



**NCG**  
**REPORT AND FINANCIAL STATEMENTS**  
31 JULY 2021

## Reference and Administrative Details

### Board of Governors

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Shirley Atkinson  
Liz Bromley  
Andrew Cunningham  
Robert Holt  
Peter Lauener  
Caroline MacDonald  
Chris McCourt  
Jennifer Mitchelson  
Matthew Otubu  
Chris Roberts  
Mark Squires  
Jeannette Strachan  
John Widdowson

### Address

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NCG  
Rye Hill House  
Scotswood Road  
Newcastle upon Tyne  
NE4 7SA

### Key Management Personnel

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Job title	Name
Chief Executive Officer	Liz Bromley
Deputy Chief Executive Officer	Chris Payne
Chief Finance Officer	Mike Wilmot
Executive Director and Secretary to the Board	David Balme
Executive Director of Quality	Steve Wallis
Director of People and Development	Joe McGraw
Chief Information and Data Officer	Scott Mulholland
Executive Principal, NCG North	Grant Glendinning
Executive Principal, NCG South	Tony Lewin
Principal - Carlisle College	Sarah McGrath
Principal - Kidderminster College	Cat Lewis
Principal - Lewisham College	Asfa Sohail
Principal - Newcastle College	Scott Bullock
Principal - Newcastle Sixth Form College	Gerard Garvey
Principal - Southwark College	Annette Cast
Principal - West Lancashire College	Denise Williamson

### Professional advisers

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#### Independent auditor

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

#### Bankers

HSBC Bank plc  
City Branch  
110 Grey Street  
Newcastle upon Tyne  
NE1 6JG

#### Solicitors

Muckle LLP  
32 Gallowgate  
Newcastle Upon Tyne  
NE1 4BF

#### Other professional fees

Internal auditors:	PricewaterhouseCoopers LLP
Insurance brokers:	Arthur J. Gallagher
Property valuers:	Lambert Smith Hampton and Sanderson Weatherall
Pension advisers:	Willis Towers Watson
Tax Advisers:	Deloitte LLP

# Report of the members of the corporation

for the year ended 31 July 2021

## Strategic report

### Legal status

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

At the balance sheet date, NCG operates through the following colleges:

**Carlisle College** is a Further Education college based in Cumbria. It provides education and training, including vocational based, and delivers higher education programmes.

**Kidderminster College** is a Further Education college based in North Worcestershire. The College provides vocational education and training in Wyre Forest and more widely across the Midlands.

**Lewisham College** is a Further Education college based in South East London, providing a wide range of vocational courses.

**Newcastle College** is a large general further education college comprising substantial education programmes for Young People, Adult and Community, Apprenticeships and High Needs Funded students. The College also operates discrete Higher Education provision at its University Centre.

**Newcastle Sixth Form College** which has been established under its own brand to deliver A Level and GCSE courses.

**Southwark College** is a Further Education college based in London with modern facilities delivering various types of courses but with significant delivery to learners to improve their reading, listening, writing and speaking in English through the English Speakers of Other Languages (ESOL) qualifications.

**West Lancashire College** is a Further Education college based in Skelmersdale, West Lancashire offering a range of school leaver, undergraduate, Apprenticeship and professional qualifications.

The results of NCG (Group) for the prior year also include the two training provider subsidiaries, Rathbone Training and The Intraining Group Limited. Both subsidiaries were put into formal insolvency on the 30 April 2020. Begbies Traynor is the appointed insolvency practitioner for both entities. At the balance sheet date this is still ongoing.

For the purposes of this Report and Financial Statements:

NCG (Group) or NCG – is the consolidation of the colleges and the two subsidiary training companies, up until the point they were placed into formal insolvency on 30 April 2020.

NCG (Colleges) or colleges – is the stand-alone NCG Corporation entity, which incorporates the colleges only, excluding the two subsidiary training providers.

### Public Benefit

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NCG Corporation is regulated by the Secretary of State for Education as an exempt charity. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 18-19.

In setting and reviewing NCG's strategy, 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 purpose, NCG provides identifiable public benefits which is covered throughout the strategic report.

# Report of the members of the corporation

for the year ended 31 July 2021

## Strategic report

### Strategy and Objectives

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NCG launched its strategy to 2030 in early 2020. NCG's mission is "enabling social mobility and economic prosperity through exceptional education". NCG's vision is "to be the UK's leading educational group recognised for local impact, national influence and reach".

NCG's strategic goals are:

- Exceptional teaching, learner experience and outcomes
- Innovative, relevant courses and qualifications
- Ambitious and responsible educators and leaders
- Outstanding digital and physical learning environments
- Financial sustainability powering reinvestment
- Impactful external engagement and civic commitment

The implementation of the new strategy has continued through the review of individual colleges curriculum strategies leading to the approval of local strategic plans for each college. These have targets that supplement the existing corporate KPIs.

### Stakeholders

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NCG has many stakeholders including:

- Current, future and past students;
- Colleagues and their trade unions (namely UCU and Unison);
- The employers we work with;
- The professional organisations in the sectors we represent;
- Partner schools and universities;
- The wider communities that we work with;
- Our strategic partners;
- Local borough councils, combined authorities, Local Enterprise Partnerships and Chambers of Commerce that surround our colleges;
- Ofsted, the Education and Skills Funding Agency, the Office for Students, the Quality Assurance Agency and the Department for Education; and
- Lloyds Bank and HSBC.

# Report of the members of the corporation

for the year ended 31 July 2021

## Strategic report

### People

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NCG has a distinct set of organisational values.

We value and empower people by:

- Being both inclusive and diverse
- Trusting and respecting our communities
- Taking ownership whilst working collaboratively
- Inspiring excellence and curiosity

Values underpin the culture and beliefs of the organisation and foster a sense of pride in working for NCG. The values set the standard of how colleagues should behave towards each other and help NCG make the right decisions based on those shared values.

The Group employed 2,455 people (expressed using average headcount calculation) in 2021 (2020: 2,365) of whom 1,247 are teaching staff (2020: 1,155). The number of teaching staff includes those delivering training and employability.

### Development and performance

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#### Developments

Under the leadership of the CEO (Liz Bromley) and executive, NCG has continued to transform the way the Group operates, particularly in how we leverage the very best practice across our colleges for the benefit of the whole organisation. We have used our response to the COVID-19 pandemic as a catalyst to accelerate further collaboration, internally and externally – supported by the further uptake of Microsoft Teams.

The COVID-19 pandemic has had a significant impact on NCG but the strength of resources of the group, coupled with agile leadership, has enabled the group to successfully navigate the crisis. Together, we have navigated the complex series of lockdowns, closures and online learning through mutual support and sharing of solutions. This includes:

- We continued to minimise the financial exposure to our commercial income through use of government support including the Job Retention Scheme.
- Mitigation, in part, of the impact on our apprenticeship income through implementation of the full delivery flexibilities and incentive programmes.
- A testing pilot, conducted by leaders at NSFC in partnership with the DfE, was instrumental in facilitating knowledge transfer of best practice when mass testing was rolled out to all colleges at NCG.
- The Group has actively responded to Ofqual/DfE consultations associated with qualification assessment, the impact of lockdown, and has supported AoC (Association of Colleges) consultations and sector workshops
- The CEO has delivered a weekly message to support staff wellbeing and to ensure that colleagues across NCG were regularly updated on developments including working and teaching from home, testing and safe working.
- Incisive investment has provided Group IT with the capability to upgrade IT through large projects to migrate to a single domain, improve WIFI and support the rollout of Office 365 tools and Teams – this work has been instrumental in underpinning online delivery, home study and work.
- The quick identification of savings, for example in property costs, consumables and travel, has offset other losses as a result of the pandemic.

# Report of the members of the corporation

for the year ended 31 July 2021

## Strategic report

### Development and performance (continued)

#### Developments (continued)

In spite of the impact of COVID-19, NCG has made progress in many areas:

- The NCG board approved the seven college Strategic Plans that will deliver the local response to the NCG strategy 'Towards 2030'.
- A full Colleague Engagement Survey was undertaken, including the use of focus groups to identify key areas for improvement. The survey indicated a step change in engagement since the last measure in 2019.
- Progress was made on the property strategy through the development of the Lewisham new college project, approval of the master plan for Newcastle, detailed planning on the Kidderminster Construction and Automotive Skills Centre and the successful deployment of the DfE College Condition Fund capital grant.
- The investment in technology and systems has continued to ensure additional resilience. This is exemplified by the completion of the single domain project.
- The Leadership Hub is fully operational and delivering bespoke training to current and aspiring leaders and managers across the organisation.

Quality improvement activities continued group-wide focussing on NCG's response to the Ofsted Education Inspection Framework.

- NCG was Ofsted inspected in May 2018 and found to be 'requires improvement'; at the time of writing NCG is expecting an inspection from Ofsted; the Group's self-assessment considers NCG to be 'good'.
- A full analysis of the Group's FE and Skills provision is available in the 2020/21 Annual Quality and Performance Review document; specific detail on college quality is contained in the individual college self-assessment reports.
- The learner outcomes for the academic year were impacted heavily by the COVID-19 lockdown. Like 2019/20, final grades were based on teacher assessment rather than examination and cannot be reliably compared to fully examined rates.
- Standards of Teaching, Learning and Assessment continued to be a key focus and were monitored rigorously through the year with improvements in practice evident across the majority of areas. Specific adjustments were made to enable this monitoring to continue when learning moved online.
- The implementation of higher standards on apprenticeship provision, through the apprenticeship hub, has started to have impact on performance, although more work is required to meet expectations.
- The quality of NCG's Higher Education provision has remained consistent with previous years as indicated by the National Student Survey results. In 2021 NCG's overall student satisfaction metric increased by one percent to 76%. This result was three percent above the OfS benchmark which is pleasing considering the sector saw an eight percent decrease in student satisfaction in 2021. The programme of investment in resources continues. Further detail is published in the HE Annual Review.

The learner numbers for NCG (Colleges) and achievement rates are as follows:

NCG (Colleges)	Learner numbers		Achievement	
	2021	2020	2021	2020
16-19 Classroom Learners	11,907	11,410	83.4%	85.9%
Classroom Based Adult Learners	15,190	10,333	88.2%	88.0%
Apprentices	2,398	2,804	50.9%	55.0%
HE Learners	2,395	2,342	-	-
	<u>31,890</u>	<u>26,889</u>		

# Report of the members of the corporation

for the year ended 31 July 2021

## Strategic report

### Development and performance (continued)

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#### Wind down of Training Provider entities and dissolution of dormant subsidiaries

The Directors of The Intraining Group Limited and the Trustees of Rathbone Training duly commenced a formal insolvency process on 30 April 2020. Begbies Traynor were appointed on 30 April 2020 and took over control of the entities. At the balance sheet date, the insolvency process is still ongoing.

The dormant subsidiaries mentioned within note 13 were dissolved on 7 December 2021, except for NCG Professional Services Limited (formerly The Intraining Group Holdings Limited).

#### Financial results

The key financial performance indicators of NCG (Group) based on the Education and Skills Funding Agency (ESFA) financial health calculations are as follows:

NCG (Group)	2021	2020
Current Ratio	1.28	1.21
EBITDA as a percentage of Turnover	5.44%	7.12%
Borrowing as a percentage of Turnover	13.40%	15.26%
Financial Health	Good	Good

2020/21 has been another challenging year due to the ongoing impact of the COVID -19 pandemic. the uncertain circumstances in which NCG has been operating presented a number of challenges to the group. 16-19 funding rate per student increased for the first time in a number of years but this additional income was offset by reduced apprenticeship numbers, cost increases, costs of implementing social distancing and the costs of staff off sick or self-isolating. However, financial performance has remained robust through strong budget controls, ensuring the ESFA Financial Health Score remains "Good".

- Group turnover from continuing operations increased from £130,486,000 in 2020 to £132,639,000 in 2021 primarily due to growth in the 16-19 contract – a combination of a volume and funding rate and growth in HE income. The growth in 16-19 and HE income was largely offset by a reduction in apprenticeship and commercial income together with income provisions created in the year of £4,384,000 for funding potentially reclaimable by funding bodies.
- The Group has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. The ESFA provided 58.8% of total income (2020: 61.5%). The reduction is the effect further devolvement of adult education and specific income provisions which has been mitigated by an increase in the 16-19 contract.
- Income has been supported by the following grants from the government:
  - The Teacher Pension contribution rate increase from 16.48% to 23.68% which occurred in September 2019 has continued to be funded by the ESFA. This amounted to £2,238,000 in 2021 (2020: £1,963,000)
  - A maximum of 131 (2020: 138) support staff were furloughed during the pandemic resulting in £395,000 (2020: £590,000) of Coronavirus Job Retention Scheme grant income.
  - Reconciliation thresholds on the Adult Education funding contract have again been lowered by the ESFA, the Devolved Authorities have allowed a combination of lowering delivery thresholds and rolling forward under delivery into 2021/22.

# Report of the members of the corporation

for the year ended 31 July 2021

## Strategic report

### Development and performance (continued)

#### Financial results (continued)

- Expenditure from continuing activities increased from £132,752,000 to £143,837,000. £6,738,000 of this increase was staff costs which was made up of a £1,095,000 one off payment to staff, incremental salary increases, addressing volume growth in some of the colleges, staffing required for the tuition catch up fund and the cost of covering sickness and self-isolation during the pandemic. Other operating expenses increased £3,647,000 largely due to the colleges being open all year as opposed to the complete closures during the lockdowns in the previous year. The colleges also incurred additional cleaning and operating costs in order to maintain social distancing.
- Earnings before Interest Tax, Depreciation and Amortisation (EBITDA) has remained robust at £6,970,000, compared to £8,810,000 in 2020.
- NCG incurs large deficits before tax, partly due to large depreciation charges £14,004,000 (2020: £13,762,000), as a result of assets acquired on merger being restated at fair value. The deficit before tax has increased to £11,741,000 from £3,109,000 in 2020. This is in part due to one off transactions in 2020 for example gains on disposal of investment in the Training Provider businesses of £2,827,000, and increased total pension costs in 2021 of £19,165,000 (2020: £16,221,000).
- NCG has a strong asset backed balance sheet. After deducting the defined benefit pension deficit NCG has accumulated reserves of £58,053,000 (2020 £68,088,000). Prior to the pension liability, NCG reserves stand at £173,245,000 (2020: £176,478,000). These accumulated reserves are largely tied up in tangible fixed assets to be used for the benefit of our learners.
- There has been an increase in the Defined Pension Benefit Liability of £6,802,000 which is principally due to the inflation rate being significantly higher than in prior years and an expectation of an increase in salaries and pensions over time. The deficit on the balance sheet is £115,192,000 (2020: £108,390,000).

#### Capital Expenditure

NCG invested £9,126,000 in capital expenditure in 2021 (2020: £3,183,000). The principal schemes were:

NCG (Group)	2021 £000	2020 £000
IT infrastructure and systems	1,794	2,228
Curriculum delivery	320	358
ESFA condition grant works	3,902	-
Upgrades to property, plant and equipment	3,110	597
	<b>9,126</b>	<b>3,183</b>

Despite the continued pressure on funding which has been experienced in recent years, NCG continues to invest cautiously in capital projects to maintain standards. Significant spend in year has been undertaken to further support staff and student IT requirements to support remote working.

Significant Capital funding was also received in year to support investment, including £4,598,000 of ESFA funding to improve the condition of the estate, of which £3,902,000 has been spent in the year with all works due to be completed by 30th September 2021. £1,200,000 was received from Lancashire county council to fund a STEM technology centre at West Lancashire College and £498,000 IT Covid relief funding received from the Greater London Authority to support learner IT needs at Lewisham and Southwark Colleges.



# Report of the members of the corporation

for the year ended 31 July 2021

## Strategic report

### Development and performance (continued)

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#### Treasury policies and objectives

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

NCG has a treasury management policy in place. The Chief Financial Officer (CFO) must report short term borrowing promptly to the Corporation. The Corporation must approve borrowing for periods exceeding twelve months and must comply with the Memoranda and the relevant Funding Body's requirements.

#### Cash flows and Liquidity

Cash flow generated from operating activities amounted to £12,264,000 (2020: £5,913,000).

Closing cash of £14,450,000 (2020: £13,014,000) includes £3,392,000 held on short term deposit, less than 90 days (2020: £5,478,000). £7,000,000 was also held on 95-day notice investment accounts (2020: £nil). Total cash and short-term investments was £21,450,000 (2020: £13,014,000)

The size of NCG total borrowing and its approach to interest rates has been calculated to ensure an appropriate cushion between the total cost of servicing debt and cash flow available for debt servicing. Total bank debt was £17,180,000 (2020: £18,891,000).

NCG has a £5,000,000 revolving credit facility with Lloyds Bank until July 2022.

#### Future prospects

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The key focus of NCG for 2022 and beyond includes:

- Improving quality and outcomes for learners including improving future Ofsted inspection results from "Requires Improvement" to "Good" and then "Outstanding". There is significant progress already underway in this area including:
  - The rigour of the rapid movement to remote learning and adoption of online learning across all courses, and successful catch-up once reopening occurred.
  - Continuation of the "Great Place to Teach" - an NCG Programme based on the 12 principles of teaching, learning and assessment.
  - Ensuring the operation of the Apprenticeship Hub continues to provide leadership and consistent approaches on this important area of work.
  - A full review of quality is available in the NCG SAR and that all colleges are now self-assessing as 'good'.
- Completion of scrutiny by the Quality Assurance Agency for Higher Education (QAA) to gain Indefinite Degree Awarding Powers.
- Expansion of the NCG leadership hub to ensure more colleagues benefit from this sector-leading programme.
- Continuation of the property strategy, with specific work in Newcastle, Lewisham and Kidderminster.
- Deployment of any capital funding, including £2,000,000 OfS capital grant, and the opening of the new Kidderminster Construction and Automotive Skills Centre.
- Ensuring full use of the additional post-Covid government funding for adults and young people.
- Driving recruitment and retention of learners.
- Improving colleague engagement, building on the survey outcomes from 2021.
- Utilising costed curriculum plans and services reviews to concentrate available resources to maximise learner experiences.
- Complete steps required to make progress against the group's estates strategy.

# Report of the members of the corporation

for the year ended 31 July 2021

## Strategic report

### Future prospects (continued)

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- Development and expansion of curriculum including preparing for T levels and continuing to develop higher education programmes for the new 'Higher Technical Qualification' programme, delivery of the NCG Guarantee and Visionnaires Projects.

The Corporation Governors approved a financial plan in July 2021 which sets objectives for the period to 2022. The financial plan was based on individual business plans submitted by each college. This plan was submitted to the ESFA resulting in a projected Financial Health Rate of "Good".

The Corporation aims maintain a "Good" Financial Health Rate of "Good" for the foreseeable future by maintaining a robust EBITDA which allows for reinvestment and ensuring low leverage and strong cash reserves.

Key factors affecting funding and expenditure going forward include:

- The increase in National Insurance contributions from April 2022 and current inflationary pressures being felt on staffing and operating costs – particularly fuel, heat and power – will have a significant impact on 2021/21 and future years.
- There have been no increases in any funding rates 2021/22.
- The FE *Skills for Jobs* white paper will impact funding on the sector in future years, this could provide positive benefits to NCG.
- The budget includes continued funding of the Teachers' Pension contribution rate increase from 16.48% to 23.68% which occurred in September 2019, up to July 2022, however, there is no certainty that this will continue in the future.
- NCG continues to operate in the uncertain environment of the ongoing COVID-19 pandemic, although we are seeing pick up in apprenticeship and commercial income from catering and real working environment outlets, which have been impacted the most throughout the pandemic. There remains a risk of further disruption caused by future spikes in infection rates.
- NCG still expects to incur higher costs of running the colleges due to the cleaning and property costs associated with the pandemic, however this has been planned at a reduced level moving forwards in a post-COVID future.
- There are a number of opportunities surrounding capital funding and NCG is taking full advantage of all current opportunities and preparing for future opportunities as they arise. This will provide significant benefit across the real and virtual estate to support our strategic objectives. NCG has submitted a second stage bid to the DfE FE Capital Transformation Fund for essential development of the Newcastle campus.

### Reserves Policy

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NCG (Group) has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the core activities of NCG (Group). There are no restricted reserves held.

# Report of the members of the corporation

for the year ended 31 July 2021

## Strategic report

### Environment, Social and Governance

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#### Community

NCG's impact on society and the community arises naturally from operating as a high-quality provider of education and training. In addition, NCG also makes a significant contribution to many local and national initiatives as follows:

- The curriculum and support offer to learners is bespoke to the social and economic demands of the local communities where NCG colleges are located.
- Developing curriculum in response to the green agenda and renewable energy, and contributing to net zero targets through NCG's own Sustainability Strategy.
- Engaging learners and colleagues with volunteering and participation in projects for national and local charities and public benefit organisations.
- All colleges participate in key local strategic groups and partnerships.
- Promoting healthy living to learners, colleagues and the local community, and making resources and support available to improve mental health and wellbeing.
- Sponsoring local and national projects and events.
- Promoting diversity, tolerance, and acceptance of different beliefs.
- Utilising creative and performance learners to benefit the local community.
- Collaborating with other educational organisations to promote learning and improve skills in the local community.
- Running fundraising events for the benefit of charities and good causes.
- Use of college facilities by local groups and societies.

#### Addressing environmental impact

NCG continues to make environmental performance and sustainable best practice a priority. NCG's Environmental Strategy was approved in October 2020.

The following has been undertaken during 2020/21:

- All colleges in the group have Eco Campus silver award status which is halfway to achieving ISO 14001:2015
- Installed an energy monitoring system across the group to track energy usage and notify excessive usage to be able to implement changes to minimise waste
- Light emitting diode (LED) lighting roll out across colleges
- Mothballing and closure of buildings that are no longer required alongside better utilisation of space.
- Continued roll out of AMR/HH meters that are integrated with energy management software.
- NCG was awarded £80,000 from Salix under the Low Carbon Skills fund 2 (LCSF2) to develop a heat decarbonisation plan so that we can begin to move away from fossil fuel heating
- Implemented carbon management software that tracks our carbon emissions and allows us to monitor and review with accuracy so we can make positive changes.
- Creation of college working groups and green champions to help address environmental concerns and implement the strategy at all levels across the colleges.

# Report of the members of the corporation

for the year ended 31 July 2021

## Strategic report

### Environment, Social and Governance (continued)

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#### Promoting equality and valuing diversity

There is a clear and obvious ethical, moral, social and educational case for why Equality, Diversity, Inclusion and Belonging (EDIB) matter and should be at the forefront of NCG's strategic action planning. Knowing the communities served and responding to their diverse needs is at the very heart of NCG's educational offer and service.

NCG continues to develop its approach to EDIB. A new single EDIB policy, linked to the NCG strategy 2021-2024, was approved by Corporation Board in July 2021.

The development of the new EDIB strategy will avoid creating a new set of NCG-specific aims related exclusively to EDIB – the rationale for this is simple: if the overarching mission, vision and strategic aims do not facilitate, promote, advocate and champion the aims set out in the Equality Act and Public Sector Equality Duty (PSED) to advance equality, diversity and inclusion, then NCG needs to rethink its fundamental approach entirely.

The new strategy will align the deliverables of EDIB strategy to each of the NCG strategic aims/themes – ensuring that inclusion, diversity and equality are embedded in every core strategic function. There is also a proportional focus on inclusion in NCG's deliverables as equity is mandated by law and diversity is a fact of life, yet inclusion is a choice – NCG chooses to be inclusive.

#### Employment of disabled persons

NCG considers all applications for employment from disabled persons. Where an existing employee becomes disabled, reasonable effort is made to ensure that employment with NCG continues. NCG's policy is to promote equality in recruitment, training, career development and opportunities for promotion. We endeavour to make arrangements to support students and clients with learning difficulties and disabilities to ensure that they are able to access the full range of services and provision.

#### Staff, student and customer involvement

NCG has a Group Communications Team that oversees strategic and incident related communications across the Group. Public Relations or Marketing Officers have been established across the Colleges to underpin and promote Colleges communication strategies across NCG. NCG Colleges engage with staff through recognised Trade Unions, Staff Forums and a range of informal mechanisms for consulting with and listening to staff.

Students' and customers' views continue to be sought regularly via a variety of evaluation surveys. The Corporation receives an Annual Report summarising feedback and this is supplemented by quarterly updates. Additionally, there are regular and timely Learner Forums across NCG to enhance communications between learners and NCG Colleges. Students are encouraged to participate in local community and national activities through the National Union of Students, which NCG promotes by supporting, administering and subsidising the Students' Union in Newcastle.

# Report of the members of the corporation

for the year ended 31 July 2021

## Strategic report

### Principal risks and uncertainties

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NCG monitors and manages its risks carefully.

NCG is committed to an inclusive approach to the identification and management of risk throughout NCG and that the key risks should be closely monitored and wherever possible mitigating actions taken. The Group has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect NCG's assets and reputation.

### Market and political risks

Risk description and impact	Mitigation of risk
<p><b>Impact of COVID-19</b> Risk of national and local lockdowns and/or further waves of the virus creating operational difficulties in safely delivering further education to students.</p> <p>Economic and social impacts of the pandemic change the trends of student recruitment and/or impact on the UK Government's ability to fund further education. There is a particular risk around recruitment of apprenticeships and commercial income.</p>	<p>All NCG colleges are open and have continued to operate social distancing rules in line with government guidelines during 2020/21.</p> <p>The health, safety and wellbeing of our staff and students has been our top priority through the pandemic period, and as such a series of COVID-19 risk assessments have been undertaken and monitored to ensure we were implementing all appropriate mitigations to protect staff and students (including responding to new guidance as it emerged).</p> <p>Following the roll out of the government's vaccination programme and revised self-isolation rules, this has further strengthened our position and our ability to manage potential disruption to our operations.</p> <p>During 2020/21, we demonstrated our flexibility by running a mix of face to face, online and distanced learning to reduce the risks to staff and students and as a response to the capacity challenges that arise from running facilities in a socially distanced manner.</p> <p>NCG was able to increase the level of online and distanced learning as required under circumstances such as further tightening of government restrictions or large numbers of teacher or learners becoming ill or self-isolating. NCG procured additional laptops for learners to help make it possible for people in digital poverty to still learn. Those professional service colleagues who could work from home worked from home for the protection of staff and students.</p>
<p><b>Learner Recruitment</b> Risk of the Group failing to achieve its learner recruitment targets.</p>	<p>Significant work is undertaken within each of the Colleges to achieve the recruitment targets. Enrolments are regularly reported to senior teams and to local College Boards. In addition, a regular review is undertaken to challenge the appropriateness of the current curriculum offering, refreshing it as needed.</p>

# Report of the members of the corporation

for the year ended 31 July 2021

## Strategic report

### Principal risks and uncertainties (continued)

#### Market and political risks (continued)

Risk description and impact	Mitigation of risk
<b>Brexit</b> There is a risk that the Group is adversely affected by the UK's trade negotiations with the European Union. While the Group is UK based, it receives significant European Social Fund income and any UK economic downturn may affect the Government's ability to fund education. There are additional sensitivities around any impact of changes to immigration policy, particularly for the Group's London operations.	The UK Government has indicated that the European Social Fund will be replaced by the UK Prosperity Fund and we await further details of this. The Group carefully monitors availability of funding streams and acts accordingly.
<b>Political change</b> Risk that the Group fails to influence and / or respond to political change.	Senior staff from across the Group interact regularly with politicians and other individuals within the political sphere, with the purpose of benefitting our learners. Government policy is monitored and reported across the business with an executive focus being applied for more strategic changes.

#### Operational risks

Risk description and impact	Mitigation of risk
<b>Major incident</b> There is the risk that the Group is involved in a major incident such as a health and safety incident, an act of terrorism, a major safeguarding issue, the loss of one or more locations, significant data breach or loss of IT.	The Group is currently reviewing its approach to Business Continuity Planning, which will lead to a refresh of its existing recovery plans. A Business Continuity Planning policy was recently introduced to govern our operations in this area. This, along with continued investment into IT and operational infrastructure, will allow continued confidence in our recovery arrangements.
<b>Cyber Attack</b> NCG operations are severely compromised by cyber-attack resulting in loss of critical business systems.	NCG has secured accreditation to the Cyber Essentials standard following implementation of new security features including new firewalls, multifactor authentication for all users and Office 365. A training and development campaign is underway to raise the level of awareness across all staff of the risks presented by phishing attacks. The business continuity plan is under review and additional IT security staff have been recruited. The focus now is developing our response capability should an attack occur.
<b>Customer Expectations</b> Risk that the Group fails to deliver a product that meets or exceeds the expectations of its customers.	Regular customer satisfaction surveys are undertaken and reported across management and to the Governors. Where areas of weakness are identified formal work plans are established to address them. Students and staff representatives are appointed to Corporation and to College Boards to provide an opportunity for the voice of our students and staff to be heard.

# Report of the members of the corporation

for the year ended 31 July 2021

## Strategic report

### Principal risks and uncertainties (continued)

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#### Operational risks (continued)

Risk description and impact	Mitigation of risk
<b>Quality and performance of our education and training</b> Risk that the Group fails to establish and maintain an appropriate level of education and training which is delivered at expected quality and performance levels.	Significant work is undertaken by a dedicated Quality team overseen by the Executive Director – Quality. Regular reporting of performance data is undertaken for audiences ranging from academic colleges to members of Corporation Board. The ‘Great Place to Teach’ initiative introduced in 2018 continues to achieve good traction.
<b>Property Infrastructure</b> Risk that the Group fails to maintain and develop its infrastructure in line with regulatory requirements and customer expectations. Risk of damage or loss of property.	Estates strategies are being updated for the colleges to provide a future focus around the Group’s property investment requirements. This work will ensure infrastructure is fit for purpose, maximises returns and relates to future academic and operational need. The Group maintains adequate insurance for all property within the estate.
<b>Staffing</b> Risk that the Group fails to attract and retain appropriate staff.	Management and Governors monitor staffing trends taking steps to address any identified weakness. An annual survey is undertaken to collect the views of staff with the results being used as the basis for establishing future engagement priorities. Formal policies regarding the wellbeing of staff are established and embedded across the business.
<b>Stakeholders / Partners</b> Risk the Group fails to maximise the benefit of stakeholders / partners.	Senior staff from across the Group are involved with regional and national bodies. These include funders and politicians through to strategic partners. This allows access to opportunities to be identified and maximised, supporting the success of NCG.
<b>Culture</b> Risk the Group fails to establish / maintain an appropriate culture.	The Group has clearly established and publicised values that form the basis of NCG operating culture. Whilst the look and feel of the Colleges may vary all are based on these core Group values.

# Report of the members of the corporation

for the year ended 31 July 2021

## Strategic report

### Principal risks and uncertainties (continued)

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#### Financial risks

Risk description and impact	Mitigation of risk
<b>Liquidity</b> Risk that the Group cannot fulfil its obligations as they fall due.	A large proportion of the Group's cash flows are very predictable due to the fixed nature of costs and income. Management maintain regular cash flow forecasts and bank covenant forecasts to assess the level of liquidity risk. The Group has adequate levels of cash and an unutilised revolving credit facility. Short term deposits are also used to manage liquidity.
<b>Credit</b> Risk that debtors are not recoverable.	A significant proportion of the Group's income is received from the ESFA, the Office for Students and the Student Loan Company who are not considered a credit risk. Amounts due from individual learners and companies are regularly monitored with a standard credit process followed. Learners are not permitted to continue with their learning after a period of time where their fees have not been paid.
<b>Interest Rate</b> Risk that interest rate increases create additional funding costs to the Group.	35% of the Group's long-term borrowing is on fixed rate terms – leaving a manageable 65% on floating rates. Management model the effect of increasing interest rates as part of cash flow forecasting when assessing liquidity risks.

#### Compliance risks

Risk description and impact	Mitigation of risk
<b>External Compliance and Validation</b> Risk that the Group fails to reach the standards required for external compliance and suffers reputational and / or financial damage as a result.	Responsibilities for external compliance are clearly assigned across the Group. Requirements are subject to regular in-house checking and our approach to each is supported by written guidance. Sector experts are used to advise on policy and approach.
<b>Learner Records</b> Risk that learner records are not maintained to the quality required by funding bodies resulting in funding clawback and/or intervention	Procedures are in place and training is in place for all colleagues involved with learner records. Weekly and monthly compliance reporting is in place to highlight any anomalies in learner records. Regular business assurance and internal audit reviews are carried out to assess compliance with funding rules. NCG has increased the size and capabilities of the teams and improved systems to drive improved compliance of learner records.

Based on our strategy, a comprehensive review of the risks to which NCG is exposed has been undertaken. This identifies systems and procedures, including specific preventable actions, which should mitigate any potential impact on NCG. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions.

Consideration is also given to any risks that may arise as a result of a new area of work being undertaken by NCG. A risk register is maintained at Group level which is reviewed annually by the Audit Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on NCG and the actions being taken to mitigate these risks. The Corporation reviews the risk management policy each year and reviews strategic risks on a rolling basis within each year.



# Report of the members of the corporation

for the year ended 31 July 2021

## Strategic report

### Trade union facility time

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The Trade Union (Facility Time Publication Requirements) Regulations 2017 require NCG to publish information on facility time arrangements for trade union officials at NCG. The following relates to NCG (Group) from 1 April 2020 to 31 March 2021 which is the reporting period required (and 1 April 2019 to 31 March 2020 for comparison).

	2021	2020
<b>Relevant Union Officials during the period</b>		
Number of employees	19.0	13.0
Full time equivalent number of employees	14.4	12.9

#### Percentage of time spent on facility time

19 employees who were relevant Union Officials spent between 1 and 50% of their working hours on facility time (2020: 13 employees).

#### Percentage of pay bill spent on facility time

Total cost of facility time (£000's)	41	44
Total pay bill (£000's)	92,004	81,569
Percentage of total bill spent on facility time	0.04%	0.05%

#### Time spent on paid Trade Union activities as a percentage of total paid facility hours

Total paid facility hours	2,487.6	2,347.8
Total Union activity hours	207.3	116.0
Percentage of facility hours spent on Union activities	8.33%	4.94%

### Supplier payment policy and practice

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The Late Payment of Commercial Debts (Interest) Act 1998 requires Companies, 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. During the accounting period 1 August 2020 to 31 July 2021, NCG paid 95.68% (2020: 94.02%) of its invoices within 30 days. NCG incurred £203 of interest charges in respect of late payment for this period (2020: £127).

### Disclosure of information to the auditor

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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 NCG'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 NCG auditor is aware of that information.

Approved by order of the members of the Corporation on 14 December 2021 and signed on its behalf by:



Peter Lauener  
(Chair of the Corporation)

## Statement of corporate governance and internal control

The following statement is provided to enable readers of NCG's annual report and accounts 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.

NCG endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. having due regard to the Association of Colleges Code of Good Governance for English Colleges (the Code).

NCG is committed to exhibiting best practice in all aspects of corporate governance.

The Corporation is committed to exhibiting best practice in all aspects of corporate governance and, in particular, the Corporation has adopted and applied by the College's code. The UK Corporate Governance Code 2016 has not been adopted, however, the Group's Corporate Governance arrangements have been reported on by drawing best practice available, including those aspects from the UK Corporate Governance Code 2016 considered relevant to the FE sector and best practice. In general, the approach has been to follow the relevant provisions of the Code insofar as it is applicable to the further education sector and practical in the NCG context. For example, alternative approaches to a provision within the UK Corporate Governance Code was the appointment of a Vice-Chair to support the Board and to act in the absence of the Chair. The Chief Executive, as Accounting Officer, has formal accountability in relation to Government funding.

NCG Corporation 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.

## Statement of corporate governance and internal control

### The Corporation

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

Name	Appointment	End of Appointment	Category of Appointment	Reappointment Details	Committees Served
Peter Lauener	Mar-18	Mar-22	Chair of Governors	N/A	<ul style="list-style-type: none"> <li>Appraisal and Remuneration Committee</li> <li>Search Committee</li> <li>Premises and Estates Committee</li> </ul>
Chris Roberts	Sep-14	Sep-22	Independent Governor	Sept 14 - Sept 15 (1 year) Sept 15 - Sept 19 (4 years) Sept 19 - Sept 22 (3 years)	<ul style="list-style-type: none"> <li>Search Committee (Chair)</li> <li>Premises and Estates Committee</li> </ul>
Caroline MacDonald	Jun-14	Jun-22	Independent Governor	June 14 - June 15 (1 year) June 15 - June 19 (4 years) June 19 - June 22 (3 years)	<ul style="list-style-type: none"> <li>Appraisal and Remuneration Committee</li> <li>HE Governance Committee (Chair)</li> <li>Search Committee</li> </ul>
Mark Squires	Nov-16	Nov-24	Independent Governor	Nov 16 - Nov 19 (3 years) Nov 19 - Nov 24 (5 years)	<ul style="list-style-type: none"> <li>Appraisal and Remuneration Committee (Chair)</li> <li>Audit Committee</li> <li>Search Committee</li> </ul>
John Cuthbert	Nov-16	Dec-20	Independent Governor	Nov 16 - Nov 19 (3 years) Nov 19 - Nov 20 (1 year) Nov 20 - Dec 20 (1-month extension)	<ul style="list-style-type: none"> <li>Audit Committee (Former Chair)</li> </ul>
Jeannette Strachan	Feb -20	Feb-24	Independent Governor	N/A	<ul style="list-style-type: none"> <li>HE Governance Committee</li> <li>Audit Committee</li> </ul>
Andrew Cunningham	Jun -20	Jun-24	Independent Governor	N/A	<ul style="list-style-type: none"> <li>Audit Committee (Chair)</li> <li>Appraisal and Remuneration Committee</li> </ul>
Chris McCourt	Jun -20	Jun-24	Independent Governor	N/A	<ul style="list-style-type: none"> <li>Audit Committee</li> <li>Appraisal and Remuneration Committee (from July 2021)</li> </ul>
Robert Holt	Jun -20	Jun-24	Independent Governor	N/A	<ul style="list-style-type: none"> <li>Premises and Estates Committee</li> </ul>
Matthew Otubu	Jun -20	Jun-24	Independent Governor	N/A	<ul style="list-style-type: none"> <li>HE Governance Committee</li> </ul>

## Statement of corporate governance and internal control

### The Corporation (continued)

Name	Appointment	End of Appointment	Category of Appointment	Reappointment Details	Committees Served
Shirley Atkinson	Jun -20	Jun-24	Independent Governor	N/A	<ul style="list-style-type: none"> <li>HE Governance Committee</li> <li>Search Committee (from July 2021)</li> </ul>
John Widdowson	Sep-20	Sep-24	Independent Governor	N/A	<ul style="list-style-type: none"> <li>HE Governance Committee (from March 2021)</li> <li>Premises and Estates Committee</li> </ul>
Jennifer Mitchelson	Feb-20	Feb-22	Staff Governor	N/A	<ul style="list-style-type: none"> <li>None</li> </ul>
Minerva Peace Eweka	Feb-21	Mar-21	Student Governor	N/A	<ul style="list-style-type: none"> <li>None</li> </ul>
Hollie Lees	May-21	Jul-21	Student Governor	N/A	<ul style="list-style-type: none"> <li>Student representative on HE Governance Committee</li> </ul>
Liz Bromley	Aug-19	N/A	CEO (Ex-Officio)	N/A	<ul style="list-style-type: none"> <li>HE Governance Committee</li> </ul>

The Corporation formally met 12 times during the year:

Governor	Meetings attended	Out of a possible
Peter Lauener, Chair	12	12
Chris Roberts, Vice Chair	9	12
John Cuthbert, Independent Governor	7	7
Mark Squires, Independent Governor	11	12
Caroline MacDonald, Independent Governor	12	12
Jeannette Strachan, Independent Governor	10	12
Andrew Cunningham, Independent Governor	12	12
Chris McCourt, Independent Governor	10	12
Robert Holt, Independent Governor	11	12
Matthew Otubu, Independent Governor	8	12
Shirley Atkinson, Independent Governor	12	12
John Widdowson, Independent Governor	12	12
Jennifer Mitchelson, Staff Governor	8	12
Minerva Peace Eweka, Student Governor	1	1
Hollie Lees, Student Governor	2	3
Liz Bromley, CEO	12	12

Further information about members of the Corporation is available in the Guide to Information on NCG website at <http://www.ncgrp.co.uk/guide-to-information>.

## Statement of corporate governance and internal control

### The Corporation (continued)

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It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Chief Executive makes proposals on strategy and is responsible for the organisation, direction and management of the institution and leadership of the staff.

The Corporation is provided with regular and timely information on the overall financial performance of NCG, 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. There is a Corporation meeting most months throughout the academic year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Appraisal and Remuneration, Search, Audit, HE Governance, Premises and Estates and Local College Boards. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the clerk to the Corporation at:

NCG  
Rye Hill House  
Scotswood Road  
Newcastle upon Tyne  
NE4 7SA

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

All governors are able to take independent professional advice in furtherance of their duties at NCG's expense and have access to the Clerk to the Corporation, who is responsible for advising the Corporation with regard to the operation of its powers, procedural matters, the conduct of its business and matters of governance practice. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

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

There is a clear division of responsibility in that the roles of the Chair and Chief Executive are separate.

Self-assessment considers the performance of the organisation as well as that of the board. The board undertakes an annual self-assessment of its performance, however within the 2020/21 academic year, NCG commissioned an External Governance Review. Following the review, a number of recommendations were made and a supporting action plan was created to address the recommendations. Due to this, a self-assessment will not be taking place for 2020/21, however this will start again within the following academic year. The Audit Committee has also carried out self-assessment focusing on its activities during the year. The Search Committee considers the contribution of individual members prior to making any recommendation to reappoint.

## Statement of corporate governance and internal control

### Appointments to the Corporation

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Any new appointments to the Corporation are a matter for consideration by the Search Committee, prior to Corporation approval.

The Corporation has a Search Committee, consisting of five members of the Corporation, who are responsible for advising on the appointment of all governors except staff and student members who are nominated by election.

The Search Committee met on two occasions during the year. The members of the Search Committee were as listed in the following table.

Governor	Meetings attended	Out of a possible
Chris Roberts (Chair of Committee)	2	2
Mark Squires	2	2
Caroline MacDonald	2	2
Peter Lauener	2	2
Shirley Atkinson (appointed to Committee with effect from July 2021)	0	0

The Corporation seeks candidates for membership who have the necessary skills to ensure that the Corporation carries out its functions and welcomes opportunities to enhance the diversity of its membership, including in relation to gender.

The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation have been appointed for a term of office totalling a maximum of 8 years, the standard Term of Office for Independent Governors is 4 years. The Chief Executive is an ex-officio member, and will remain so for the duration of their service within this role.

### Local College Boards

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Each College has their own Local College Board which is a committee of the Corporation. Each Board consists of:

- College Principal
- A student member
- A staff member
- A parent member (Newcastle Sixth Form College only)
- At least six independent members

The College Boards will normally meet six times per year (as per their Terms of Reference) and follow a work plan set up for them which is derived from the Scheme of Delegation.

# Statement of corporate governance and internal control

## Local College Boards (continued)

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### Quality and Curriculum at Local Board Level

The Local College Boards are responsible for reviewing and locally approving the academic quality and curriculum strategy for their colleges. The Board are to be able to assure themselves, and the Corporation Board, that the curriculum strategy is current and appropriate for the needs of the learners, local community, local and regional employers, and is aligned to areas of national skilled demand based and aligned to the college resource / expertise. The Local Boards should consider how the sector / industry business developments and the College's previous years quality outcomes.

To allow the Local Board to do this, they are presented with a Quality report at each of their meetings. They are also involved in the Self-Assessment Report (SAR) process which takes place towards the start of each academic year.

In terms of HE (where applicable), the Local College Board are responsible for reviewing and approving the HE Annual Report. As a monitoring check, the College Boards review the HE Improvement Plan at two points across the year.

This ties into the local approval of the College Strategic Plan, and progress of this can be monitored during the 'Strategic Plan check in' which takes place at a mid-year College Board meeting.

### Finance at Local Board Level

As per the College Board's Term of Reference, they have responsibility for the following:

- Ensure bids, tenders and business development opportunities are in line with the strategic priorities of the College.
- Monitor local risks in line with the Scheme of Delegation and the NCG Risk Management Framework.
- Receive, scrutinise and comment on information in relation to financial and human resource performance (including finance reports and annual budget presentations, ensuring Value for Money (VfM) has been considered where possible).
- Locally approve and monitor the local budget (which is to be linked with the College Strategic Plan).
- Make recommendations to the Corporation Board regarding the Property Strategy for the College, identifying the suitability of buildings and facilities in the light of long-term curriculum needs and the need for, and availability of, capital investment.
- Monitor data (including enrolment, retention and continuation) regarding the curriculum offer.
- Receive independent feedback from inspections, audits and wider professional services in relation to the appropriateness of the curriculum offer.
- Providing oversight of the curriculum and business development activity.

The College Board work plans have been developed to include all of the above at points throughout the year, and they are presented with a Finance Report at each of their meetings to allow them oversight and the opportunity to monitor and challenge.

## Statement of corporate governance and internal control

### Local College Boards (continued)

The members who served on the Local College Boards during the year and up to the date of signature of this report were as listed in the tables below.

Carlisle College Board						
Name	Appointment	End of Appointment	Category of Appointment	Reappointment Details	Meetings attended	Out of a possible
Steve Salkeld	N/A	Apr-21	Principal		4	4
Sarah McGrath	May-21	N/A	Principal		2	2
Darren Crossley	Mar-20	Mar-24	Independent	Mar-17; Mar-20	6	6
Stephen Gilby	Jul-21	Jul-25	Independent	Jul-18; Jul-21	5	6
Brian Hough	Dec-20	Dec-24	Independent	Dec-17; Dec-20	4	6
Joanne Stronach	Dec-17	Sep-20	Independent		0	0
Chetna Reay	Jul-19	Jul-23	Independent		5	6
Nigel Woodcock	Jul-19	Jul-23	Independent		6	6
Andrew Abernathy	Jul-19	Jul-23	Independent		6	6
Kimberley Ruddick	Oct-18	Oct-21	Staff		6	6
Holly Angus	Nov-20	Jul-21	Student		4	4

Kidderminster College Board						
Name	Appointment	End of Appointment	Category of Appointment	Reappointment Details	Meetings attended	Out of a possible
Andy Dobson	N/A	Dec-20	Principal		2	2
Cat Draper / Lewis	Jan-21	N/A	Principal		4	4
Matthew Terry	Mar-21	Jul-21	Independent	Mar-17; Mar-21	6	6
Craig Fenney	Mar-20	Mar-24	Independent		5	6
Don Beckett	Mar-21	Jul-21	Independent	Mar-17; Mar-21	5	6
Mark Garnier	Mar-17	Mar-21	Independent		0	3
Sandra Hickman	Mar-21	Jul-21	Independent	Mar-17; Mar-21	5	6
Brian Seaby	Mar-21	Jul-21	Independent	Mar-17; Mar-21	5	6
Cathy Shaw	Mar-20	Mar-24	Independent		6	6
Jane Patel	Nov-20	Nov-24	Independent		3	4
David Morton	Mar-21	Mar-25	Independent		1	3
Simon Hyde	Mar-21	Mar-25	Independent		3	3
Dale Parmenter	May-21	May-25	Independent		1	1
Peter Gennard	Oct-19	Oct-21	Staff		5	6
Victoria Pingree	Nov-20	Jul-21	Student		3	4



## Statement of corporate governance and internal control

### Local College Boards (continued)

Lewisham College Board						
Name	Appointment	End of Appointment	Category of Appointment	Reappointment Details	Meetings attended	Out of a possible
Asfa Sohail	N/A	N/A	Principal		6	6
Simon Russell	May-20	May-24	Independent		6	6
Lekhnath Pandey	Jan-20	May-23	Independent	May-15; Jan-20	5	6
Hilary Moore	Dec-20	Dec-22	Independent	Dec-14; Jan-20	3	6
Linlin Jin	Jan-20	Dec-23	Independent		5	6
Phoebe Juggins	Feb-20	Feb-24	Independent		5	6
Olivia Gowie	Feb-20	Feb-24	Independent		5	6
Edward Dent	May-20	May-24	Independent		5	6
Robin Landman	Nov-20	Nov-24	Independent		4	4
Deavon Baker-Oxley	Nov-20	Nov-24	Independent		4	4
Jane Hoyle	Dec-19	Dec-21	Staff		6	6
Christina Maw	Dec-19	Aug-20	Staff		0	0
Fiona Fraser	Oct-20	Oct-22	Staff		5	5
Oluwatobi Akintomide	Dec-20	Jul-21	Student		3	4
Simbina Joseph	Nov-20	Feb-21	Student		0	0

Newcastle College Board						
Name	Appointment	End of Appointment	Category of Appointment	Reappointment Details	Meetings attended	Out of a possible
Scott Bullock	N/A	N/A	Principal		6	6
Alex Turner	Jul-19	Jul-23	Independent		6	6
Abu Ali	Nov-17	Nov-20	Independent		1	1
Sue McArdle	Nov-19	Nov-21	Independent	Nov-17; Nov-19	6	6
Lynne Shaw	Nov-20	Nov-24	Independent	Nov-17; Nov-20	6	6
Jonathan Eaton	Feb-20	Feb-24	Independent		6	6
Val Bailey	May-19	May-22	Independent		4	6
David Pearson	Nov-20	Nov-24	Independent		2	4
Emma Stubbs	Feb-21	Jul-21	Independent		4	4
David Lowes	Sep-18	Sep-21	Staff		6	6
Minerva Peace Eweka	Feb-21	Feb-22	Student		3	3

## Statement of corporate governance and internal control

### Local College Boards (continued)

Newcastle Sixth Form College Board						
Name	Appointment	End of Appointment	Category of Appointment	Reappointment Details	Meetings attended	Out of a possible
Gerard Garvey	N/A	N/A	Principal		6	6
Geoff Phillips	Feb-21	Feb-25	Independent	Feb-18; Feb-21	6	6
Jason Wainwright	Feb-21	Jul-21	Independent	Feb-18; Feb-21	4	6
Paul Atkinson	Dec-18	Dec-21	Independent		6	6
Lesley Pender	Sep-19	Sep-23	Independent		6	6
Suzanne Crozier	Aug-20	Jul-24	Independent	Dec-18; Aug-20 (former parent governor)	6	6
Emma Stubbs	Aug-20	Jan-21	Independent		3	3
Elliot Luke	Nov-20	Nov-22	Staff		2	4
Denise Chapim	Feb-20	Dec-20	Student		1	2
Helen Chong	Mar-21	Mar-22	Student		2	3
Emily Shord	Mar-21	Mar-22	Student		2	3
Douglas Gee	Dec-20	Jul-21	Parent		4	4

Southwark College Board						
Name	Appointment	End of Appointment	Category of Appointment	Reappointment Details	Meetings attended	Out of a possible
Annette Cast	N/A	N/A	Principal		6	6
Ade Adebambo	Jan-20	Aug-20	Independent	Aug-12; Jan-20	0	0
Elaine Hawkins	Jan-20	Dec-22	Independent	Dec-14; Jan-20	6	6
Stephanie Cryan	Feb-20	Feb-21	Independent	Jul-19; Jan-20	3	3
Sinead O'Sullivan	Feb-20	Feb-24	Independent		5	6
John Jeffcock	Feb-20	Feb-24	Independent		6	6
Kim Caplin	Sep-20	Sep-24	Independent		6	6
Holly Roberts-Harry	Feb-21	Feb-25	Independent		2	3
Smith Kusi	Feb-21	Feb-25	Independent		3	3
Roy Senoga	Feb-21	Feb-25	Independent		3	3
Jasmine Ali	May-21	May-25	Independent		1	1
Damien Williams	Feb-20	Feb-22	Staff		5	6
Luisa Saunders	Feb-20	Nov-20	Staff		0	1
Bill Worboyes	Feb-21	May-21	Student		2	2
Horrejah Faye	May-21	Jul-21	Student		0	1

## Statement of corporate governance and internal control

### Local College Boards (continued)

West Lancashire College Board						
Name	Appointment	End of Appointment	Category of Appointment	Reappointment Details	Meetings attended	Out of a possible
Denise Williamson	N/A	N/A	Principal		6	6
Mark Whitworth	Jan-21	Jan-25	Independent	Jan-18; Jan-21	6	6
Paula Gamester	Nov-19	Nov-23	Independent		4	6
Rebecca Butcher	Nov-20	Nov-24	Independent		4	4
Dawn Paine	May-19	Mar-21	Independent		1	3
Jane Galbraith	Mar-19	Mar-23	Independent		3	6
Mike Maguire	Jun-19	Jun-23	Independent		6	6
Leonie Darby	Feb-20	Feb-22	Staff		5	6
Claudia Bradbury	Nov-20	Jul-21	Student		0	4
Bethany Richman	Apr-21	Apr-22	Student		3	3

### Appraisal & Remuneration Committee

The Appraisal & Remuneration Committee comprises four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of Senior Post Holders (SPHs), including the Chief Executive and Clerk to the Corporation.

The Appraisal & Remuneration Committee met on four occasions during the year. The members of the Appraisal & Remuneration Committee were as listed in the table below.

Governor	Meetings attended	Out of a possible
Mark Squires (Chair of Committee)	4	4
Caroline MacDonald	4	4
Peter Lauener	3	4
Andrew Cunningham	3	4
Chris McCourt (appointed to Committee with effect from July 2021)	0	0

Details of remuneration for the year ended 31 July 2021 are set out in note 8 to the financial statements.

## Statement of corporate governance and internal control

### Audit Committee

The Audit Committee comprises four independent members of the Corporation. The Committee meets at least three times a year and provides a forum for reporting by NCG's internal and financial statement auditors, who can have access to the Committee for independent discussion. The Committee operates in accordance with written terms of reference, approved by the Corporation, which encompass reports from the main funding bodies as they affect NCG's business.

The Committee met five times during the year. There have been two vacancies during the year. The members of the Audit Committee who served during the year were as listed in the table below.

Governor	Meetings attended	Out of a possible
John Cuthbert (Chair of Committee – Up until Dec 20)	2	2
Mark Squires	5	5
Andrew Cunningham (Chair of Committee – From Jan 21)	5	5
Jeannette Strachan	5	5
Chris McCourt	5	5

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

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

The Audit Committee has considered the financial statements auditor's findings in relation to the financial statements.

The Audit Committee assesses the performance of the internal and financial statements auditors annually in relation to quality and value.

The Audit Committee is responsible for advising the Corporation on the appointment or reappointment of auditors. The Audit Committee also advises the Corporation on the remuneration of internal and financial statements auditors.

### HE Governance Committee

The HE Governance Committee (as per the Terms of Reference) comprises of the Chief Executive Officer (who also Chairs the Academic Board), two independent members of the Corporation, a Student representative and up to one co-opted member with Higher Education expertise. The Committee meets four times a year. The Committee provides a forum to consider and challenge assurance that the academic governance of Higher Education provision is effective, receive and comment on assurance and audit reports relating to Higher Education processes and functions and closely monitor the strategic development of Higher Education provision across the Group. The members that served on the committee during the year are listed in the table below.

Governor	Meetings attended	Out of a possible
Caroline MacDonald (Chair of Committee)	4	4
Jeannette Strachan	4	4
Shirley Atkinson	2	4
Matthew Otubu	3	4
John Widdowson	2	2
Liz Bromley	2	4
Alan Houston (co-opted member)	2	4
Hollie Lees – Student Representative	2	4

# Statement of corporate governance and internal control

## Internal control

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### Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Chief Executive, as Accounting Officer, for maintaining a sound system of internal control. This supports the achievement of NCG policies, aims and objectives, while safeguarding the public funds and assets for which the Chief Executive is personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between the Corporation and the Education and Skills Funding Agency. The Chief Executive is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of NCG 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 NCG for the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements.

### Capacity to handle risk

The Corporation has reviewed the key risks to which NCG is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is an adequate formal ongoing process for identifying, evaluating and managing NCG's significant risks that has been in place for the year ended 31 July 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

### The risk and control framework

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

- regular review of all business risks by the Corporation
- review of non-financial key performance indicators of the business to the Corporation
- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Corporation
- regular reviews by the Corporation 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 procedures
- the adoption of formal project management disciplines, where appropriate

NCG has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which NCG is exposed and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are approved by the Corporation on the recommendation of the Audit Committee. At least annually, the Corporation is provided with a report on audit activity in NCG, including an opinion on the adequacy and effectiveness of NCG's system of risk management, controls, and governance processes.

As the Instrument and Articles of Government for NCG (the I&A) already legislated for electronic attendance at meetings, a change was not required following COVID-19. Meetings took place via Microsoft Teams and this complied with the I&A.

## Statement of corporate governance and internal control

### Internal control (continued)

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#### Risks faced by the Corporation

A new risk framework was approved in 2019, which established strategic and business risks. The strategic risk register, which focuses on the long-term risks to the business, is overseen by the Corporation Board. The business risks, which relate more to the 'here and now', form the basis of the College level operational risk registers. This has been further amended for 2020/21. Full documented processes have been established for both approaches.

#### Control weaknesses identified

Governance, risk management and control, and value for money arrangements in relation to business critical areas, have been found to be generally satisfactory by our internal auditors. However, there are some areas of weakness or non-compliance in the framework of governance, risk management and control which potentially put achievements of objectives at risk. Actions are being implemented to address these concerns.

#### Responsibilities under funding agreements

Governors have commissioned and received assurances from both management and assurance services re the required compliance with Funding Agreements and Contracts with the ESFA. Further a number of specific data funding audits have been undertaken which has been delivered based on ESFA funding methodology; where issues have been noted addressing actions have been taken.

#### Statement from the audit committee

The audit committee has advised the board of governors that the Corporation has an effective framework for governance and risk management in place. The audit committee believes the Corporation has effective internal controls in place.

The specific areas of work reported to audit committee in 2019/20 and up to the date of approval of the financial statements are covered within 5 sub-areas which are reflected within the Annual Opinion provided by PwC. In the Annual Opinion, PwC conclude that NCG is 'generally satisfactory with some improvements required'. Further the report states that 'Governance, risk management and control, and value for money arrangements in relation to business-critical areas are generally satisfactory.

#### Review of effectiveness

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

- the work of the internal auditors
- the work of the executive managers within NCG who have responsibility for the development and maintenance of the internal control framework
- comments made by NCG's auditors of the financial statement and regularity assurance, the appointed funding auditors in their management letters and other reports.

The Chief Executive has been advised on the implications of the result of their review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Executive Board receives reports setting out key performance and risk indicators, and considers possible control issues brought to their attention by early warning mechanisms that are embedded within the departments and reinforced by risk awareness training. The Executive Board and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and it receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance, not merely reporting by exception. At its December 2021 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the Audit Committee, financial statements and internal audit, and taking account of events since 31 July 2021.

## Statement of corporate governance and internal control

### Going concern

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After making appropriate enquiries, and considering the potential impact of the ongoing COVID-19 pandemic, the Corporation considers that NCG has adequate resources to continue in operational existence for the foreseeable future. The Corporation maintains a strong balance sheet with low gearing and appropriate cash reserves. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 14 December 2021 and signed on its behalf by:



Peter Lauener  
(Chair of the Corporation)



Liz Bromley  
(Chief Executive)

## Statement on regularity, propriety and compliance with Funding body terms and conditions of funding

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

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

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

Approved by order of the members of the Corporation on 14 December 2021 and signed on its behalf by:



Peter Lauener  
(Chair of the Corporation)



Liz Bromley  
(Chief Executive)



## 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 NCG's grant funding agreements and contracts with ESFA, the Corporation – through its accounting officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the corporation and its surplus / deficit of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that NCG will continue in operation.

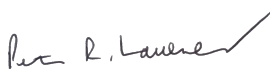
The Corporation is also required to prepare a Members' Report, which describes what it is trying to do and how it is going about it, including the legal and administrative status of NCG Corporation.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of NCG, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard the assets of NCG and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the Group's websites are the responsibility of the Corporation; 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 websites. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA and any other public funds are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any other public funder. Members of the Corporation must ensure that there are appropriate financial and management controls in place 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 NCG resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 14 December 2021 and signed on its behalf by:



Peter Lauener

(Chair of the Corporation)

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NCG CORPORATION

## Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and College's affairs as at 31 July 2021 and of its deficit of expenditure over income for the year then ended; and
- 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 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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NCG CORPORATION

## 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 32, 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 liquidate 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 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:

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NCG CORPORATION

- 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 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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NCG CORPORATION

The logo for Mazars LLP, featuring the word "Mazars" in a stylized font with "LLP" in a smaller font to its right.

Mazars LLP  
Chartered Accountants and Statutory Auditor  
The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

Date 17/12/2021

## Statement of comprehensive income

NCG (Group)	Notes	Year ended	Year ended 31 July 2020		
		31 July 2021			
		Total £000	Continuing operations £000	Discontinued operations £000	Total £000
<b>INCOME</b>					
Funding body grants	2	101,840	99,184	(1,093)	98,091
Tuition fees and education contracts	3	27,350	26,627	(22)	26,605
Other grants and contracts	4	1,779	1,808	349	2,157
Other income	5	1,666	2,785	86	2,871
Investment income	6	4	82	-	82
<b>Total income</b>		<b>132,639</b>	<b>130,486</b>	<b>(680)</b>	<b>129,806</b>
<b>EXPENDITURE</b>					
Staff costs	8	92,115	85,377	928	86,305
Restructuring costs	8	287	296	216	512
Other operating expenses	9	35,143	31,496	240	31,736
Depreciation	14	14,004	13,762	-	13,762
Interest payable and other finance costs	11	2,288	1,821	54	1,875
<b>Total expenditure</b>		<b>143,837</b>	<b>132,752</b>	<b>1,438</b>	<b>134,190</b>
<b>Deficit before other gains and losses</b>		<b>(11,198)</b>	<b>(2,266)</b>	<b>(2,118)</b>	<b>(4,384)</b>
Profit/(Loss) on disposal of assets	14	172	(370)	(274)	(644)
Revaluation of Investment Properties	15	(490)	(908)	-	(908)
Impairment	14	(225)	-	-	-
Gain on investments	13	-	-	2,827	2,827
<b>(Deficit)/Surplus before tax</b>		<b>(11,741)</b>	<b>(3,544)</b>	<b>435</b>	<b>(3,109)</b>
Taxation	12	-	-	-	-
<b>(Deficit)/Surplus</b>		<b>(11,741)</b>	<b>(3,544)</b>	<b>435</b>	<b>(3,109)</b>
Actuarial gain/ (loss) in respect of pension schemes	27	1,706	(43,877)	407	(43,470)
<b>Total comprehensive (loss)/ gain for the year</b>		<b>(10,035)</b>	<b>(47,421)</b>	<b>842</b>	<b>(46,579)</b>

For the purposes of this Report and Financial Statements:

NCG (Group) or NCG – is the consolidation of the colleges and the two subsidiary training companies, up until the point they were placed into formal insolvency on 30 April 2020.

## Statement of comprehensive income

The following table is non-GAAP disclosure and as such does not form part of these financial statements:

Non-GAAP disclosure - Earnings before interest, tax, depreciation & amortisation (EBITDA)	Year ended 31 July 2021	Year ended 31 July 2020		Total
		Continuing operations	Discontinued operations	
NCG (Group)	Total £000	£000	£000	£000
Deficit before other gains and losses	(11,198)	(2,266)	(2,118)	(4,384)
<i>Less</i> Capital grant release income	(4,468)	(5,979)	-	(5,979)
Investment income	(4)	(82)	-	(82)
<i>Add</i> Depreciation	14,004	13,762	-	13,762
Interest payable and other finance costs	2,288	1,821	54	1,875
<i>Add</i> LGPS Costs	11,876	9,730	13	9,743
<i>Less</i> LGPS Employer Contributions Paid	(5,528)	(5,823)	(302)	(6,125)
<b>EBITDA</b>	<b>6,970</b>	<b>11,163</b>	<b>(2,353)</b>	<b>8,810</b>

## Statement of comprehensive income

NCG (Colleges)	Notes	Year ended	Year ended 31 July 2020		
		31 July 2021			
		Total	Continuing operations	Discontinued operations	Total
		£000	£000	£000	£000
<b>INCOME</b>					
Funding body grants	2	101,840	99,184	(760)	98,424
Tuition fees and education contracts	3	27,350	26,627	-	26,627
Other grants and contracts	4	1,779	1,808	40	1,848
Other income	5	1,666	2,785	-	2,785
Investment income	6	4	82	-	82
<b>Total income</b>		<b>132,639</b>	<b>130,486</b>	<b>(720)</b>	<b>129,766</b>
<b>EXPENDITURE</b>					
Staff costs	8	92,115	85,377	8,794	94,171
Restructuring costs	8	287	296	46	342
Other operating expenses	9	35,143	31,496	4,122	35,618
Depreciation	14	14,004	13,762	-	13,762
Interest payable and other finance costs	11	2,288	1,821	-	1,821
<b>Total expenditure</b>		<b>143,837</b>	<b>132,752</b>	<b>12,962</b>	<b>145,714</b>
<b>Deficit before other gains and losses</b>		<b>(11,198)</b>	<b>(2,266)</b>	<b>(13,682)</b>	<b>(15,948)</b>
Profit/(Loss) on disposal of assets	14	172	(370)	27	(343)
Revaluation of Investment Properties	15	(490)	(908)	-	(908)
Impairment	14	(225)	-	-	-
<b>Deficit before tax</b>		<b>(11,741)</b>	<b>(3,544)</b>	<b>(13,655)</b>	<b>(17,199)</b>
Taxation	12	-	-	-	-
<b>Deficit</b>		<b>(11,741)</b>	<b>(3,544)</b>	<b>(13,655)</b>	<b>(17,199)</b>
Actuarial (loss)/gain in respect of pension schemes	27	1,706	(43,877)	-	(43,877)
<b>Total comprehensive loss for the year</b>		<b>(10,035)</b>	<b>(47,421)</b>	<b>(13,655)</b>	<b>(61,076)</b>

For the purposes of this Report and Financial Statements:

NCG (Colleges) or colleges – is the stand-alone NCG Corporation entity, which incorporates the colleges only, excluding the two subsidiary training providers.



## Statement of comprehensive income

The following table is non-GAAP disclosure and as such does not form part of these financial statements:

Non-GAAP disclosure - Earnings before interest, tax, depreciation & amortisation (EBITDA)	Year ended 31 July 2021	Year ended 31 July 2020		
		Continuing operations	Discontinued operations	Total
	Total £000	£000	£000	£000
NCG (Colleges)				
Deficit before other gains and losses	(11,198)	(2,266)	(13,682)	(15,948)
Less Capital grant release income	(4,468)	(5,979)	-	(5,979)
Investment income	(4)	(82)	-	(82)
Add Depreciation	14,004	13,762	-	13,762
Interest payable and other finance costs	2,288	1,821	-	1,821
Add LGPS Costs	11,876	9,730	8,899	18,629
Less LGPS Employer Contributions Paid	(5,528)	(5,823)	-	(5,823)
<b>EBITDA</b>	<b>6,970</b>	<b>11,163</b>	<b>(4,783)</b>	<b>6,380</b>

## Statement of changes in reserves

	Income and expenditure account £000	Revaluation reserve £000	Total £000
<b>NCG (Group)</b>			
<b>Balance at 1 August 2019</b>	108,824	5,843	114,667
Deficit from the I&E account - continuing operations	(3,544)	-	(3,544)
Surplus from the I&E account - discontinued operations	435	-	435
Other comprehensive loss	(43,470)	-	(43,470)
Transfers between revaluation and income and expenditure reserves	201	(201)	-
	<u>(46,378)</u>	<u>(201)</u>	<u>(46,579)</u>
<b>Balance at 31 July 2020</b>	62,446	5,642	68,088
Deficit from the income and expenditure account	(11,741)	-	(11,741)
Other comprehensive income	1,706	-	1,706
Transfers between revaluation and income and expenditure reserves	201	(201)	-
<b>Total comprehensive loss for the year</b>	<u>(9,834)</u>	<u>(201)</u>	<u>(10,035)</u>
<b>Balance at 31 July 2021</b>	<u>52,612</u>	<u>5,441</u>	<u>58,053</u>
<b>NCG (Colleges)</b>			
<b>Balance at 1 August 2019</b>	123,321	5,843	129,164
Deficit from the I&E account - continuing operations	(3,544)	-	(3,544)
Deficit from the I&E account - discontinued operations	(13,655)	-	(13,655)
Other comprehensive loss	(43,877)	-	(43,877)
Transfers between revaluation and income and expenditure reserves	201	(201)	-
	<u>(60,875)</u>	<u>(201)</u>	<u>(61,076)</u>
<b>Balance at 31 July 2020</b>	62,446	5,642	68,088
Deficit from the income and expenditure account	(11,741)	-	(11,741)
Other comprehensive income	1,706	-	1,706
Transfers between revaluation and income and expenditure reserves	201	(201)	-
<b>Total comprehensive loss for the year</b>	<u>(9,834)</u>	<u>(201)</u>	<u>(10,035)</u>
<b>Balance at 31 July 2021</b>	<u>52,612</u>	<u>5,441</u>	<u>58,053</u>

For the purposes of this Report and Financial Statements:

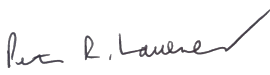
NCG (Group) or NCG – is the consolidation of the colleges and the two subsidiary training providers, up until the point they were placed into formal insolvency on 30 April 2020.

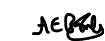
NCG (Colleges) or colleges – is the stand-alone NCG Corporation entity, which incorporates the colleges only, excluding the two subsidiary training providers.

## Balance Sheet at 31 July 2021

NCG (Group) & NCG (Colleges)	Notes	2021 £000	2020 £000
<b>Non-current assets</b>			
Tangible fixed assets	14	249,666	254,766
Investment property	15	2,390	2,880
		<b>252,056</b>	<b>257,646</b>
<b>Current assets</b>			
Assets held for sale	16	-	431
Stocks	17	78	75
Trade and other receivables	18	6,225	3,091
Investments	23	7,000	-
Cash and cash equivalents	24	14,450	13,014
		<b>27,753</b>	<b>16,611</b>
<b>Less: Creditors</b> - amounts falling due within one year	19	27,365	18,671
<b>Net current assets/(liabilities)</b>		<b>388</b>	<b>(2,060)</b>
<b>Total assets less current liabilities</b>		<b>252,444</b>	<b>255,586</b>
<b>Creditors</b> - amounts falling due after more than one year	20	74,471	73,923
<b>Provisions</b>			
Defined benefit pension obligations	27	115,192	108,390
Other provisions	22	4,728	5,185
<b>Total net assets</b>		<b>58,053</b>	<b>68,088</b>
<b>Unrestricted reserves</b>			
Revaluation reserve		5,441	5,642
Income and expenditure account		52,612	62,446
<b>Total unrestricted reserves</b>		<b>58,053</b>	<b>68,088</b>

The financial statements were approved by the members of the Corporation on 14 December 2021 and were signed on their behalf by:

  
Peter Lauener  
(Chair of the Corporation)

  
Liz Bromley  
(Chief Executive)

## Statement of cash flow

NCG (Group)	Notes	2021 £000	2020 £000
<b>Cash flow from operating activities</b>			
Deficit for the year		(11,741)	(3,109)
<b>Adjustment for non-cash items</b>			
Depreciation		14,004	13,762
Deferred capital grants released to income		(4,468)	(5,979)
(Increase)/decrease in stocks		(3)	51
(Increase)/decrease in debtors		(3,125)	836
Increase/(decrease) in creditors due in less than 1 year		8,489	(2,837)
Decrease in provisions		(461)	(977)
Pensions costs less contributions payable		8,515	4,895
<b>Adjustment for investing or financing activities</b>			
Investment income		(4)	(82)
Interest payable		515	627
(Profit)/ Loss on sale of fixed assets		(172)	644
Revaluation of Investment Properties		490	908
Impairment		225	-
Gain on investments		-	(2,827)
<b>Net cash inflow from operating activities</b>		<b>12,264</b>	<b>5,913</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		600	-
Investment income		4	83
New deposits		(7,000)	-
Capital grants received		6,991	400
Payments made to acquire fixed assets		(9,196)	(3,244)
Cash transferred to Insolvency Practitioners on disposal of training provider entities		-	(74)
		<b>(8,601)</b>	<b>(2,835)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(515)	(622)
Repayments of amounts borrowed		(1,712)	(1,855)
		<b>(2,227)</b>	<b>(2,477)</b>
<b>Increase in cash and cash equivalents in the year</b>	24	<b>1,436</b>	<b>601</b>
Cash and cash equivalents at beginning of the year		13,014	12,413
Cash and cash equivalents at end of the year		<b>14,450</b>	<b>13,014</b>

# Notes to the financial statements

at 31 July 2021

## 1. Accounting policies

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

### Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2020 to 2021* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS102). NCG (Group) is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying NCG (Group) accounting policies.

### Basis of consolidation

The consolidated financial statements include the Group and its subsidiaries. The Intraining Group Limited and Rathbone Training, which were controlled by the Group (together referred to as “NCG (Group)”) up to the point of them going into formal insolvency. Control is achieved where the NCG (Group) has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated Statement of Comprehensive Income from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation.

In accordance with FRS102, the activities of the Student Union has not been consolidated because NCG (Group) does not control those activities.

All financial statements are made up to 31 July 2021. The NCG (Colleges) financial statements present information about NCG (Colleges) as a separate entity that includes the seven colleges - Carlisle College, Kidderminster College, Lewisham College, Southwark College, Newcastle College, Newcastle Sixth Form College and West Lancashire College (together referred to as “NCG (Colleges)”). The two subsidiary training companies formed part of the prior year comparatives as they were consolidated into the Statement of Comprehensive income up to the date they went into formal insolvency.

Therefore, for the purposes of the notes to the accounts the following terminology applies:

NCG (Group) – is the consolidation of the colleges, the two subsidiary training companies up to the date of them going into formal insolvency and the dormant subsidiaries.

NCG (Colleges) – is the stand-alone NCG Corporation entity, which incorporates the colleges only, excluding the two subsidiary training companies.

### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current Tangible Fixed assets.

### Going concern

The activities of NCG (Group), together with the factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of NCG (Group), its cash flow, liquidity and borrowings are presented in the financial statements and accompanying notes.

After making appropriate enquiries, and considering the potential impact of the ongoing COVID-19 pandemic the Corporation considers that NCG has adequate resources to continue in operational existence for the foreseeable future. The Corporation maintains a strong balance sheet with low gearing and appropriate cash reserves. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

# Notes to the financial statements

at 31 July 2021

## 1. Accounting policies (continued)

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### Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement after considering the defined tolerance for the Adult Education Budget (whether directly from the ESFA or through the devolved local authorities) is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year-end reconciliation process with the funding body following the year-end, and the results of any funding audits. ESFA 16-19 grant funding is not normally subject to reconciliation and is therefore not subject to contract adjustments other than audit adjustments.

The recurrent grant from Office for Students (OfS) represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate. Grants (including research grants) from non-government sources are recognised in income when NCG (Group) is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

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 FRS102. Other capital grants are recognised in income when the Group 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.

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

All income from short-term deposits is accounted for in the Statement of Comprehensive Income in the period in which it is earned on a receivable basis.

NCG (Group) acts as an agent in the collection and payment of learner support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of NCG (Group) where NCG (Group) is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Where NCG (Group) subcontracts part of their income contracts to other organisations, the income is recognised in full against the appropriate categorisation as part of income, the amounts that are earned by the subcontractor is classified as expenditure and is included within Other Operating Expenses in the Statement of Comprehensive Income.

### Agency arrangements

The college acts as an agent in the collection and payment of certain discretionary support funds and any other arrangements. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the college where the college is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

## Notes to the financial statements at 31 July 2021

### 1. Accounting policies (continued)

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#### Accounting for post-employment benefits

Post-employment benefits to employees of NCG (Group) are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). NCG (Group) is a scheduled body of two Local Government Pension Schemes, the Tyne and Wear Pension Fund (TWPF) and the London Pension Fund Authority (LPFA). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

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 NCG (Group) 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.

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 staff costs within expenditure 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. As NCG (Group) is a member of more than one fund in the LGPS then each fund is treated separately for valuation and disclosure purposes.

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 payable and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial gains and losses in other comprehensive income.

#### 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 NCG (Group). Any unused benefits are accrued and measured as the additional amount NCG (Group) expects to pay as a result of the unused entitlement.

#### Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to staff costs 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 Association of Colleges (AoC).

#### Termination benefits

Termination benefits are amounts payable as a result of a decision by NCG to terminate an employee's employment before their normal retirement date or an employee's decision to accept voluntary redundancy. These benefits are charged on an accrual's basis to the Statement of Comprehensive Income at the earlier of when the Group can no longer withdraw the offer of those benefits or when the Group recognises costs for a restructuring.

# Notes to the financial statements

at 31 July 2021

## 1. Accounting policies (continued)

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### Other pension schemes

In the year ended 31 July 2020 the Training Providers were members of the following pension schemes:

- Staff employed by Intraining were eligible to be members of the Intraining Group Personal Pension Scheme. It was a defined contribution scheme and was independently administered by Heath Lambert. This scheme was closed on 31 March 2020 prior to the company going into formal insolvency as there were no staff members left.
- Prior to going into formal insolvency, Rathbone Training operated two funded defined benefit pension schemes for eligible employees.
  - The first is the London Pension Fund Authority Scheme (LPFA) part of the Local Government Pension Scheme, which up to 1 April 1999 had been the principal scheme. The assets of the scheme are invested and managed independently. On the 18 November 2019 following on from the last active member leaving the charity's employment, the deficit was pooled into the NCG LPFA pension scheme. Further disclosure in relation to this transaction is detailed in note 27.
  - The second was a multi-employer scheme, The Pensions Trust Growth Plan, which closed to new entrants from 31 October 2012. It is a multi-employer defined benefit pension scheme with a deficit funding arrangement in place to identify a liability for this obligation in its accounts. The liability was equal to the net present value of the deficit contributions payable.
- The principal scheme for Rathbone Training was a defined contribution pension scheme which was independently administered by Heath Lambert. This was closed on 29 February 2020 as part of the wind down of the charity's operations.

Costs in relation to the above schemes are included in discontinued operations in the prior year comparatives.

### Non-current assets - tangible fixed assets

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

#### *Land and buildings*

Freehold buildings are depreciated on a straight-line basis over their expected useful lives as follows:

- Building Exterior – 30 Years
- Fabric of the Building – 30 Years
- Building Interior – 20 Years
- Mechanical and Engineering parts e.g. Lifts, Heating – 18 Years
- Structural parts e.g. Building frame, stairs, roof – 60 Years

Freehold land is not depreciated as it is considered to have an infinite useful life.

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.

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

On adoption of FRS102, NCG (Group) followed the transitional provision to retain the book value of buildings, which were revalued in 1993, as deemed cost but not to adopt a policy of revaluations of these properties in the future.



## Notes to the financial statements at 31 July 2021

### 1. Accounting policies (continued)

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#### Non-current assets - tangible fixed assets (continued)

##### *Leasehold Improvements*

Leasehold improvements are capitalised and depreciated over the lower of the remaining term of the lease or the expected useful life as per freehold buildings. All are short leasehold.

##### *Assets under construction*

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

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

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

##### *Equipment*

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition, except IT equipment, which is capitalised regardless of value. Where capitalised, equipment is recorded as a tangible fixed asset at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- technical equipment 5 years
- motor vehicles 5 years
- computer equipment 4 years
- furniture, fixtures and fittings 5 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy.

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

##### *Investment Properties*

Investment properties are measured at fair value annually and any changes to the value goes through the Statement of Comprehensive Income. The fair value is measured by an independent valuer which is has been based on market value in this instance.

#### **Borrowing costs**

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

# Notes to the financial statements

at 31 July 2021

## 1. Accounting policies (continued)

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### 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. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term. The Group has taken advantage of the transitional exemptions in FRS102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1 August 2014.

Leasing agreements, which transfer to NCG (Group) 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 in subsidiaries

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

### Stocks

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

### Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours.

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

### Financial liabilities and equity

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

All loans, investments and short-term deposits held by NCG (Group) are classified as basic financial instruments in accordance with FRS102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS102 requires that basic financial instruments are subsequently measured at amortised cost, however, NCG (Group) has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

### Foreign currency translation

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

## Notes to the financial statements at 31 July 2021

### 1. Accounting policies (continued)

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#### Taxation

NCG (Colleges) 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, NCG (Colleges) is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

NCG (Group) is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

#### Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

Identified areas of provision are as follows:

##### *Dilapidations*

Dilapidations are provided for based on a recognised valuation formula over the lifetime of a property's lease and are reviewed regularly. Within the Training Providers the provision for dilapidations has been included within current assets as at 31 July 2019 which is consistent with a break up basis.

##### *Restructuring Provision*

A restructuring provision is recognised when there is a legal or constructive obligation at the reporting date. The provision made is based on contractual and/ or legal requirements.

##### *Onerous Contracts*

An onerous contract is one in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The provision for onerous contracts is calculated as the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

# Notes to the financial statements

at 31 July 2021

## 1. Accounting policies (continued)

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### Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by NCG (Group) either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease-by-lease basis.
- Determine whether there are indicators of impairment of NCG (Group) tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

#### *Other key sources of estimation uncertainty*

- Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives considering 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 considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Defined benefit pension schemes

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 27, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- Dilapidations

The estimated dilapidation costs are based on a recognised valuation formula over the lifetime of a property's lease and are reviewed regularly.

- Valuation of Investment Property

Due to the ongoing situation with COVID-19, valuations of property are inherently more uncertain at the balance sheet date due to the impact the pandemic has had on global markets. NCG (Group) has used a third-party qualified person to value the property to try to mitigate this risk.

- Accruals for income reclaimable by funding bodies

An income accrual has been calculated for potential reclaims to the funding bodies. This calculation is based on the published funding guidance and applying a set of prudent assumptions to learner data. It is unlikely that the actual repayment value will be agreed upon before signing of the accounts.

# Notes to the financial statements at 31 July 2021

## 2. Funding body grants

NCG (Group)	Year ended 31 July 2021	Year ended 31 July 2020		
	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000
<b>Recurrent grants</b>				
Education & Skills Funding Agency - adult	10,342	13,530	190	13,720
Devolved Adult Education Budget	16,278	10,696	-	10,696
Education & Skills Funding Agency - 16-19	61,116	59,142	1	59,143
Education & Skills Funding Agency - apprenticeships	5,642	6,097	(1,284)	4,813
Office for Students	1,683	1,522	-	1,522
<b>Specific grants</b>				-
Education & Skills Funding Agency - provider relief scheme	-	182	-	182
Teacher Pension Scheme contribution grant	2,238	1,963	-	1,963
Releases of government capital grants	4,468	5,979	-	5,979
Office for Students - Challenge grant	73	73	-	73
	<b>101,840</b>	<b>99,184</b>	<b>(1,093)</b>	<b>98,091</b>

Under the provider relief scheme, the Corporation received funding of £nil (2020: £182,000) from the ESFA. This amount was fully spent in the year.

NCG (Colleges)	Year ended 31 July 2021	Year ended 31 July 2020		
	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000
<b>Recurrent grants</b>				
Education & Skills Funding Agency - adult	10,342	13,530	-	13,530
Devolved Adult Education Budget	16,278	10,696	-	10,696
Education & Skills Funding Agency - 16-19	61,116	59,142	-	59,142
Education & Skills Funding Agency - apprenticeships	5,642	6,097	(760)	5,337
Office for Students	1,683	1,522	-	1,522
<b>Specific grants</b>				-
Education & Skills Funding Agency - provider relief scheme	-	182	-	182
Teacher Pension Scheme contribution grant	2,238	1,963	-	1,963
Releases of government capital grants	4,468	5,979	-	5,979
Office for Students - Challenge grant	73	73	-	73
	<b>101,840</b>	<b>99,184</b>	<b>(760)</b>	<b>98,424</b>

## Notes to the financial statements at 31 July 2021

### 3. Tuition fees and education contracts

NCG (Group)	Year ended 31 July 2021	Year ended 31 July 2020		
	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000
Adult education fees	405	563	-	563
Apprenticeship fees and contracts	105	105	(27)	78
Fees for FE loan supported courses	3,318	3,314	-	3,314
Fees for HE loan supported courses	17,444	17,115	-	17,115
International students fees	604	560	-	560
Total tuition fees	21,876	21,657	(27)	21,630
Education contracts	5,474	4,970	5	4,975
	<b>27,350</b>	<b>26,627</b>	<b>(22)</b>	<b>26,605</b>

NCG (Group) is committed to enabling potential learners to access education regardless of their personal finances. This has resulted in tuition fees foregone under NCG (Group) own fee waiver policy in the year totalling £4,160,000 (2020: £2,876,000). All courses are given an assumed fee based on guided learner hours, whether or not a fee had been charged to the students, which seeks to reflect the actual fees foregone.

NCG (Colleges)	Year ended 31 July 2021	Year ended 31 July 2020		
	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000
Adult education fees	405	563	-	563
Apprenticeship fees and contracts	105	105	-	105
Fees for FE loan supported courses	3,318	3,314	-	3,314
Fees for HE loan supported courses	17,444	17,115	-	17,115
International students fees	604	560	-	560
Total tuition fees	21,876	21,657	-	21,657
Education contracts	5,474	4,970	-	4,970
	<b>27,350</b>	<b>26,627</b>	<b>-</b>	<b>26,627</b>

## Notes to the financial statements at 31 July 2021

### 4. Other grants and contracts

NCG (Group)	Year ended 31 July 2021	Year ended 31 July 2020		
	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000
Erasmus	131	57	-	57
European Commission	885	1,088	(23)	1,065
Other grants and contracts	368	73	372	445
Coronavirus Job Retention Scheme grant	395	590	-	590
	<b>1,779</b>	<b>1,808</b>	<b>349</b>	<b>2,157</b>

During the year, the corporation furloughed 131 (2020: 138) support staff under the government's Coronavirus Job Retention Scheme, including commercial services, catering, security, cleaning and technical staff. The funding received of £395,000 (2020: £590,000) relates to staff costs which are included within the staff costs note below as appropriate.

NCG (Colleges)	Year ended 31 July 2021	Year ended 31 July 2020		
	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000
Erasmus	131	57	-	57
European Commission	885	1,088	-	1,088
Other grants and contracts	368	73	40	113
Coronavirus Job Retention Scheme grant	395	590	-	590
	<b>1,779</b>	<b>1,808</b>	<b>40</b>	<b>1,848</b>

### 5. Other income

NCG (Group)	Year ended 31 July 2021	Year ended 31 July 2020		
	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000
Catering	268	766	-	766
Miscellaneous income	1,398	2,019	86	2,105
	<b>1,666</b>	<b>2,785</b>	<b>86</b>	<b>2,871</b>

NCG (Colleges)	Year ended 31 July 2021	Year ended 31 July 2020		
	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000
Catering	268	766	-	766
Miscellaneous income	1,398	2,019	-	2,019
	<b>1,666</b>	<b>2,785</b>	<b>-</b>	<b>2,785</b>

# Notes to the financial statements at 31 July 2021

## 6. Investment income

NCG (Group) & NCG (Colleges)	Year ended 31 July 2021		Year ended 31 July 2020	
	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000
Other interest receivable	4	82	-	82
	<b>4</b>	<b>82</b>	<b>-</b>	<b>82</b>

## 7. Grant and fee income

NCG (Group)	Notes	Year ended 31 July 2021		Year ended 31 July 2020	
		Total	Continuing operations	Discontinued operations	Total
		£000	£000	£000	£000
<b>Grant income from the OfS</b>		1,957	1,804	-	1,804
<b>Grant income from other bodies</b>					
Education & Skills Funding Agency adult	2	15,004	13,530	190	13,720
Devolved Adult Education Budget	2	16,893	10,696	-	10,696
Education & Skills Funding Agency 16-19	2	61,368	59,142	1	59,143
TPS contribution grant	2	2,238	1,963	-	1,963
Other capital grants		1,262	-	-	-
<b>Fee income for taught awards</b>	3	17,444	17,115	-	17,115
<b>Fee income from non-qualifying courses</b>					
Adult education fees	3	405	563	-	563
Fees for FE loan supported courses	3	3,318	3,314	-	3,314
International students fees	3	604	560	-	560
		<b>120,492</b>	<b>108,687</b>	<b>191</b>	<b>108,878</b>

Grant income from the OfS includes recurrent teaching funding and also non-recurrent funding (including grants for capital infrastructure and challenge competitions). The amount received in relation to capital infrastructure funding is classified as a capital grant on receipt and forms part of the balance within creditors on the balance sheet. Capital infrastructure funding was £201,000 in the year (2020: £162,000).

Grant income from the ESFA includes recurrent teaching funding and also non-recurrent funding (including grants for capital infrastructure). The amount received in relation to capital infrastructure funding is classified as a capital grant on receipt and forms part of the balance within creditors on the balance sheet. Capital infrastructure funding was £4,598,000 in the year (2020: £nil).

Grant income from the other bodies includes non-recurrent funding for capital infrastructure. The amount received in relation to capital infrastructure funding is classified as a capital grant on receipt and forms part of the balance within creditors on the balance sheet. Capital infrastructure funding was £1,200,000 in the year (2020: £nil).



## Notes to the financial statements at 31 July 2021

### 8. Staff costs

The average number of persons (including key management personnel) employed by the Group during the year is shown below. This is the average headcount, calculated on a monthly basis, determined by dividing the relevant annual number by the number of months in the financial year.

NCG (Group)	Year ended 31 July 2021	Year ended 31 July 2020		
	Total	Restated Continuing operations	Restated Discontinued operations	Restated Total
	No.	No.	No.	No.
Teaching staff	1,247	1,152	3	1,155
Non teaching staff	1,208	1,191	19	1,210
	<b>2,455</b>	<b>2,343</b>	<b>22</b>	<b>2,365</b>

NCG (Group)	Year ended 31 July 2021	Year ended 31 July 2020		
	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000
Wages and salaries	66,713	63,505	770	64,275
Social security costs	6,237	5,724	85	5,809
TPS pension costs	7,220	6,466	-	6,466
LGPS pension costs (TWPF)	9,920	8,180	40	8,220
LGPS pension costs (LPFA)	1,956	1,500	12	1,512
Other pension costs	69	2	21	23
<b>Payroll sub-total</b>	<b>92,115</b>	<b>85,377</b>	<b>928</b>	<b>86,305</b>
Exceptional restructuring costs	287	296	216	512
<b>Total staff costs</b>	<b>92,402</b>	<b>85,673</b>	<b>1,144</b>	<b>86,817</b>

NCG (Colleges)	Year ended 31 July 2021	Year ended 31 July 2020		
	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000
Wages and salaries	66,713	63,505	30	63,535
Social security costs	6,237	5,724	3	5,727
TPS pension costs	7,220	6,466	-	6,466
LGPS pension costs (TWPF)	9,920	8,180	4	8,184
LGPS pension costs (LPFA)	1,956	1,500	8,756	10,256
Other pension costs	69	2	1	3
<b>Payroll sub-total</b>	<b>92,115</b>	<b>85,377</b>	<b>8,794</b>	<b>94,171</b>
Exceptional restructuring costs	287	296	46	342
<b>Total staff costs</b>	<b>92,402</b>	<b>85,673</b>	<b>8,840</b>	<b>94,513</b>

At the balance sheet date there were two salary sacrifice schemes in place, Cycle to Work and Childcare Vouchers. From the 1 August 2021 shared cost AVCs were also implemented.

## Notes to the financial statements

### at 31 July 2021

#### 8. Staff costs (continued)

##### Key Management Personnel and Higher Paid Staff

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

NCG (Group) Bandings based on Emoluments excluding employer pension contributions	Key management personnel		Other higher paid staff	
	2021 No.	2020 No.	2021 No.	2020 No.
£60,000 to £65,000	-	-	7	10
£65,001 to £70,000	-	-	5	5
£70,001 to £75,000	1	-	7	3
£75,001 to £80,000	-	-	1	3
£80,001 to £85,000	-	-	1	2
£85,001 to £90,000	-	-	1	2
£90,001 to £95,000	-	1	4	-
£95,001 to £100,000	-	1	1	2
£100,001 to £105,000	2	-	-	-
£105,001 to £110,000	2	4	-	-
£110,001 to £115,000	1	-	-	-
£120,001 to £125,000	3	1	-	-
£125,001 to £130,000	-	1	-	-
£140,001 to £145,000	1	-	-	-
£150,001 to £155,000	1	-	-	-
£155,001 to £160,000	-	1	-	-
£160,001 to £165,000	-	1	-	-
£175,001 to £180,000	-	-	-	-
£185,001 to £190,000	1	-	-	-
£210,001 to £215,000	-	-	-	-
£235,001 to £240,000	-	1	-	-
£240,001 to £245,000	1	-	-	-
	<b>13</b>	<b>11</b>	<b>27</b>	<b>27</b>

Including part time workers grossed up to full time equivalent and staff on maternity, paternity or sickness leave at their usual rate of pay:

- 1 member (2020: 1) of key management personnel would have been paid in the £160,001 to £165,000 banding in 2021.
- 1 member (2020: nil) of key management personnel would have been paid in the £190,001 to £195,000 banding in 2021.
- 1 member (2020: nil) of higher paid staff would have been paid in the £75,001 to £80,000 banding in 2021.

The number of key management personnel and other staff who had a full-time basic salary of over £100,000 on the 31 July, in the following ranges was:

NCG (Group) Bandings based on Basic Salary of £100,000 and over	Key management personnel		Other higher paid staff	
	2021 No.	2020 No.	2021 No.	2020 No.
£100,000 to £105,000	4	-	1	-
£105,001 to £110,000	2	3	-	1
£110,001 to £115,000	1	-	-	-
£115,001 to £120,000	3	2	-	-
£120,001 to £125,000	1	1	-	-
£160,001 to £165,000	1	1	-	-
£185,001 to £190,000	1	1	-	-
£205,001 to £210,000	1	1	-	-
	<b>14</b>	<b>9</b>	<b>1</b>	<b>1</b>

## Notes to the financial statements at 31 July 2021

### 8. Staff costs (continued)

#### Key Management Personnel and Higher Paid Staff (continued)

Key Management Personnel were those persons having authority and responsibility for planning, directing and controlling the activities of NCG and are represented by the Executive Team.

The Key Management Personnel of NCG (Group) are as follows,

- Chief Executive Officer,
- Deputy Chief Executive Officer,
- Chief Finance Officer,
- Executive Director and Secretary to the Board (previously Executive Director of Governance, Assurance and Risk),
- Executive Director of Quality,
- Chief Information and Data Officer,
- Director of People & Development
- Executive Principals of North and South,
- Principals and Interim Principals of Carlisle College, Kidderminster College, Newcastle College, West Lancashire College, Lewisham College, Southwark College and Newcastle Sixth Form College, and
- Chief Operating Officer (who left during 2020 financial year)

<b>NCG (Group)</b>	<b>2021 No.</b>	<b>2020 No.</b>
The number of Key Management Personnel including those who held office for only part of the year, was:	<u>18</u>	<u>15</u>

<b>NCG (Group)</b>	<b>2021 £000</b>	<b>2020 £000</b>
Key Management Personnel emoluments are made up as follows:		
Basic Salary	1,832	1,631
Relocation Allowance	-	9
Benefits in Kind - Health Insurance	<u>17</u>	<u>12</u>
	1,849	1,652
Employers Pension Contributions	339	286
Payments in Lieu of Pensions	<u>43</u>	<u>36</u>
Total emoluments	<u>2,231</u>	<u>1,974</u>

The Key Management Personnel emoluments include amounts payable to the Accounting Officer and highest paid officer in 2021, the Chief Executive, of:

<b>NCG (Group)</b>	<b>2021 £000</b>	<b>2020 £000</b>
Basic Salary	210	200
Relocation Allowance	-	6
Payments in Lieu of Pensions	30	29
Benefits in Kind - Health Insurance	<u>2</u>	<u>2</u>
Total emoluments	<u>242</u>	<u>237</u>

## Notes to the financial statements

at 31 July 2021

### 8. Staff costs (continued)

#### Key Management Personnel and Higher Paid Staff (continued)

Ahead of each academic and financial year, the Chair of Corporation agrees with the Chief Executive their objectives for the year ahead. These objectives are items considered over and above the day to day operation of the role and are specifically linked to the delivery of the NCG Strategy. Alongside a half year review, the Chair of Corporation undertakes a full performance review annually where the CEO's performance against the set objectives is fully considered. In 2020/ 2021 academic year the Chair of Corporation rated the CEO as being 'Outstanding'. This grading along with comparative reward information (from 1- Local Colleges, 2- Next tier organisations (based on income), 3- Equivalent tier (based on income) and ESFA published data) is then presented to the Appraisal and Remuneration committee for further consideration and challenge. The conclusion of the Appraisal and Remuneration committee is that the reward package for Liz Bromley, based on sector information, remains appropriate..

There were no amounts due to Key Management Personnel that were waived in the year. Emoluments do not include Employers National Insurance or compensation for loss of office.

The governing body has adopted Association of College's (AoC) Senior Staff Remuneration Code and will assess pay in line with its principles in future.

Salaries and benefits paid to Key Management Personnel are presented annually to the Appraisal and Remuneration committee. Decisions on salary and specific salary changes are linked to performance, role changes and sector benchmarking information. Governors assess the proposal made by the Chief Executive, and formally agree or amend the proposed numbers.

Relationship of Chief Executive pay and remuneration expressed as a multiple (on a full-time equivalent basis):

	2021	2020
CEO's basic salary as a multiple of the median of all staff	7.23	7.76
CEO's total remuneration as a multiple of the median of all staff	7.67	8.05

The following members of the board of governors and local college boards have received payments in the year

- The Chief Executive
- Staff Members
- College Principals

These payments have been in relation to their duties as employees of NCG but not to remunerate them for acting as a member of the board. The remaining governors who served during the year did not receive any form of payment from NCG (Group) other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

#### Compensation for loss of office paid and payable to former Key Management Personnel and higher paid staff

NCG (Group)	2021 £000	2020 £000
Compensation paid to Key Management Personnel		
Non-contractual compensation	-	50
	-	50
NCG (Group)	2021 £000	2020 £000
Compensation paid to staff earning in excess of £60,000 per annum		
Contractual compensation	-	40
Non-contractual compensation	45	65
	45	105

## Notes to the financial statements at 31 July 2021

### 8. Staff costs (continued)

#### Compensation for loss of office paid and payable to former Key Management Personnel and higher paid staff (continued)

In addition to the payments made to Key Management Personnel and Higher Paid Staff in the tables above, compensation for loss of office (both contractual and non-contractual) paid to staff earning less than £60,000 was £172,000 (2020: £513,000).

The number of people to whom compensation has been paid in 2021 was 26 (2020: 104).

The pension contributions in respect of the Key Management Personnel relate to employer's contributions to the Teachers' Pension Scheme or the Local Government Pension Scheme and are paid at the same rate as for other employees.

### 9. Other operating expenses

NCG (Group)	Year ended 31 July 2021	Year ended 31 July 2020		
	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000
Teaching costs	1,954	2,024	14	2,038
Teaching and other support costs	11,677	9,757	737	10,494
Administration costs	6,438	5,574	(86)	5,488
Operational costs	7,653	6,906	(33)	6,873
Maintenance costs	2,936	2,651	51	2,702
Examination costs	3,362	3,497	23	3,520
Rent and lease costs	1,060	208	(502)	(294)
Catering, residences and conferences costs	372	882	5	887
Bad debt provision	(483)	(73)	112	39
Other costs	174	70	(81)	(11)
	<b>35,143</b>	<b>31,496</b>	<b>240</b>	<b>31,736</b>

#### Other operating expenses include:

NCG (Group)	2021 £000	2020 £000
Auditor's remuneration:		
- External audit (including Regularity Audit)	56	66
- Other services provided by the external auditor	2	2
Subcontractor costs	4,581	3,585
Hire of assets under operating leases:		
- Land and buildings	684	762
- Other	393	418

## Notes to the financial statements at 31 July 2021

### 9. Other operating expenses (continued)

NCG (Colleges)	Year ended 31 July 2021	Year ended 31 July 2020		
	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000
Teaching costs	1,954	2,024	-	2,024
Teaching and other support costs	11,677	9,757	65	9,822
Administration costs	6,438	5,574	75	5,649
Operational costs	7,653	6,906	1	6,907
Maintenance costs	2,936	2,651	-	2,651
Examination costs	3,362	3,497	-	3,497
Rent and lease costs	1,060	208	494	702
Catering, residences and conferences costs	372	882	-	882
Bad debt provision	(483)	(73)	3,487	3,414
Other costs	174	70	-	70
	<b>35,143</b>	<b>31,496</b>	<b>4,122</b>	<b>35,618</b>

#### Other operating expenses include:

NCG (Colleges)	2021 £000	2020 £000
Auditor's remuneration:		
- External audit (including Regularity Audit)	56	66
- Other services provided by the external auditor	2	2
Subcontractor costs	4,581	2,971
Hire of assets under operating leases:		
- Land and buildings	684	762
- Other	393	418

### 10. Access and participation expenditure

NCG (Group) & NCG (Colleges)	Year ended 31 July 2021			Year ended 31 July 2020		
	Staffing £000	Other £000	Total £000	Staffing £000	Other £000	Total £000
Access investment	249	-	249	224	-	224
Financial support provided to students	-	1,612	1,612	-	1,296	1,296
Support for Disabled Students	262	10	272	249	9	258
Research and evaluation	4	-	4	4	-	4
Total access and participation expenditure	<b>515</b>	<b>1,622</b>	<b>2,137</b>	<b>477</b>	<b>1,305</b>	<b>1,782</b>

The published Access and Participation Plan can be found here: <https://www.ncgrp.co.uk/guide-to-information/our-policies-and-procedures/he-regulatory-document/>.

The staffing above is intrinsic in being able to deliver the Access and participation plan. These costs are included as part of note 8 staff costs.

## Notes to the financial statements at 31 July 2021

### 11. Interest payable and other finance costs

NCG (Group) & NCG (Colleges)	Year ended 31 July 2021	Year ended 31 July 2020	
	Total	Continuing operations	Discontinued operations
	£000	£000	£000
On bank loans	515	627	-
Other interest - pensions	1,773	1,194	54
	<u>2,288</u>	<u>1,821</u>	<u>54</u>
			<u>1,875</u>

### 12. Taxation

NCG (Colleges) was not liable for any corporation tax arising from its activities during the year.

### 13. Intangible fixed assets and investments

#### NCG – investments

NCG (Colleges)	2021 £	2020 £
Investments in subsidiary companies	7	7
	<u>7</u>	<u>7</u>

NCG Corporation was the ultimate parent company of The Intraining Group Ltd (issued ordinary £1 shares are owned by Intraining Holdings Ltd) until the company went into formal insolvency on the 30 April 2020.

NCG Corporation was the sole member of Rathbone Training which was a company limited by guarantee. The charity went into formal insolvency on 30 April 2020.

Prior to going into formal insolvency, the principal business activity of the training providers was the provision of vocational training, education and employability skills.

*At the balance sheet date, the Corporation directly controlled the following subsidiaries; NCG Professional Services Ltd (formerly Intraining Holdings Ltd, name change as of 27 July 2021), NCG Select Ltd, Newcastle College Construction Ltd and TWL Training Ltd.*

*Through NCG Professional Services Ltd, the Corporation also indirectly controlled Intraining (ESD) Ltd, Intraining (NTP) Ltd, Intraining (Quantica) Ltd.*

*Except for NCG Professional Services Limited all dormant subsidiaries were dissolved on the 7 December 2021.*

#### Disposal of Training Providers

The Training Providers went into formal insolvency in the prior year on 30 April 2020. The Insolvency Practitioner is Begbies Traynor who have been responsible for both entities since the formal insolvency process began. In 2020, The Intraining Group Limited and Rathbone Training had net liabilities which resulted in a gain on the disposal of these entities, which is disclosed in the comparatives in the Statement of Other Comprehensive Income.

## Notes to the financial statements at 31 July 2021

### 13. Intangible fixed assets and investments (continued)

#### *Investment in joint venture*

The investment in the joint venture relates to an entity, Cumbria Colleges Limited, in which Carlisle College has an interest on a long-term basis. The entity is jointly controlled with three other organisations under a contractual agreement to promote and develop further education within Cumbria.

The investment, which has been accounted for under the gross equity method shows the College's share of the gross assets (£190) less gross liabilities (£190) of £nil. NCG has met the cost of the accountant's fees to prepare the company's dormant accounts which is equal to £1,000. The Company is now dormant, and therefore the College's share of the loss for the year of £nil has been consolidated within the Group Income and Expenditure Account for the year as shown below.

	2021 £000	2020 £000
Income	-	-
Expenses	-	-
<b>At 31 July</b>	<b>-</b>	<b>-</b>

### 14. Tangible fixed assets

NCG (Group) & NCG (Colleges)	Land and buildings £000	Plant and equipment £000	Total £000
<b>Cost or valuation:</b>			
At 1 August 2020	365,420	19,715	385,135
Additions	5,198	3,928	9,126
Impairment	(225)	-	(225)
Disposals	(4)	(1,880)	(1,884)
<b>At 31 July 2021</b>	<b>370,389</b>	<b>21,763</b>	<b>392,152</b>
<b>Depreciation:</b>			
At 1 August 2020	115,801	14,568	130,369
Charge for year	11,875	2,129	14,004
Disposals	(7)	(1,880)	(1,887)
<b>At 31 July 2021</b>	<b>127,669</b>	<b>14,817</b>	<b>142,486</b>
<b>Net book value at 31 July 2021</b>	<b>242,720</b>	<b>6,946</b>	<b>249,666</b>
Net book value at 1 August 2020	249,619	5,147	254,766

Inherited land and buildings were valued at £25,934,000 on 27 August 1993. Of this, £25,859,000 relates to buildings stated at depreciated replacement cost, and £75,000 relates to a building valued at open market value by Storey Sons & Parker, a firm of chartered surveyors.

Other tangible fixed assets inherited from the local education authority at incorporation were capitalised at depreciated cost at incorporation. Should these assets be sold, NCG (Group) would have to use the sale proceeds in accordance with the financial memorandum with the ESFA. If inherited land and buildings had not been revalued they would have been included with a net book value of £nil.



## Notes to the financial statements at 31 July 2021

### 14. Tangible fixed assets (continued)

Land and buildings with a net book value of £93,504,000 have been partially financed by grants from the ESFA. Should these assets be sold, NCG (Group) would either have to surrender the sale proceeds to the ESFA or use the proceeds in accordance with the Financial Memorandum with the ESFA.

Included in land and buildings are assets at a cost of £2,158,000 which have not been depreciated as the assets have not yet been brought into use. Freehold land held at a value of £64,721,000 has not been depreciated.

An impairment review performed at the balance sheet date identified that the recoverable amount for a piece of land in Kidderminster was less than the carrying value held. This has resulted in an impairment of £225,000.

#### Revaluation reserve

Inherited land and buildings were valued at £25,934,000 on 27 August 1993.

### 15. Investment property

<b>NCG (Group) &amp; NCG (Colleges)</b>	<b>£000</b>
Carrying value at 1 August 2020	2,880
Transfer from tangible fixed assets	-
Losses from fair value adjustments	(490)
<b>Carrying value at 31 July 2021</b>	<b>2,390</b>

100 St James' Boulevard is considered to continue to meet the criteria of being an investment property as it was not being used for supply of services and was being held to earn rentals. This building has been measured by an independent valuer, Lambert Smith Hampton whose employees are a RICS Registered Valuer. The valuation that Lambert Smith Hampton has produced is on the basis of Market Value.

### 16. Assets held for sale

<b>NCG (Group) &amp; NCG (Colleges)</b>	<b>2021 £000</b>	<b>2020 £000</b>
Assets held for sale	-	431
	<b>-</b>	<b>431</b>

The sale of Mesnes House, Wigan, was completed on 1 December 2020 for proceeds of £600,000 and a profit on disposal of £169,000.

### 17. Stocks

<b>NCG (Group) &amp; NCG (Colleges)</b>	<b>2021 £000</b>	<b>2020 £000</b>
Stocks	78	75
	<b>78</b>	<b>75</b>

### 18. Trade and other receivables

<b>NCG (Group) &amp; NCG (Colleges)</b>	<b>2021 £000</b>	<b>2020 £000</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	1,006	512
Other debtors	33	22
Prepayments and accrued income	4,770	1,923
Amounts owed by the ESFA	416	634
	<b>6,225</b>	<b>3,091</b>

## Notes to the financial statements at 31 July 2021

### 19. Creditors: amounts falling due within one year

NCG (Group) & NCG (Colleges)	2021 £000	2020 £000
Deferred income	6,351	4,087
Amounts owed to the ESFA	1,614	1,506
Trade creditors	467	445
Payroll creditors	-	22
Other taxation and social security	434	247
Accruals	7,180	5,261
Bank loans	1,748	1,731
Other creditors	5,237	1,282
Deferred capital grants	4,334	4,090
	<b>27,365</b>	<b>18,671</b>

### 20. Creditors: amounts falling due after more than one year

NCG (Group) & NCG (Colleges)	2021 £000	2020 £000
Bank loans	15,432	17,161
Deferred capital grants	59,039	56,762
	<b>74,471</b>	<b>73,923</b>

### 21. Maturity of debt – NCG (Group) and NCG (Colleges)

#### Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2021 £000	2020 £000
In one year or less	1,748	1,731
Between one and two years	7,803	1,749
Between two and five years	3,769	10,275
In five years or more	3,860	5,136
	<b>17,180</b>	<b>18,891</b>

Bank loans and overdrafts carry interest at rates between 2.74% and 6.83% for fixed rate loans and between LIBOR +1.1% and LIBOR +1.3% for variable. Loans are repayable by instalments and due to mature between 2022 and 2035.

Following the announcement for the dissolution of LIBOR, loans will be transitioned to Bank of England base rate from January 2022. Agreements are now in place with the provider.

All loans are secured by a legal charge over Newcastle College Rye Hill Campus freehold land and buildings, 100 St James Boulevard freehold land, and Carlisle College main campus freehold land.

# Notes to the financial statements

## at 31 July 2021

### 22. Provisions

NCG (Group) & NCG (Colleges)	Dilapidations £000	Enhanced pensions £000	Total £000
At 1 August 2020	538	4,647	5,185
Actuarial gains	-	(460)	(460)
Benefits paid	-	(350)	(350)
Interest charged to other operating expenses	-	73	73
Charged in the year	280	-	280
At 31 July 2021	818	3,910	4,728

Dilapidations are provided for on rented properties and the expected settlement for the majority is within the next 4 years.

The enhanced pension provision relates to costs of staff that have already left NCG (Group) employment and commitments for reorganisation costs from which NCG (Group) cannot reasonably withdraw at the balance sheet date.

#### Enhanced Pension Provision Assumptions

NCG (Group)	2021 % per Annum	2020 % per Annum
Price Inflation	0.0 or 0.5	0.0 or 1.7
Discount rate	1.6 to 1.75	1.3 to 1.7

NCG has numerous methods of paying the pensioners who are included within the enhanced pension provision which accounts for the varying assumptions in the table above.

### 23. Investments

NCG (Group) and NCG (Colleges)	2021 £000	2020 £000
Short-term deposits	7,000	-

Deposits are held in short term notice accounts with more than 3 months maturity at the balance sheet date.

### 24. Cash and cash equivalents

NCG (Group)	At 1 August 2020 £000	Other Cash flows £000	At 31 July 2021 £000
Short term liquid investments	5,478	(2,086)	3,392
Cash at bank and in hand	7,536	3,522	11,058
	13,014	1,436	14,450

### 25. Capital commitments – Group and NCG

NCG (Group) and NCG (Colleges)	2021 £000	2020 £000
Commitments contracted for at 31 July	1,598	179

# Notes to the financial statements

## at 31 July 2021

### 26. Lease obligations

NCG (Group) and NCG (Colleges)	2021 £000	2020 £000
Future minimum lease payments due:		
<b>Land and buildings</b>		
Not later than one year	650	416
Later than one year but not later than five years	939	600
Later than five years	228	232
	<u>1,817</u>	<u>1,248</u>
<b>Other</b>		
Not later than one year	326	273
Later than one year but not later than five years	213	384
	<u>539</u>	<u>657</u>

### 27. Pension schemes

The Group's employees belong to three principal defined benefit pension schemes: The Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the following Local Government Pension Schemes (LGPS) for College non-teaching staff, the Tyne and Wear Pension Fund (TWPF), London Pension Fund Authority Scheme (LPFA) for Lewisham College and Southwark College employees.

Prior to going into formal insolvency, staff employed by training providers were eligible to be members of the Intraining and Rathbone Group Personal Pension Scheme. These were defined contribution schemes and were independently administered by insurance companies.

#### Total staff pension cost for the year

	NCG (Group) 2021 £000	NCG (Colleges) 2021 £000	NCG (Group) 2020 £000	NCG (Colleges) 2020 £000
TPS pension costs	7,220	7,220	6,466	6,466
LGPS pension costs (TWPF)	9,920	9,920	8,220	8,180
LGPS pension costs (LPFA)	1,956	1,956	1,512	1,500
Other pension costs	69	69	23	2
Total pension cost for the year	<u>19,165</u>	<u>19,165</u>	<u>16,221</u>	<u>16,148</u>

#### Amounts charged to Other Comprehensive Income

	NCG (Group) 2021 £000	NCG (Colleges) 2021 £000	NCG (Group) 2020 £000	NCG (Colleges) 2020 £000
Tyne & Wear LGPS	(4,060)	(4,060)	(32,070)	(32,070)
London Pension Fund Authority Scheme	5,306	5,306	(11,521)	(11,928)
Enhanced Pension Charge (note 22)	460	460	121	121
Actuarial (loss)/ gain recognised	<u>1,706</u>	<u>1,706</u>	<u>(43,470)</u>	<u>(43,877)</u>

## Notes to the financial statements at 31 July 2021

### 27. Pension schemes (continued)

#### Pension liability recognised in the balance sheet

	NCG (Group) 2021 £000	NCG (Colleges) 2021 £000	NCG (Group) 2020 £000	NCG (Colleges) 2020 £000
Tyne & Wear LGPS	72,590	72,590	62,150	62,150
London Pension Fund Authority Scheme	42,602	42,602	46,240	46,240
	<u>115,192</u>	<u>115,192</u>	<u>108,390</u>	<u>108,390</u>

Outstanding contributions at 31 July 2021, included within creditors, were £nil (2020: £nil).

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was as at 31 March 2016 and as at 31 March 2019 for the LGPS.

#### The Teachers' Pension Scheme

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

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

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

Accordingly, the Group 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 Group has set out above the information available on the plan and the implications for the Group in terms of the anticipated contribution rates.

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has paid a teacher pension employer contribution grant to cover the additional costs during the 2020/21 and 2019/20 academic year which is detailed in note 2.

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 £7,220,000 (2020: £6,466,000).

## Notes to the financial statements at 31 July 2021

### 27. Pension schemes (continued)

#### Local Government Pension Scheme - Tyne & Wear Pension Fund (TWPF)

The following disclosures relate to the funded liabilities of the Tyne and Wear Pension Fund (TWPF), an administering authority in the Local Government Pension Scheme (LGPS).

The LGPS is a defined benefit pension scheme. Benefits accrued from 1 April 2014 are based on career average revalued earnings (CARE); benefits accrued prior to 2014 are based on final salary.

Regular employer contributions to the Fund for the year ending 31 July 2022 are estimated to be £4,644,000. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

Contribution rates from 1 April 2021 are:

Full-time Equivalent Salary	Contribution rate per year
Up to £14,600	5.50%
£14,601 to £22,900	5.80%
£22,901 to £37,200	6.50%
£37,201 to £47,100	6.80%
£47,101 to £65,900	8.50%
£65,901 to £93,400	9.90%
£93,401 to £110,000	10.50%
£110,001 to £165,000	11.40%
£165,001 or more	12.50%

#### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by a qualified independent actuary

TWPF	At 31 July 2021	At 31 July 2020	At 31 July 2019
CPI Inflation	2.70%	2.05%	2.00%
Rate of general long-term increase in salaries	2.70%	1.20%	1.20%
Rate of increase for pensions in payment	2.70%	2.05%	2.00%
Rate of revaluation of pension accounts	2.70%	2.05%	2.00%
Discount rate	1.75%	1.65%	2.10%

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

TWPF	2021 Years	2020 Years
<b>Retiring at 31 July</b>		
Males	21.1	21.3
Females	24.3	24.5
<b>Retiring in 20 years</b>		
Males	22.0	22.3
Females	25.5	25.7

## Notes to the financial statements at 31 July 2021

### 27. Pension schemes (continued)

#### Local Government Pension Scheme - Tyne & Wear Pension Fund (TWPF) (continued)

The asset split in the scheme were:

TWPF	Asset split at 31 July 2021 %	Asset split at 31 July 2020 %
Equities	56.3	53.5
Property	7.9	9.2
Government Bonds	2.0	2.4
Corporate Bonds	19.6	22.9
Cash	4.0	1.9
Other	10.2	10.1
Total market value	100.0	100.0

#### Reconciliation of funded status to Balance Sheet

TWPF	NCG (Group) 2021 £000	NCG (Colleges) 2021 £000	NCG (Group) 2020 £000	NCG (Colleges) 2020 £000
Fair value of assets	173,800	173,800	144,960	144,960
Present value of funded defined benefit obligation	(246,390)	(246,390)	(207,110)	(207,110)
Net pension liability	(72,590)	(72,590)	(62,150)	(62,150)

#### Analysis of the amount charged to the Statement of Comprehensive Income

TWPF	NCG (Group) 2021 £000	NCG (Colleges) 2021 £000	NCG (Group) 2020 £000	NCG (Colleges) 2020 £000
Current service cost	9,920	9,920	8,210	8,210
Past service cost	-	-	20	20
Interest cost	990	990	500	500
	10,910	10,910	8,730	8,730

# Notes to the financial statements

## at 31 July 2021

### 27. Pension schemes (continued)

#### Local Government Pension Scheme - Tyne & Wear Pension Fund (TWPF) (continued)

##### Changes to the present value of liabilities during the year

TWPF	NCG	NCG	NCG	NCG
	(Group)	(Colleges)	(Group)	(Colleges)
	2021	2021	2020	2020
	£000	£000	£000	£000
Opening defined benefit obligation	207,110	207,110	169,359	169,359
Transfer in from Intraining/Carlisle LGPS	-	-	101	101
Current service cost	9,920	9,920	8,210	8,210
Interest cost	3,400	3,400	3,540	3,540
Contributions by participants	1,450	1,450	1,400	1,400
Actuarial losses/(gains) on liabilities*	28,390	28,390	27,740	27,740
Net benefits paid out**	(3,880)	(3,880)	(3,260)	(3,260)
Past service cost	-	-	20	20
Closing defined benefit obligation	246,390	246,390	207,110	207,110

\* Includes changes to the actuarial assumptions

\*\* Consists of net cash flow out of the Fund in respect of the Employer, excluding contributions and any death in service lump sums paid.

##### Changes to the fair value of assets during the year

TWPF	NCG	NCG	NCG	NCG
	(Group)	(Colleges)	(Group)	(Colleges)
	2021	2021	2020	2020
	£000	£000	£000	£000
Opening fair value of assets	144,960	144,960	143,695	143,695
Transfer in from Intraining/Carlisle LGPS	-	-	(5)	(5)
Interest income on assets	2,410	2,410	3,040	3,040
Actuarial gains on assets	24,330	24,330	(4,330)	(4,330)
Contributions by the employer	4,530	4,530	4,420	4,420
Contributions by participants	1,450	1,450	1,400	1,400
Net benefits paid out	(3,880)	(3,880)	(3,260)	(3,260)
Closing fair value of assets	173,800	173,800	144,960	144,960

##### Actual return on assets

TWPF	NCG	NCG	NCG	NCG
	(Group)	(Colleges)	(Group)	(Colleges)
	2021	2021	2020	2020
	£000	£000	£000	£000
Interest income on assets	2,410	2,410	3,636	3,636
Actuarial gains on assets	24,330	24,330	7,025	7,025
Actual return on assets	26,740	26,740	10,661	10,661



# Notes to the financial statements at 31 July 2021

## 27. Pension schemes (continued)

### Local Government Pension Scheme - Tyne & Wear Pension Fund (TWPF) (continued)

#### History of asset values, present value of liabilities and deficit

TWPF - NCG (Group)	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Fair value of assets	173,800	144,960	143,695	131,474	119,044
Present value of liabilities	(246,390)	(207,110)	(169,359)	(139,017)	(134,635)
Deficit	(72,590)	(62,150)	(25,664)	(7,543)	(15,591)
<b>TWPF - NCG (Colleges)</b>	<b>2021 £000</b>	<b>2020 £000</b>	<b>2019 £000</b>	<b>2018 £000</b>	<b>2017 £000</b>
Fair value of assets	173,800	144,960	143,695	130,080	119,044
Present value of liabilities	(246,390)	(207,110)	(169,359)	(138,090)	(134,635)
Deficit	(72,590)	(62,150)	(25,664)	(8,010)	(15,591)

#### Sensitivity analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 July 2021 and the projected service cost for the period ending 31 July 2021 is set out below:

TWPF	£000	£000	£000
Adjustment to discount rate	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	240,480	246,390	252,300
Projected service cost	11,960	12,420	12,900
Adjustment to long term salary increase	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	246,880	246,390	245,900
Projected service cost	12,420	12,420	12,420
Adjustment to pension increase and deferred revaluation	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	251,810	246,390	240,970
Projected service cost	12,900	12,420	119,600
Adjustment to life expectancy assumptions	+ 1 year	None	- 1 year
Present value of total obligation	256,000	246,390	237,030
Projected service cost	12,950	12,420	118,900

#### The McCloud/Sargeant Judgement

The McCloud and Sargeant cases relate to age discrimination within the Judicial and Fire Pension schemes, respectively. The valuation for 2020 included a McCloud 'underpin' liability within the current service cost, together with an allowance within the balance sheet reflecting service since the scheme reforms in 2014. For accounting periods ending in 2021 the same approach has been adopted as last year, using a roll-forward method based on last year's results.

This method for valuing the McCloud remedy is closely aligned with the method proposed by MHCLG (Ministry of Housing, Communities & Local Government) in its consultation issued in July 2020. On 13 May 2021 MHCLG's written ministerial statement confirmed they would be proceeding with the key principles as laid out in that consultation, with a full government response to follow later in 2021. Subsequently the MHCLG has changed it's name to the Department for Levelling Up, Housing and Communities (DLUHC).

## Notes to the financial statements

at 31 July 2021

### 27. Pension schemes (continued)

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#### Local Government Pension Scheme - Tyne & Wear Pension Fund (TWPF) (continued)

##### *GMP equalisation*

The GMP equalisation is where pension schemes are required to provide equal benefits to men and women after May 1990, which was the date of the Barber judgement. The approach used is to value full CPI inflation pension increases on GMPs of members whose State Pension Age is on or after 6 April 2016. This is an approximate method of recognising the cost of the Government's commitment to compensate public service scheme members from the removal of the Additional Pension element of the State Pension from this date, and for the outcome of the Lloyds judgement which found GMPs to be illegally sex discriminatory. Government has consulted on its approach to compensating affected members and announced on 23 March 2021 that it would adopt a long-term policy of uprating GMPs in line with CPI inflation for members whose State Pension Age (SPA) is on or after 6 April 2016. The consultation response recognised that this solution will not address all sex inequalities for a minority of members. Further guidance from MHCLG is expected on how they propose to deal with this, however there is no defined timetable in place for this.

##### *The Goodwin Ruling*

In June 2020 an Employment Tribunal ruled, in relation to the Teachers' Pension Scheme, that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements.

Those changes are yet to be reflected in the LGPS Regulations, or in the data that is received to calculate the FRS102 valuation from the Administering Authority, so therefore there has no allowance for this ruling in the above calculations.

#### Defined Contribution Pension Schemes

Prior to going into formal insolvency, the Intraining Group Limited and Rathbone Training operated individual defined contribution pension schemes for their employees. The assets of the scheme were held separately from those of the companies in an independently administered fund. This scheme was closed on 31 March 2020 prior to the company going into formal insolvency.

#### Local Government Pension Scheme - London Pension Fund Authority (LPFA)

NCG (Group) participates in the London Pension Fund Authority (LPFA) Local Government Pension Scheme (LGPS). Non-teaching staff who work at the London Colleges will be offered membership into this LGPS fund.

The assets of the scheme are invested and managed independently of the finances of NCG (Group). The pension costs relating to the schemes are calculated separately on the projected unit method and are assessed with the advice of a qualified actuary. The latest FRS102 actuarial assessment of this scheme was on 31 July 2020 and was carried out by Barnett Waddingham LLP, an independent actuary and the net liability at that point is estimated at £42,602,000.

The following disclosures relate to the funded liabilities of the London Pension Fund Authority (LPFA), an administering authority in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit pension scheme. Benefits accrued from the 1 April 2014 are based on career average revalued earnings (CARE); benefits accrued prior to 2014 are based on final salary.

## Notes to the financial statements at 31 July 2021

### 27. Pension schemes (continued)

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#### Local Government Pension Scheme - London Pension Fund Authority (LPFA) (continued)

Employee Contribution rates from 1 April 2021 are:

Full-time Equivalent Salary	Contribution rate per year
Up to £14,600	5.50%
£14,601 to £22,900	5.80%
£22,901 to £37,200	6.50%
£37,201 to £47,100	6.80%
£47,101 to £65,900	8.50%
£65,901 to £93,400	9.90%
£93,401 to £110,000	10.50%
£110,001 to £165,000	11.40%
£165,001 or more	12.50%

#### *Impact of McCloud/ Sargeant Cases*

The results of the FRS102 valuation include an allowance to reflect the Court of Appeal judgement in respect of the McCloud and Sargeant cases which relate to age discrimination within the Judicial and Fire Pension schemes, respectively. This allowance was described in the previous accounting report and incorporated into the accounting results as at 31 July 2019. These results, including the allowance, have been rolled forward and remeasured to obtain the accounting results as at 31 July 2021.

On 31 May 2021, the Government issued a ministerial statement on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The actuaries do not believe there are any material differences between the approach underlying the estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant volume of member data which is not yet available. Therefore, no further adjustment has been made in light of the expected changes to the Regulations in this report.

#### *Impact of Guaranteed Minimum Pension Indexation and Equalisation*

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have adjusted accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes". More information on the current method of equalisation of public service pension schemes can be found [here](#).

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016.

The actuary's valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, it has been assumed that the Fund will be required to pay the entire inflationary increase. Therefore, no adjustments to the value placed on the liabilities have been made as a result of the above outcome.

## Notes to the financial statements at 31 July 2021

### 27. Pension schemes (continued)

#### Local Government Pension Scheme - London Pension Fund Authority (LPFA) (continued)

Employer contribution rates were fixed at 17.9% from April 2020 onwards.

The financial assumptions used to calculate the results are as follows:

LPFA - NCG	At 31 July 2021	At 31 July 2020
Discount rate	1.70%	1.55%
Salary increases	2.70%	2.05%
Pension increases	2.70%	1.20%

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

LPFA - NCG	At 31 July 2021	At 31 July 2020
<i>Retiring at 31 July</i>		
Males	20.9	21.0
Females	23.5	23.6
<i>Retiring in 20 years</i>		
Males	21.7	21.9
Females	24.9	24.9

#### Principal Actuarial Assumptions

The estimated asset allocation for NCG as at 31 July is as follows:

LPFA - NCG	At 31 July 2021 %	At 31 July 2020 %
Equities	56.1	53.6
Target Return Portfolio	21.6	23.6
Infrastructure	8.8	6.9
Property	8.3	9.2
Cash	5.2	6.7
	<u>100.0</u>	<u>100.0</u>

#### Net pension liability as at 31 July:

LPFA - NCG	2021 £000	2020 £000	2019 £000
Present value of the defined benefit obligation	(141,204)	(134,937)	(89,222)
Fair value of Fund assets (bid value)	<u>99,977</u>	<u>90,254</u>	<u>64,639</u>
Deficit	(41,227)	(44,683)	(24,583)
Present value of unfunded obligation	<u>(1,375)</u>	<u>(1,557)</u>	<u>(140)</u>
Net defined benefit liability	<u>(42,602)</u>	<u>(46,240)</u>	<u>(24,723)</u>

# Notes to the financial statements

## at 31 July 2021

### 27. Pension schemes (continued)

#### Local Government Pension Scheme - London Pension Fund Authority (LPFA) (continued)

*The amounts recognised in the Statement of Comprehensive Income are:*

LPFA - NCG	Year to 31 July 2021 £000	Year to 31 July 2020 £000
Service cost	1,839	10,314
Net interest on the defined liability	710	594
Administration expenses	117	84
	<u>2,666</u>	<u>10,992</u>

#### *Reconciliation of opening and closing balances of the present value of the defined benefit obligation*

LPFA - NCG	At 31 July 2021 £000	At 31 July 2020 £000
Opening defined benefit obligation	136,494	89,362
Current service cost	1,839	1,332
Interest cost	2,079	2,275
Change in demographic assumptions	(2,175)	(400)
Change in financial assumptions	11,560	11,313
Experience loss on defined benefit obligation	(2,393)	929
Liabilities assumed / (extinguished) on settlements	-	35,658
Estimated benefits paid net of transfers in	(4,900)	(4,172)
Past service costs, including curtailments	-	84
Contributions by Fund participants and other employers	273	255
Unfunded pension payments	(198)	(142)
Closing defined benefit obligation	<u>142,579</u>	<u>136,494</u>

#### *Reconciliation of opening and closing balances of the fair value of Fund assets*

LPFA - NCG	At 31 July 2021 £000	At 31 July 2020 £000
Opening fair value of Fund assets	90,254	64,639
Interest on assets	1,369	1,681
Return on assets less interest	12,298	993
Other actuarial losses	-	(1,079)
Administration expenses	(117)	(84)
Contributions by employer including unfunded	998	1,403
Contributions by Fund participants and other employers	273	255
Estimate benefits paid plus unfunded net of transfers in	(5,098)	(4,314)
Settlement prices received / (paid)	-	26,760
Closing fair value of Fund assets	<u>99,977</u>	<u>90,254</u>

## Notes to the financial statements at 31 July 2021

### 27. Pension schemes (continued)

#### Local Government Pension Scheme - London Pension Fund Authority (LPFA) (continued)

##### Sensitivity analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 July 2021 and the projected service cost for the period ending 31 July 2021 is set out below:

LPFA - NCG	£000	£000	£000
Adjustment to discount rate	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	139,828	142,579	145,388
Projected service cost	2,023	2,090	2,158
Adjustment to long term salary increase	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	142,642	142,579	142,517
Projected service cost	2,091	2,090	2,088
Adjustment to pension increase and deferred revaluation	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	145,295	142,579	139,914
Projected service cost	2,158	2,090	2,024
Adjustment to life expectancy assumptions	+ 1 year	None	- 1 year
Present value of total obligation	149,613	142,579	135,888
Projected service cost	2,186	2,090	1,997

##### Remeasurement of the defined benefit pension liability

LPFA - NCG	Year to 31 July 2020 £000	Year to 31 July 2019 £000
Return on Fund assets in excess of interest	12,298	993
Other actuarial losses on assets	-	(1,079)
Change in financial assumptions	(11,560)	(11,313)
Change in demographic assumptions	2,175	400
Experience loss on defined benefit obligation	2,393	(929)
<b>Remeasurement of the defined benefit pension liability</b>	<b>5,306</b>	<b>(11,928)</b>

##### Projections for the year to 31 July 2021

LPFA - NCG	£000
Service cost	2,090
Net interest on the defined liability	716
Administration expenses	130
	<b>2,936</b>
Employer contributions	<b>816</b>

##### The Pensions Trust Growth Plan

Rathbone Training participated in the Pensions Trust Growth Plan up to the point when the last active member left the organisation. Upon going into formal insolvency, the provision of £549,000 was taken over by the insolvency practitioners.

## Notes to the financial statements

### at 31 July 2021

#### 28. Related party transactions

Due to the nature of NCG (Group) operations and the composition of the Corporation (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 NCG's financial regulations and normal procurement procedures.

Travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity:

	2021	2020
	£000	£000
<b>Payments paid to or on behalf of Governors</b>		
- Corporation	1	4
- Local college boards	1	-
	<u>2</u>	<u>4</u>
<b>Number of governors</b>	<b>No.</b>	<b>No.</b>
- Corporation	4	6
- Local college boards	1	2
	<u>5</u>	<u>8</u>

Peter Lauener is the chair of the Construction Industry Training Board (CITB); NCG delivers training to CITB's learners. At 31 July 2021, a net position of £7,000 (2020: £1,000) was due to NCG from CITB, with transactions during the year totalling £250,000 (2020: £260,000) sales ledger and £nil (2020: £89,000) purchase ledger.

He also holds the position of Chair of the Board of the Student Loans Company (SLC). SLC provides loans to eligible learners to fund their studies with NCG and the money to settle the fees is received directly from the SLC. At 31 July 2021, £20,000 (2020: £56,000) was due to NCG from SLC, with transactions during the year totalling £16,805,000.

Newcastle College Student's Union (SU) is a separate entity from NCG (Group). During the year a £30,000 grant (2020: £30,000) was approved. There are various transactions which NCG (Group) pays for on behalf of the Student Union, which are then reimbursed. The transactions during the year were £30,000 payable to the Student Union and £23,000 due from the Student Union, and at 31 July 2021 the outstanding balance due to either party was £nil.

One of the college board members is the Managing Partner and Shareholder of Muckle LLP. At 31 July 2021, the balance due from NCG to this organisation was £2,000 (2020: £4,000), with transactions during the year totaling £134,000 (2020: £115,000).

One board member is company director of Robertsons Facilities Management. At 31 July 2021, there was no balance due to or owed by NCG (2020: £nil), with transactions during the year totaling £3,098,000 (2019: £4,000).

One member of the board is a partner of Armstrong Watson LLP. There were transactions during the year totaling £6,000 (2020: £6,000) with no balance due to or owed by NCG at 31 July 2021 (2020: £nil).

A member of the corporation is a Commissioner with the Port of Blyth (Blyth Harbour Commission). There is no balance owed to the organisation at 31 July 2021 however there have been transactions of £48,000 throughout the year.

During the year the interim principle of Carlisle College was a director of Cumbria Colleges Limited. Carlisle College has given a guarantee of £25,000 in the event of Cumbria Colleges Limited entering into insolvent liquidation. During the period no transactions were undertaken between NCG (Group) and Cumbria Colleges Limited. There is £1,000 owing to NCG (Group) from Cumbria Colleges Limited as at 31 July 2021 for amounts that NCG (Group) has paid on behalf of Cumbria Colleges Limited.

The Executive Director and Secretary to the Board is the chair of One Awards a charity offering access to Higher Education Diplomas, Accreditation services and training to learning providers. NCG (Group) has no balance owing at 31 July 2021 however there were transactions during the year of £25,000.

## Notes to the financial statements at 31 July 2021

### 29. Amounts disbursed as agent

NCG (Group)	2021 £000	2020 £000
ESFA 16-19 bursary	2,037	2,207
ESFA 16-19 Vulnerable bursary	234	243
ESFA Advanced Learner Loans bursary	1,107	1,752
Other funding body grants	370	-
	3,748	4,202
Disbursed to students	(2,097)	(3,104)
Administration costs	(100)	(133)
Balance unspent at 31 July included in creditors	1,551	965

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

### 30. Events after the reporting period

#### Post year-end investment

On the 12 August 2021 NCG became a shareholder of VSpark Limited, a private limited company registered in England and Wales.

The company has an issued share capital of £10 divided into 1,000 of £0.01 each, all of which are fully paid.

NCG has a minority shareholding of 150 shares. The other shareholders and their number of shares are as follows:

	Shares Class	Shares No
The WKCIC Group t/a Capital City College Group	Ordinary	700
United Colleges Group	Ordinary	150
NCG	Ordinary	150
<b>Total Shares</b>		<b>1,000</b>

VSpark Limited has been set up to be a college-owned, national community of best practice which supports learners of all ages in their entrepreneurship and self-employment aspirations.

#### Dissolution of Dormant companies

The following dormant companies were dissolved on the 7 December 2021:

Intraining (ESD) Ltd  
Intraining (NTP) Ltd  
Intraining (Quantica) Ltd  
NCG Select Ltd  
Newcastle College Construction Ltd  
TWL Training Ltd



## Notes to the financial statements

at 31 July 2021

### Glossary

Acronym	Meaning
AoC	Association of Colleges
CARE	Career Average Related Earnings
DLUHC	Department for Levelling Up, Housing and Communities
EBITDA	Earnings before Interest, Taxation, Depreciation and Amortisation
EDI	Equality, diversity, inclusion and belonging
ESFA	Education and Skills Funding Agency
ESOL	English for Speakers of Other Languages
GMP	Guaranteed Minimum Pensions
HE	Higher Education
I&A	Instrument and Articles of Government
LED	Light emitting diode
LGPS	Local Government Pension Scheme
LIBOR	London Inter Bank Offered Rate
LPFA	London Pension Fund Authority
MHCLG	Ministry of Housing, Communities & Local Government
OfS	Office for Students
Ofsted	Office for Standards in Education, Children's Services and Skills
QAA	Quality Assurance Agency for Higher Education
SAR	Self-Assessment Report
SLC	Student Loans Company
SORP	Statement of Recommended Practice
SPA	State Pension Age
SPH	Senior Post Holders

# **Independent auditor's report on regularity**

## **to the Corporation of NCG and the Secretary of State for Education, acting through Education and Skills Funding Agency ("ESFA")**

In accordance with the terms of our engagement letter dated 19 May 2021 and further to the requirements and conditions of funding in 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 NCG 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 or devolved authority has other assurance arrangements in place.

This report is made solely to the corporation of NCG 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 NCG 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 NCG and the ESFA for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of NCG and the reporting accountant**

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

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

### **Approach**

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

## **Independent auditor's report on regularity**

**to the Corporation of NCG and the Secretary of State for Education, acting through Education and Skills Funding Agency ("ESFA")**

- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

### **Conclusion**

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

Mazars LLP

**Signed:**

**Mazars LLP**

**Date:** 17/12/2021