least termly. The Governing Body conducts its business through a number of committees. Each Committee has Terms of Reference, which have been approved by the Governing Body.

The last annual review took place in September 2021 and was approved on 18 October 2021. The latest version of the Committee Structure is available on the Governors' Website.

The Committee Structure as of the 31 July 2021 is:

- Appeals (Senior Post-holders).

- Audit & Risk.
- Corporate Services.
- Remuneration.
- Search & Governance.
- Selection (*Senior Posts*).
- Settlement.
- Special.
- Standards (renamed Curriculum and Standards as of 18 October 2021)

The Governing Body has also appointed a number of External Members to serve on a number of committees, as detailed below, and is correct as at 16 December 2021.

External Member	Name of Committee(s) Served
John Autherson	<b>Audit &amp; Risk Committee</b> (Appointed 1 January 2018 for a period of four years to 31 December 2021) (Resigned 18 September 2021)
Caroline Cannon	<b>Standards Committee</b> (Appointed 22 March 2021 for a period of one year initially to 21 March 2022)
Stuart Green	<b>Audit &amp; Risk Committee</b> (Appointed 16 October 2017 for a period of four years to 15 October 2021) (Re-appointed 16 October 2021 for a Final Term of Office for a period of four years to 15 October 2025)
Lee Holdsworth	<b>Audit and Risk Committee</b> (Appointed 18 October 2021 for a period of four years to 17 October 2025)
Aslam Hanif	<b>Equality &amp; Diversity Committee</b> (Appointed from the 6 July 2017 for a period of four years to 5 July 2021) (Re-appointed 6 July 2021 for a Final Term of Office for a period of four years to 5 July 2025)
Morgan McClintock	<b>Standards Committee</b> (Appointed from 24 April 2020 for a period of four years to 23 April 2024) Resigned to take up College post as of 19 October 2020
Sarah Shepherd	<b>Search &amp; Governance Committee</b> (Appointed from the 1 August 2016 for a period of four years to 31 July 2020) (Re-appointed for a Final Term of Office from 1 August 2020 to 31 July 2024)
Andrew Stephenson	<b>Standards Committee</b> (Appointed from 13 July 2015 for a period of four years to 12 July 2019) (Re-appointed for a Final Term of Office from 13 July 2019 to 12 July 2023)
Sandy Wilson	<b>Corporate Services Committee</b> (Appointed from 20 May 2017 for a period of two years to 19 May 2019) (Re-Appointed for a Final Term of Office from 20 May 2019 to 19 May 2023)

Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available from:

Zeta Foster  
 Head of Governance/Clerk to the Corporation  
 Middlesbrough College  
 Dock Street  
 Middlesbrough  
 TS2 1AD  
 z.foster@mbro.ac.uk

The Head of Governance/Clerk to the Corporation maintains a register of financial and personal interests (*Register of Interests*) of the Governors; this is available for inspection at the above address and is updated on an annual basis.

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

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

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

There is a clear division of responsibility in that the roles of the Chairman of Governors and the Principal / Chief Executive (*Accounting Officer*) are separate.

### **Governance Self-Assessment**

For 2020/2021 the Governing Body self-assessed itself as a Grade 2, with the Governance Self-Assessment Report being approved on the 16 December 2021. This document highlighted a number of strengths and areas for improvement and followed the publication of the College's Ofsted Inspection Report in October 2018.

Copies of both documents are available from the Clerk to the Corporation.

### **Appointments to the Governing Body**

Any new appointments to the Governing Body are a matter for the consideration of the Governing Body as a whole, following advice from the Search & Governance Committee in terms of the appointment/re-appointment of College Governors and External Members, with a Term of Office not exceeding four years from its last expiry date. The Governing Body is also responsible for ensuring that appropriate training is provided as required, and this is co-ordinated by the Head of Governance/Clerk to the Corporation and reported direct to the Search & Governance Committee on a termly basis. The Governing Body has also adopted an appointment process in line with the AoC's Code of Governance of College, i.e. College Governors and External Members normally having a maximum of two terms of four years. However, the Governing Body has reserved the right to extend to a third term if there are mitigating circumstances and these are agreed by the Search & Governance Committee and Governing Body.

### **Search & Governance Committee**

The Search & Governance Committee comprises six members of the Governing Body and one External Member as at the 31 July 2021, and they are responsible for the selection and nomination of any new member for the Governing Body's consideration.

As of 18 October 2021, the Search and Governance Committee increased its membership to seven.

### **Remuneration Committee**

The Remuneration Committee comprises four members of the Governing Body as at 31 July 2021, and its main responsibility is to make recommendations to the Governing Body on the remuneration and benefits of the Principal/Chief Executive (*Accounting Officer*), Senior Postholders (if applicable) and the Head of Governance/Clerk to the Corporation. It is also responsible for producing an annual report on the business of



the Committee, to comply with the AoC Code of Good Governance, Annex 1 (The Colleges' Senior Post Holder Remuneration Code).

The Principal/Chief Executive (*Accounting Officer*) is a Senior Postholder.

There are no other Senior Postholders as at the 31 July 2021.

The Head of Governance/Clerk to the Corporation is not a designated Senior Postholder.

Details of remuneration for the year ended 31 July 2021 are set out in note 7 of the 2020/2021 Financial Statements.

### **Audit & Risk Committee**

The Audit & Risk Committee comprises four members of the Governing Body (excluding the Principal/Chief Executive (*Accounting Officer*) and Chair of Governors) and two External Members as at the 31 July 2021. As of 18 October 2021 the Committee comprises of three members of the Governing Body and two External Members.

The Audit & Risk Committee operates in accordance with written Terms of Reference approved by the Governing Body and advises the Governing Body on the adequacy and effectiveness of the College's system of Internal Control and its arrangements for risk management, control and governance processes.

The Audit & Risk Committee normally meets four times a year and provides a forum for reporting by the College's Internal, Regularity and Financial Statements Auditors, who have access to the Audit & Risk Committee for independent discussion, without the presence of College management. The Audit & Risk Committee also receives and considers reports from the main Further Education funding bodies as they affect the College's business.

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

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

The Audit & Risk Committee also advises the Governing Body on the appointment of Internal Auditors and the Regularity & Financial Statements Auditors, and their remuneration for both audit and non-audit work, as well as reporting annually to the Governing Body.

### **Other Committees**

As detailed earlier, the Governing Body has a number of active committees, and the minutes of certain committees, including Audit & Risk, Corporate Services, Search & Governance and Standards (re-named Curriculum and Standards as of 18 October 2021) are all posted on the Governors Website.

Copies of the minutes can be obtained from the Head of Governance/Clerk to the Corporation.

### **Internal control**

#### **Scope of Responsibility**

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

The Governing Body has delegated the day-to-day responsibility to the Principal / Chief Executive as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the

College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum / Financial Agreement between Middlesbrough College and the Funding Bodies.

The Principal / Chief Executive (*Accounting Officer*) is also responsible for reporting to the Governing Body 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 on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of Internal Control has been in place in Middlesbrough College for the year ended 31 July 2021 and up to the date of approval of the 2020/2021 Financial Statements.

### **Capacity to Handle Risk**

The Governing Body has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2021 and up to the date of approval of the 2020/2021 Financial Statements. This process is regularly reviewed by the Governing Body.

### **The Risk and Control Framework**

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the 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.
- Adoption of formal project management disciplines, where appropriate.

Middlesbrough College has an Internal Audit Service (*RSM Risk Assurance Services*), which operates in accordance with the requirements of the Education & Skills Funding Agency's Post 16 Audit Code of Practice, which was shared with the Audit & Risk Committee on the 18 June 2021.

The work of the Internal Audit Service is informed by an analysis of the risks to which the College is exposed, and annual Internal Audit plans are based on this analysis. The analysis of risks and the Internal Audit Plans are endorsed by the Governing Body on the recommendation of the Audit & Risk Committee.

Annually, the Head of Internal Audit (HIA) provides the Audit & Risk Committee and the Governing Body with a report on Internal Audit activity in the College. The report includes the Head of Internal Audit's Independent Opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

## Delivery of the internal audit plan

Despite disruption due to the Covid-19 pandemic 100% of the internal audit plan for 2020/21 was delivered, including completion of an advisory review of governance which had been deferred from 2019/20 due to disruption caused by the pandemic.

## Review of Effectiveness

As Accounting Officer, the Principal / Chief Executive has responsibility for reviewing the effectiveness of the system of internal control, and this review of the effectiveness of the system of Internal Control is informed by:

- The work of the Internal Auditors (*RSM Risk Assurance Services*).
- The work of the executive managers within the College who have responsibility for the development and maintenance of the Internal Control Framework.
- Comments made by the College's Financial Statements Auditor (*Mazars*), Regularity Auditor (*Mazars*) and the Funding Auditor (if appointed) in their Management Letters and other reports.

The Principal / Chief Executive (*Accounting Officer*) has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit & Risk Committee, which oversees the work of the Internal Auditor and Risk Management Group and a plan to address weaknesses and ensure continual improvement of the system is in place.

The Senior Leadership Team receives 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 Senior Leadership Team and the Audit & Risk Committee also receive regular reports from Internal Audit and other sources of assurance, which include recommendations for improvement. The Audit & Risk Committee's role in this area is confined to a high-level review of the arrangements for Internal Control.

The Governing Body's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team and the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 16 December 2021 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the Senior Leadership Team and Internal Audit and taking account of events since 31 July 2021.

Based on the advice of the Audit & Risk Committee and the Principal / Chief Executive (*Accounting Officer*), the Governing Body 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*”.

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

Mr Robert Andrew Davies  
Chairman of Governors  
16 December 2021

Mrs Zoe Lewis  
Principal / Chief Executive (*Accounting Officer*)  
16 December 2021

## Statement of Regularity, Propriety and Compliance

The Governing Body has considered its responsibility to notify the Education & Skills Funding Agency of material irregularity, impropriety and non-compliance with Terms and Conditions of funding, under Middlesbrough College's Financial Memorandum.

As part of our consideration the Governing Body has had due regard to the requirements of the Financial Memorandum.

We confirm, on behalf of the Governing Body, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College or material non-compliance with the Terms and Conditions of funding under the College's Financial Memorandum.

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



Mr Robert Andrew Davies  
Chairman of Governors  
16 December 2021



Mrs Zoe Lewis  
Principal / Chief Executive (*Accounting Officer*)  
16 December 2021

## Statement of Responsibilities of the Members of the Corporation

The members of the Corporation are required to present audited financial statements for each financial year. Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education*, and with the *College Accounts Direction 2020 to 2021*, and which give a true and fair view of the state of affairs of the group and the parent College and the result for that year.

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

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

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

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

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

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

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



Mr Robert Andrew Davies  
Chairman of Governors  
16 December 2021

## **Independent auditor's report to the Corporation of Middlesbrough College**

### **Opinion**

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and College's affairs as at 31 July 2021 and of the Group's and College's deficit of expenditure over income 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 the Corporation**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 28, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Group's and College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

- Discussing with the Members of the Corporation and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Group and the College which were contrary to applicable laws and regulations, including fraud.

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

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

- Addressing the risks of fraud through management override of controls by performing journal entry testing.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Other required reporting

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

In our opinion, in all material respects:

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

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the OfS Audit Code of Practice requires us to report to you if, in our opinion:

- the provider's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated; or
- the provider's expenditure on access and participation activities, as disclosed in 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.



David Hoose (Dec 17, 2021 13:04 GMT)

Mazars LLP  
Chartered accountants and statutory auditor  
The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

16 December 2021



## **The corporation of Middlesbrough College and Secretary of State for Education acting through Education and Skills Funding Agency (“ESFA”)**

In accordance with the terms of our engagement letter dated 28 July 2021 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Middlesbrough College during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

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

The corporation of Middlesbrough College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

- 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 financial memorandum with the ESFA/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.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.

- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

## Conclusion

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



David Hoose (Dec 17, 2021 13:04 GMT)

Mazars LLP  
The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

16 December 2021

**Consolidated Statements of Comprehensive Income and Expenditure**

	Notes	Year ended 31 July 2021		Year ended 31 July 2020	
		Group £'000	College £'000	Group £'000	College £'000
<b>INCOME</b>					
Funding body grants	2	37,416	35,995	32,776	31,699
Tuition fees and education contracts	3	6,339	5,712	6,141	5,277
Other grants and contracts	4	906	184	742	371
Other income	5	2,098	2,088	2,901	2,686
Investment income	6	7	7	76	76
<b>Total income</b>		<b>46,766</b>	<b>43,986</b>	<b>42,636</b>	<b>40,109</b>
<b>EXPENDITURE</b>					
Staff costs	7	28,592	23,139	25,813	21,188
Restructuring costs	7	72	71	301	106
Other operating expenses	8	14,367	17,501	13,044	15,096
Depreciation & amortisation	10, 12	3,406	3,240	3,527	3,393
Interest and other finance costs	9	652	652	624	624
<b>Total expenditure</b>		<b>47,089</b>	<b>44,603</b>	<b>43,309</b>	<b>40,407</b>
<b>Deficit before other gains and losses</b>		<b>(323)</b>	<b>(617)</b>	<b>(673)</b>	<b>(298)</b>
Gain on disposal of assets		2	-	291	291
<b>(Deficit) / surplus before tax</b>		<b>(321)</b>	<b>(617)</b>	<b>(382)</b>	<b>(7)</b>
<b>(Deficit) / surplus for the year</b>		<b>(321)</b>	<b>(617)</b>	<b>(382)</b>	<b>(7)</b>
Actuarial (loss) / gain in respect of pension schemes	23	5,325	5,325	(17,467)	(17,467)
<b>Total Comprehensive Income / (Expenditure) for the year</b>		<b>5,004</b>	<b>4,708</b>	<b>(17,849)</b>	<b>(17,474)</b>
<b>Represented by:</b>					
<b>Unrestricted comprehensive income / (expenditure)</b>		<b>5,004</b>	<b>4,708</b>	<b>(17,849)</b>	<b>(17,474)</b>
		<b>5,004</b>	<b>4,708</b>	<b>(17,849)</b>	<b>(17,474)</b>

The Group surplus for the year of £5.004m includes the following:

- an underlying surplus of £2.418m (after one-off restructuring costs of £0.072m); and,
- non-cash pension surplus adjustments of £2.586m.

The consolidated statement of comprehensive income is in respect of continuing activities.

# Consolidated and College Statement of Changes in Reserves

	Income and expenditure account £'000
<b>Group</b>	
<b>Balance at 1 August 2019</b>	16,626
Deficit from the income and expenditure account	(382)
Acquisition December 2019	8
Other comprehensive expenditure	(17,467)
<b>Total comprehensive income for the year</b>	(17,841)
<b>Balance at 31 July 2020</b>	<b>(1,215)</b>
Deficit from the income and expenditure account	(321)
Other comprehensive expenditure	5,325
<b>Total comprehensive expenditure for the year</b>	<b>5,004</b>
<b>Balance at 31 July 2021</b>	<b>3,789</b>
<b>College</b>	
<b>Balance at 1 August 2019</b>	16.668
Deficit from the income and expenditure account	17
TTE group assets acquired by the College	480
Other comprehensive expenditure	(17,467)
<b>Total comprehensive income for the year</b>	(16,970)
<b>Balance at 31 July 2020</b>	<b>(302)</b>
Deficit from the income and expenditure account	(617)
Other comprehensive expenditure	5,325
<b>Total comprehensive expenditure for the year</b>	<b>4,708</b>
<b>Balance at 31 July 2021</b>	<b>4,406</b>

**Balance Sheets as at 31 July 2021**

	Notes	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
<b>Non current assets</b>					
Tangible fixed assets	10	75,965	75,642	71,385	70,963
Intangible assets	13	462	-	531	-
Investments	12	-	1,119	-	1,119
		<b>76,427</b>	<b>76,761</b>	<b>71,916</b>	<b>72,082</b>
<b>Current assets</b>					
Stocks		15	15	23	23
Trade and other receivables	14	4,061	4,135	5,637	6,173
Cash and cash equivalents	20	6,585	6,344	3,055	2,518
		<b>10,661</b>	<b>10,494</b>	<b>8,715</b>	<b>8,714</b>
<b>Creditors – amounts falling due within one year</b>	15	(7,628)	(7,178)	(6,556)	(5,808)
<b>Net current assets</b>		<b>3,033</b>	<b>3,316</b>	<b>2,159</b>	<b>2,906</b>
<b>Total assets less current liabilities</b>		<b>79,460</b>	<b>80,077</b>	<b>74,075</b>	<b>74,988</b>
Creditors – amounts falling due after more than one year	16	(44,971)	(44,971)	(41,783)	(41,783)
<b>Provisions</b>					
Defined benefit obligations	19	(27,535)	(27,535)	(30,164)	(30,164)
Other provisions	19	(3,165)	(3,165)	(3,343)	(3,343)
<b>Total net assets</b>		<b>3,789</b>	<b>4,406</b>	<b>(1,215)</b>	<b>(302)</b>
<b>Unrestricted Reserves</b>					
Income and expenditure account		3,789	4,406	(1,215)	(302)
<b>Total unrestricted reserves</b>		<b>3,789</b>	<b>4,406</b>	<b>(1,215)</b>	<b>(302)</b>

The financial statements on pages 34 to 59 were approved by the Corporation on 16 December 2021 and were signed on its behalf on that date by:



Mr Robert Davies  
Chairman of Governors



Mrs Zoe Lewis  
Principal / Chief Executive (Accounting Officer)

## Consolidated Statement of Cash Flows

Group	Notes	2021 £'000	2020 £'000
<b>Cash flow from operating activities</b>			
Surplus / (deficit) for the year		(321)	(382)
<b>Adjustment for non-cash items</b>			
Depreciation and amortisation		3,406	3,527
Impairment of assets		-	867
Deferred capital grants release		(1,126)	(1,340)
Pensions costs less contributions payable		2,281	1,508
Decrease in stocks		8	3
Increase / (decrease) in debtors		1,576	(1,292)
Increase / (decrease) in creditors		455	1,793
Increase / (decrease) in provisions		(222)	(222)
<b>Adjustment for investing or financing activities</b>			
Investment income		(7)	(76)
Interest payable and other finance costs		652	624
Gain on sale of fixed assets		(2)	(23)
<b>Net cash flow from operating activities</b>		<u>6,700</u>	<u>4,987</u>
<b>Cash flows from investing activities</b>			
Capital grants received		5,572	460
Proceeds from sale of fixed assets		2	23
Interest received		7	76
Payment made to acquire subsidiary investment		-	(527)
Payments made to acquire fixed assets		(7,919)	(2,607)
		<u>(2,338)</u>	<u>(2,575)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(194)	(331)
New unsecured loans		-	-
Repayments of amounts borrowed		(638)	(3,138)
		<u>(832)</u>	<u>(3,469)</u>
<b>(Decrease) / Increase in cash and cash equivalents in the year</b>		<u><b>3,530</b></u>	<u><b>(1,057)</b></u>
Cash and cash equivalents at beginning of the year		3,055	4,112
<b>Cash and cash equivalents at end of the year (note 20)</b>		<b>6,585</b>	<b>3,055</b>

## **Notes to the financial statements**

### **1. 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 2015 (the 2019 FE HE SORP), the College Accounts Direction 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.

The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2019 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention.

#### **Basis of consolidation**

The consolidated financial statements include the College and its subsidiary undertakings Northern Skills Group Business Services Limited, TTE Technical (UK) Limited, TTE International Limited, TTE Apprenticeships Limited, Middlesbrough College Management Services Limited, Northern Apprenticeship Company Limited and University Centre Middlesbrough Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2021.

#### **Going concern**

The activities of the College together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the College, its cash flow, liquidity and borrowings are described in the financial statements and accompanying notes.

The Governing body considers that the College 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 the financial statements.

#### **Revenue grant funding**

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accruals model as permitted by FRS 102. Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the

## **1. Statement of Accounting Policies (continued)**

year end, and the results of any funding audits. 16-18 year old learner funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Income from the provision of Higher Education courses is in partnership with Teesside University, income earned is credited direct to the income and expenditure account.

Income from tuition fees is recognised in the period for which it is earned and includes all fees payable by students or their sponsors.

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.

### **Capital grant funding**

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

### **Fee income**

Income from tuition fees is recognised in the period for which it is earned and includes all fees payable by students or their sponsors.

### **Investment income**

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

### **Agency arrangements**

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 23, except where the College retains a beneficial interest, in which case the expenditure together with the related income is recognised in the accounts.

### **Accounting for post-employment benefits**

Post-employment 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 Second Pension.

### **Teachers' Pension Scheme (TPS)**

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

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



## **1. Statement of Accounting Policies (continued)**

### **Teesside Local Government Pension Scheme (LGPS)**

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

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

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

### **Short-term employment benefits**

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

### **Enhanced pensions**

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

### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

### **Intangible assets**

Intangible assets are stated at cost less accumulated impairment costs and are amortised over their expected useful economic life of 10 years.

### **Land and buildings**

Freehold land is not depreciated. Leasehold land and buildings are depreciated over 50 years or, if shorter, the period of the lease. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

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 income account within creditors and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with depreciation policy. Finance costs, which are directly attributable to the construction of land and buildings, are capitalised as part of the cost of those assets. 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.

## **1. Statement of Accounting Policies (continued)**

### **Assets under construction**

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

### **Subsequent expenditure on existing fixed assets**

Where significant additional expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account 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

### **Equipment**

Equipment costing less than £2,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other assets are capitalised at cost and depreciated over their useful economic life as follows:

- Motor vehicles and general equipment - 5 years straight line
- Computer equipment - 3 to 5 years straight line
- Furniture, fixtures and fittings - 10 years straight line

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 income and expenditure account over the expected useful economic life of the related equipment.

### **Leased assets**

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

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

### **Investments**

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

## **1. Statement of Accounting Policies (continued)**

### **Stocks**

Stocks are stated at the lower of their cost (using the first in first out method) and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

### **Cash**

Cash for the purposes of the cash flow statement comprises of cash in hand and deposits repayable within three months less overdrafts repayable on demand.

### **Financial liabilities and equity**

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost.

### **Maintenance of premises**

The cost of routine maintenance is charged to the income and expenditure account in the period in which it is incurred.

### **Borrowing costs**

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

### **Foreign currency translation**

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of transaction.

Foreign currency monetary assets and liabilities are translated at the rates of exchange ruling at the end of the financial year with any exchange differences charged to the income and expenditure account in the period in which they arise.

### **Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2011 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, around 3%, 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 has in place a VAT group, incorporating the activities of its subsidiary companies.

### **Provisions**

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

## 1. Statement of Accounting Policies (continued)

### Accounting estimates and judgements

#### *Judgements in applying accounting policies*

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

- *Leases*

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.

- *Impairment of group tangible fixed assets*

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*

Certain critical accounting judgements in applying the College's accounting policies are described below.

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at the balance sheet date. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

**2 Funding body grants**

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency - Adult	1,442	1,433	1,720	1,720
Education and Skills Funding Agency - 16-18	23,577	23,577	19,704	19,704
Education and Skills Funding Agency - Apprenticeships	5,397	3,986	5,645	4,568
Tees Valley Combined Authority - Adult	3,943	3,943	3,201	3,201
Office for Students	321	321	238	238
<b>Specific grants</b>				
Education and Skills Funding Agency	240	240	291	291
Education and Skills Funding Agency - Catch Up	525	524	-	-
Teacher pension scheme contribution grant	648	648	637	637
Tees Valley Combined Authority – Transport Funding	206	206	-	-
Releases of government capital grants	1,117	1,117	1,340	1,340
<b>Total</b>	<b>37,416</b>	<b>35,995</b>	<b>32,776</b>	<b>31,699</b>

**3 Tuition fees and education contracts**

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Adult education fees	1,226	879	1,023	805
Apprenticeship fees and contracts	105	89	123	90
Fees for FE loan supported courses	1,306	1,304	1,248	1,244
Fees for HE loan supported courses	3,440	3,440	3,136	3,136
<b>Total tuition fees</b>	<b>6,077</b>	<b>5,712</b>	<b>5,530</b>	<b>5,275</b>
Education contracts	262	-	611	2
<b>Total</b>	<b>6,339</b>	<b>5,712</b>	<b>6,141</b>	<b>5,277</b>

**4 Other grants and contracts**

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
Other grants and contracts	648	-	192	-
Coronavirus Job Retention Scheme Grant	258	184	550	371
<b>Total</b>	<b>906</b>	<b>184</b>	<b>742</b>	<b>371</b>

The corporation furloughed catering staff and other commercial operations staff under the Government's Coronavirus Job Retention Scheme. The funding received of £0.258m relates to staff costs which are included within the staff costs notes below as appropriate.

## 5 Other income

	Year ended		Year ended	
	31 July		31 July	
	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Catering and residences	356	356	689	689
Other grant income	1,346	1,346	1,431	1,418
Miscellaneous income	396	386	781	579
<b>Total</b>	<b>2,098</b>	<b>2,088</b>	<b>2,901</b>	<b>2,686</b>

## 6 Investment income

	Year ended		Year ended	
	31 July		31 July	
	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Other interest receivable	7	7	76	76
<b>Total</b>	<b>7</b>	<b>7</b>	<b>76</b>	<b>76</b>

## 7 Staff costs – Group

The average number of persons (including key management personnel) employed by the Group during the year, was:

	2021 No.	2020 No.
Teaching staff	570	487
Non-teaching staff	450	285
	<b>1,020</b>	<b>772</b>

### Staff costs for the above persons

	2021 £'000	2020 £'000
Wages and salaries	21,270	19,699
Social security costs	1,803	1,582
Other pension costs	5,324	4,335
<b>Payroll sub total</b>	<b>28,397</b>	<b>25,616</b>
Contracted out staffing services	67	92
Other staffing costs	128	105
	<b>28,592</b>	<b>25,813</b>
Restructuring costs – Contractual	72	301
<b>Total Staff costs</b>	<b>28,664</b>	<b>26,114</b>

### Staff costs – College

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

	2021 No.	2020 No.
Teaching staff	471	414
Non-teaching staff	295	193
	<b>766</b>	<b>607</b>

### Staff costs for the above persons

	2021 £'000	2020 £'000
Wages and salaries	16,417	15,579
Social security costs	1,403	1,279
Other pension costs	5,171	4,208
<b>Payroll sub total</b>	<b>22,991</b>	<b>21,066</b>
Contracted out staffing services	24	19
Other staffing costs	124	103
	<b>23,139</b>	<b>21,188</b>
Restructuring costs – Contractual	71	106
<b>Total Staff costs</b>	<b>23,210</b>	<b>21,294</b>

### 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 Senior Leadership team which comprises the Principal/Chief Executive, Deputy Principal, Vice Principals and Executive Directors.

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

	2021 No.	2020 No.
The number of key management personnel including the Accounting Officer was:	<b>9</b>	<b>7</b>

	<b>Key management personnel</b>		<b>Other higher paid staff</b>	
	<b>2021 No.</b>	<b>2020 No.</b>	<b>2021 No.</b>	<b>2020 No.</b>
£10,001 to £15,000 p.a.	1	-	-	-
£25,001 to £30,000 p.a.	-	-	-	-
£40,001 to £45,000 p.a.	2	-	-	-
£55,001 to £60,000 p.a.	1	1	1	2
£60,001 to £65,000 p.a.	-	2	5	3
£65,001 to £70,000 p.a.	1	-	2	-
£70,001 to £75,000 p.a.	-	1	-	-
£75,001 to £80,000 p.a.	1	-	-	-
£80,001 to £85,000 p.a.	1	1	-	1
£85,001 to £90,000 p.a.	1	1	-	1
£135,001 to £140,000 p.a.	-	1	-	-
£140,001 to £145,000 p.a.	1	-	-	-
	<b>9</b>	<b>7</b>	<b>8</b>	<b>7</b>

Emoluments paid to key management personnel are made up as follows:

	<b>2021 £'000</b>	<b>2020 £'000</b>
Salaries	614	538
Employers National Insurance	76	66
Pension contributions	114	100
Total key management personnel emoluments	<b>804</b>	<b>704</b>

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

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

	<b>2021 £'000</b>	<b>2020 £'000</b>
Salaries	142	138
Pension contributions	22	21
	<b>164</b>	<b>159</b>

No compensation for loss of office was paid during the current year or prior year to former key management personnel.

The governing body adopted the AoC's Senior Staff Remuneration Code on 15 July 2019 and will assess and report pay in line with its principles in future. The Governing Body also adopted Annex 2 of the AoC's code which outlines the justification of the non-adoption of the CUC Higher Education Staff Remuneration code.

The remuneration package of the Principal / Chief Executive and Clerk to the Corporation, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance. This is reported and approved by the Governing Body annually in line with the principals of the AoC's Senior Staff Remuneration Code.

The Principal / Chief Executive remuneration package remains below the median further education sector turnover benchmark for a college of this size.



The Principal / Chief Executive and Clerk to the Corporation reports to the Chair of Governors, who, with the Vice Chair of Governors, undertakes an annual review of performance against the College's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple:

	2021	2020
Principal/CEO's basic salary as a multiple of the median of all staff	5.24	5.12
Principal/CEO's total remuneration as a multiple of the median of all staff	5.33	5.34

#### Compensation for loss of office paid to former key management personnel

	2021 £	2020 £
Compensation paid to the former post holder	150	-
Estimated value of other benefits, including provisions for pension	-	-

The severance payment was approved by the College's Remuneration Committee.

## 8 Other operating expenses

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Teaching costs	1,841	1,743	2,015	1,952
Non-teaching costs	8,596	12,398	8,129	10,468
Premises costs	3,930	3,360	2,900	2,676
<b>Total</b>	<b>14,367</b>	<b>17,501</b>	<b>13,044</b>	<b>15,096</b>

#### Other operating expenses include:

	2021 £'000	2020 £'000
Auditors' remuneration:		
Financial statements audit*	42	39
Internal audit**	33	12
Other services provided by the financial statements auditor – taxation returns	9	9
Hire of assets under operating leases	1,084	811

\* includes £23,050 in respect of the College (2019/20 £19,500)

\*\* includes £33,281 in respect of the College (2019/20 £12,400)

## 9 Interest and other finance costs – Group and College

	2021 £'000	2020 £'000
On bank loans	194	331
Net interest on defined pension liability (note 23)	415	230
Net interest on enhanced pension liability	43	63
	<b>652</b>	<b>624</b>

**9a Access and participation spending**

	<b>Group 2021</b>	<b>Group 2020</b>
	<b>£</b>	<b>£</b>
	<b>£'000</b>	<b>£'000</b>
Access investment	146	152
Financial support to students	91	52
Disability support	76	76
Research and evaluation (relating to access and participation)	33	51
	<b>346</b>	<b>331</b>

**10 Tangible fixed assets (Group)**

	<b>Land and buildings Long leasehold £'000</b>	<b>Equipment £'000</b>	<b>Assets in the course of construction £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>				
At 1 August 2020	83,528	29,386	906	113,820
Additions	-	2,810	5,109	7,919
Acquisitions	-	-	-	-
Transfers	-	358	(358)	-
Disposals	-	(555)	-	(555)
<b>At 31 July 2021</b>	<b>83,528</b>	<b>31,999</b>	<b>5,657</b>	<b>121,184</b>
<b>Depreciation</b>				
At 1 August 2020	(17,599)	(24,836)	-	(42,435)
Charge for the year	(1,647)	(1,690)	-	(3,337)
Elimination in respect of disposals	-	553	-	553
<b>At 31 July 2021</b>	<b>(19,245)</b>	<b>(25,973)</b>	<b>-</b>	<b>(45,219)</b>
<b>Net book value at 31 July 2021</b>	<b>64,283</b>	<b>6,026</b>	<b>5,657</b>	<b>75,965</b>
Net book value at 31 July 2020	65,929	4,550	906	71,385

**Tangible fixed assets (College)**

	<b>Land and buildings Long leasehold</b>	<b>Equipment</b>	<b>Assets in the course of construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>				
At 1 August 2020	83,528	28,866	906	113,300
Additions	-	2,810	5,109	7,919
Transfers	-	358	(358)	-
Disposals	-	(508)	-	(508)
<b>At 31 July 2021</b>	<b>83,528</b>	<b>31,526</b>	<b>5,657</b>	<b>120,711</b>
<b>Depreciation</b>				
At 1 August 2020	(17,599)	(24,738)	-	(42,337)
Charge for the year	(1,647)	(1,593)	-	(3,240)
Elimination in respect of disposals	-	508	-	508
<b>At 31 July 2021</b>	<b>(19,245)</b>	<b>(25,823)</b>	<b>-</b>	<b>(45,069)</b>
<b>Net book value at 31 July 2021</b>	<b>64,283</b>	<b>5,703</b>	<b>5,657</b>	<b>75,642</b>
Net book value at 31 July 2020	65,930	4,128	906	70,963

**11 Taxation**

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

**12 Non-current investments**

	<b>College 2021 £'000</b>	<b>College 2020 £'000</b>
Investments in subsidiary companies	1,119	1,119
<b>Total</b>	<b>1,119</b>	<b>1,119</b>

The College owns 100 per cent of the issued ordinary £1 shares of Northern Skills Group Business Services Limited, a company incorporated in England and Wales, with registered office address Dock Street, Middlesbrough, TS2 1AD. The principal business activity of the company is the contracting of staff to deliver education and training as part of the group activities.

In December 2019, the College acquired 100 per cent of the issued ordinary £1 shares of TTE Technical (UK) Limited, TTE International Limited and TTE Apprenticeships Limited, each company is incorporated in England and Wales, with registered office address Edison House, South Bank, Middlesbrough, TS6 6TZ. The principal activity of each company is the delivery of technical training as part of the group activities.

### 13 Intangible assets (Group)

	Goodwill £'000	Total £'000
Cost		
At 1 August 2020	694	694
Acquisitions (note 26)	-	-
<b>At 31 July 2021</b>	<b>694</b>	<b>694</b>
Depreciation		
At 1 August 2020	(163)	(163)
Charge for the year	(69)	(69)
<b>At 31 July 2021</b>	<b>(232)</b>	<b>(232)</b>
Net book value at 31 July 2021	<b>462</b>	<b>462</b>
Net book value at 31 July 2020	<b>531</b>	<b>531</b>

The College held no intangible assets at 31 July 2021 (2020: £nil).

### 14 Trade and other receivables

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Amounts falling due within one year:				
Trade receivables	399	194	371	107
Amounts owed by group undertakings	-	614	-	1,103
Prepayments and accrued income	3,662	3,327	5,266	4,963
<b>Total</b>	<b>4,061</b>	<b>4,135</b>	<b>5,637</b>	<b>6,173</b>

### 15 Creditors: amounts falling due within one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank loans	638	638	638	638
Trade creditors	673	643	620	507
Amounts owed to group undertakings	-	149	-	258
Other taxation and social security	535	418	446	330
Accruals and deferred income	2,846	2,464	3,247	2,524
Other creditors	405	364	378	332
Deferred income - government capital grants	1,689	1,689	1,069	1,069
Deferred income – non government capital grants	9	9	9	9
Amounts owed to the ESFA	833	804	149	141
<b>Total</b>	<b>7,628</b>	<b>7,178</b>	<b>6,556</b>	<b>5,808</b>

**16 Creditors: amounts falling due after one year**

	<b>Group 2021 £'000</b>	<b>College 2021 £'000</b>	<b>Group 2020 £'000</b>	<b>College 2020 £'000</b>
Bank loans	10,688	10,688	11,326	11,326
Deferred income – government capital grants	34,240	34,240	30,405	30,405
Deferred income – non government capital grants	43	43	52	52
<b>Total</b>	<b>44,971</b>	<b>44,971</b>	<b>41,783</b>	<b>41,783</b>

**17 Maturity of debt****(a) Bank loans**

Bank loans and overdrafts are repayable as follows:

	<b>Group 2021 £'000</b>	<b>College 2021 £'000</b>	<b>Group 2020 £'000</b>	<b>College 2020 £'000</b>
In one year or less	638	638	638	638
Between one and two years	1,276	1,276	1,276	1,276
Between two and five years	1,914	1,914	1,914	1,914
In five years or more	7,498	7,498	8,136	8,136
<b>Total</b>	<b>11,326</b>	<b>11,326</b>	<b>11,964</b>	<b>11,964</b>

Bank loans are repayable by instalments between 1 August 2020 and 31 March 2030, totalling £11.326m. The lender is Santander on an unsecured basis. Interest is floating following one month LIBOR plus a fixed margin of 1.45% on £11.326m. The College also has a £4.000m revolving credit facility with a LIBOR margin of 1.6%, expiring on 31 July 2022. This was undrawn on 31 July 2021.

**18 Financial instruments**

The carrying amounts of the financial assets and liabilities include:

	<b>Group 2021 £'000</b>	<b>College 2021 £'000</b>	<b>Group 2020 £'000</b>	<b>College 2020 £'000</b>
<b>Assets measured at amortised cost:</b>				
Trade debtors	399	194	371	107
Amounts owed by group undertakings	-	614	-	1,103
	<b>399</b>	<b>808</b>	<b>371</b>	<b>1,210</b>
<b>Liabilities measured at amortised cost:</b>				
Trade creditors	673	643	620	507
Other creditors	405	364	378	332
Accruals	2,439	2,283	2,580	2,350
Amounts owed to group undertakings	-	149	-	258
Bank loans	11,326	11,326	11,964	11,964
	<b>14,843</b>	<b>14,765</b>	<b>15,542</b>	<b>15,411</b>

## 19 Provisions

Group and College	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2020	30,164	3,343	33,507
Expenditure in the period	(1,002)	(222)	(1,224)
Charge in the period	(1,627)	44	(1,583)
<b>At 31 July 2021</b>	<b>27,535</b>	<b>3,165</b>	<b>30,700</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 23.

The enhanced pension provision relates to the cost of staff who have already left the College's employment.

The principal assumptions for this calculation are:

	2021	2020
Price inflation	2.6%	2.2%
Discount rate	1.6%	1.3%

## 20 Cash and cash equivalents (Group)

	At 1 August 2020	Cash flows	Other changes	At 31 July 2021
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,055	3,530	-	6,585
<b>Total</b>	<b>3,055</b>	<b>3,530</b>	<b>-</b>	<b>6,585</b>

## 21 Capital commitments

	Group and College	
	2021	2020
	£'000	£'000
Commitments contracted for at 31 July	3,725	229

## 22 Lease obligations

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

	<b>Group and College</b>	
	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due:</b>		
<b>Land and buildings</b>		
Not later than one year	499	523
Later than one year and not later than five years	1,208	1,639
Later than five years	-	-
	<b>1,707</b>	<b>2,162</b>
<b>Other</b>		
Not later than one year	140	454
Later than one year and not later than five years	228	278
Later than five years	-	-
	<b>368</b>	<b>732</b>
<b>Total lease payments due</b>	<b>2,075</b>	<b>2,894</b>

## 23 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Teesside Local Government Pension Scheme (LGPS) for non-teaching staff which is administered by Middlesbrough Council via the Teesside Pension Fund Committee Panel. Both are multi-employer defined-benefit plans.

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

<b>Total pension cost for the year</b>	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Teachers' Pension Scheme: contributions paid	1,914	1,724
Local Government Pension Scheme:		
Contributions paid	1,002	987
FRS 102 (28) charge	2,281	3,283
	<b>5,197</b>	<b>4,219</b>
Charge to the Statement of Comprehensive Income (staff costs)		
Enhanced pension charge to Statement of Comprehensive Income	14	14
<b>Total Pension Cost for Year</b>	<b>5,211</b>	<b>4,233</b>

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

## **Teachers' Pension Scheme**

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

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2019. 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 / 2019). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020 / 2021 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 £1.914m (2020: £1.724m).

## **Local Government Pension Scheme**

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the Teesside Pension Fund. The total contributions made for the year ended 31 July 2021 were £1.399m, of which employer's contributions totalled £1,002,000 and employees' contributions totalled £397,000. The agreed contribution rates for future years are 15.2% for employers and range from 5.5% to 12.5% for employees, depending on salary.

The following information is based upon a full actuarial valuation of the fund at 31 March 2019, updated to 31 July 2021 by a qualified independent actuary (Aon Hewitt).



	<b>At 31 July 2021</b>	<b>At 31 July 2020</b>
Rate of increase in salaries	3.6%	2.2%
Future pensions increases	2.6%	2.2%
Discount rate for scheme liabilities	1.7%	1.4%
Inflation assumption (CPI)	2.6%	2.2%

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

	<b>At 31 July 2021</b>	<b>At 31 July 2020</b>
	Years	years
<i>Retiring today</i>		
Males	21.9	21.8
Females	23.6	23.5
<i>Retiring in 20 years</i>		
Males	23.3	23.2
Females	25.4	25.3

The College's asset allocation at the balance sheet date were:

	<b>Fair Value at 31 July 2021 £'000</b>	<b>Fair Value at 31 July 2020 £'000</b>
Equity instruments	37,814	29,766
Property	3,490	3,133
Cash	3,968	4,543
Other	2,534	1,723
<b>Total fair value of plan assets</b>	<b>47,806</b>	<b>39,165</b>

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

	<b>2021 £'000</b>	<b>2020 £'000</b>
Fair value of plan assets	47,806	39,166
Present value of plan liabilities	(75,341)	(69,330)
<b>Net pensions liability</b>	<b>(27,535)</b>	<b>(30,164)</b>

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

	<b>2021 £'000</b>	<b>2019 £'000</b>
<b>Amounts included in staff costs</b>		
Current service cost	3,255	2,490
Past service cost	-	5
Curtailment cost	28	-
<b>Total</b>	<b>3,283</b>	<b>2,495</b>

### Amounts included in interest payable

Net interest payable	415	230
	<b>415</b>	<b>230</b>

### Amount recognised in Other Comprehensive Income

Return on pension plan assets	7,757	(5,319)
Experience losses arising on defined benefit obligations	(2,432)	(12,148)
<b>Amount recognised in Other Comprehensive Income</b>	<b>5,325</b>	<b>(17,467)</b>

### Movement in net defined liability during the year

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit liability in scheme at 1 August	(30,164)	(10,959)
Movement in year:		
Current service cost	(3,255)	(2,490)
Employer contributions	1,002	987
Past service costs	-	(5)
Curtailment cost	(28)	-
Net interest on the defined benefit liability	(415)	(230)
Actuarial loss	5,325	(17,467)
<b>Net defined benefit liability in scheme at 31 July</b>	<b>(27,535)</b>	<b>(30,164)</b>

### Asset and Liability Reconciliation

	<b>2021</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	(69,330)	(54,101)
Current service cost	(3,255)	(2,490)
Interest cost	(966)	(1,184)
Contributions by Scheme participants	(397)	(397)
Experience gains and losses on defined benefit obligations	(2,432)	(12,148)
Estimated benefits paid	1,067	995
Past Service cost	-	(5)
Curtailements and settlements	(28)	-
<b>Defined benefit obligations at end of period</b>	<b>(75,341)</b>	<b>(69,330)</b>

### Changes in fair value of plan assets

<b>Fair value of plan assets at start of period</b>	39,166	43,142
Interest on plan assets	551	954
Return on plan assets	7,757	(5,319)
Employer contributions	1,002	987
Contributions by Scheme participants	397	397
Estimated benefits paid	(1,067)	(995)
<b>Fair value of plan assets at end of period</b>	<b>47,806</b>	<b>39,166</b>

## 24 Related party transactions

Owing 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.

There were no expenses paid to or on behalf of the Governors during the year (2020: £1,856; 4 Governors).

Tony Parkinson, Chief Executive of Middlesbrough Council served as a board member of Middlesbrough College's Corporation up to his resignation effective from 14 September 2020. During the year sales of £0.335m were conducted, purchases of £0.212m were also made. A balance of £0.142m is included in the College's debtors and £0.125m included in the College's creditors.

Sharon Lane, Managing Director of Tees Components Limited joined the board in 2018 / 2019. The College provides training and education to employees of the business under Apprenticeship training programmes in accordance with ESFA policy and guidelines. The business transactions are conducted at arms length. During the year sales of £1,013 and purchases of £1,000 were made.

Heather Ashton, Executive Director of Business Change and Improvement at Thirteen Group and also a Board Member the Northern Council for Education and a North East Council Member for the CBI, joined the College's board in 2018 / 2019. During the year no sales or purchase transactions were made in relation to Thirteen Group. In respect of the Northern Council for Further Education, College purchases of £0.189m were made in relation to exam fees. In respect of the CBI, College purchases of £10,662 were made in relation to annual membership fees.

Rachel Anderson, Assistant Director of Policy at the North East Chamber of Commerce joined the board in 2018 / 2019. During the year purchases of £7,272 were made in relation to membership fees and sponsorship.

## 25 Amounts disbursed as agent

<b>Learner support funds</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
Funding body grants – bursary support	1,073	984
Interest earned	-	-
	<hr/> 1,073	<hr/> 984
Disbursed to students	(749)	(947)
Administration costs	(39)	(37)
Balance unspent as at 31 July, included in creditors	<hr/> <b>285</b>	<hr/> <b>-</b>

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

## 26 Acquisitions

On 13 December 2019, the Group acquired the entire share capital of TTE Technical (UK) Limited, TTE International Limited and TTE Apprenticeships Limited for a total consideration of £655,231. There were no changes to the fair value of assets and liabilities acquired in the prior period. The acquisition had the following effect on the Group's assets and liabilities:

	<b>Total £'000</b>
<b>Fixed assets</b>	
Tangible assets (note 10)	496
Intangible assets – Goodwill (note 13)	347
<b>Current assets</b>	
Trade debtors	149
Accrued income	184
Prepayments	82
Other debtors	6
<b>Total assets</b>	<b>1,263</b>
<b>Creditors</b>	
Accruals/provisions	(224)
Trade creditors	(163)
Other creditors	(7)
Taxation, VAT, NI and pension	(12)
Deferred income	(202)
<b>Total liabilities</b>	<b>(608)</b>
<b>Net Identifiable assets and liabilities</b>	<b>655</b>

## 27 Post Balance Sheet Events

On 1st November 2021, the College's subsidiary company Mizaru Media Limited was renamed University Centre Middlesbrough Limited. The company remains dormant