

NCG

Report and financial statements

31 July 2020



Reference and Administrative Details

Board of Governors

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

Address

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

Professional advisers

Independent auditor

Mazars LLP
Salvus House
Aykley Heads
Durham
DH1 5TS

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 advisers

Internal auditors: PricewaterhouseCoopers LLP
Insurance brokers: Arthur J. Gallagher
Property valuers: Lambert Smith Hampton
Pension advisers: Willis Towers Watson

Report of the members of the corporation for the year ended 31 July 2020

Strategic report

The members present their annual report together with the financial statements and auditor's report for NCG (Group) for the year ended 31 July 2020.

Key performance indicators

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

NCG (Group)	2020	2019
Current Ratio	1.21	0.92
EBITDA as a percentage of Turnover	7.12%	1.24%
Borrowing as a percentage of Turnover	15.26%	14.39%
Financial Health	Good	Requires improvement

Financial health has improved to "Good" from "Requires Improvement". Indicators have improved on 2019 due to the closure of the loss-making training provider businesses during the year. Most of the costs of the closure of these businesses were incurred in the prior year.

NCG now has improving levels of Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA), adequate cash reserves and manageable levels of bank debt.

Impact of Covid-19

The Covid-19 pandemic has had a significant impact on many organisations and the education sector has been amongst those most heavily affected. NCG has certainly not been immune from that impact, but the strength of resources of the group, coupled with agile leadership, has enabled the group to successfully navigate the crisis. Specifically, NCG has:

- Taken a collaborative approach to our response to the pandemic enabling rapid sharing of expertise
- Minimised 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 successful application to the Government's Post-16 Relief Fund
- The quick identification of savings, for example in property costs, consumables and travel, to offset other losses as a result of the pandemic

NCG has been protected through the grant funded nature of some of our contracts and government protection of providers through flexible approaches to contract reconciliation.

Report of the members of the corporation for the year ended 31 July 2020

Strategic report (continued)

Legal status

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 (Group) operates through the following colleges:

- Carlisle College
- Kidderminster College
- Lewisham College
- Newcastle College
- Newcastle Sixth Form College
- Southwark College
- West Lancashire College

On the 30 April 2020 the two training provider subsidiaries, Rathbone Training and The Intraining Group Limited were put into formal insolvency following on from their wind down that started in 2019. Begbies Traynor is the appointed insolvency practitioner for both entities.

NCG (Colleges) are made up of:

Carlisle College joined NCG on 5 April 2017. 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 joined NCG on 1 August 2017 as part of Lewisham Southwark College. Lewisham Southwark College was separated into Lewisham College and Southwark College during 2018/19. 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 was created following the separation of Lewisham Southwark College during 2018/19. Southwark College is a Further Education college based in London with modern facilities.

West Lancashire College is a Further Education college based in Skelmersdale, West Lancashire.

The training subsidiaries (or Training Providers):

Rathbone Training was a registered charity and a company limited by guarantee. It was placed into formal insolvency on 30 April 2020.

The Intraining Group Limited was a wholly owned subsidiary of the Corporation. It was placed into formal insolvency on 30 April 2020.

Report of the members of the corporation for the year ended 31 July 2020

Strategic report (continued)

Legal status (continued)

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.

Strategy and Objectives

NCG has refreshed its strategy and this was approved by the Board in December 2019. NCG's new 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 new strategy has been rolled out across the Group during the second half of the year and a set of corporate KPIs, with three, five and ten-year targets, have been agreed with the Board to underpin each goal.

People

NCG has also refreshed its values as part of the strategy development. The new values are:

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 2,365 people (expressed using average headcount calculation) in 2020 (2019: 2,581) of whom 1,155 are teaching staff (2019: 1,143). The number of teaching staff includes those delivering training and employability.

Report of the members of the corporation for the year ended 31 July 2020

Strategic report (continued)

Capital expenditure

NCG invested £3,182,000 in capital expenditure in 2020 (2019: £2,810,000). The principal schemes were:

NCG (Group)	2020 £000	2019 £000
IT infrastructure and systems	2,228	1,377
Curriculum delivery	358	769
Upgrades to property, plant and equipment	597	664
	3,183	2,810

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 enable staff to work from home and provide equipment for students who do not have access to IT at home. This was additional spend over the original budget and resulted in £500,000 of increased capital spend.

In September 2020, NCG received a capital grant from the ESFA of £4,598,000. This is currently being worked through to identify the areas of the Group which needed capital investment most. This additional funding must be spent before the end of March 2021.

Learner numbers

The table below summarises learner numbers by contract across the Group.

NCG (Group) & NCG (Colleges)	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
16-19 Classroom Learners	11,410	-	11,410	10,658	1,189	11,847
Classroom Based Adult Learners	10,333	610	10,943	13,725	2,031	15,756
Apprentices	2,804	223	3,027	2,971	376	3,347
HE Learners	2,342	-	2,342	2,463	-	2,463
Learners in Scotland	-	-	-	-	866	866
Learners in Wales	-	-	-	-	1,754	1,754
	26,889	833	27,722	29,817	6,216	36,033

At the start of the financial year, there were approximately 400 learners in Scotland remaining within the Training Providers, 70% of which were with subcontracted partners. All learners either completed or were transferred to other providers by November 2019.

On the 30 April 2020 the two training provider subsidiaries, Rathbone Training and The Intraining Group Limited were put into formal insolvency following on from their wind down which began in 2019. All students and apprentices in relation to these entities were completed or transferred to other providers.

Report of the members of the corporation for the year ended 31 July 2020

Strategic report (continued)

Stakeholders

NCG has many stakeholders including:

- current, future and past students;
- colleagues and their trade unions (namely UCU and Unison);
- the employers it works with;
- the professional organisations in the sectors where it works;
- partner schools and universities;
- the wider communities that the colleges work with;
- local borough councils, combined authorities and Local Enterprise Partnerships that the colleges work with;
- Ofsted, the Education and Skills Funding Agency, the Office for Students and the Department for Education; and
- Lloyds Bank.

Public Benefit

NCG Corporation is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 19-20.

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 members' report.

Development and performance

Developments

Under the leadership of the new CEO, Liz Bromley, NCG has continued to transform the way the Group operates, particularly in how we leverage the very significant best practice across our colleges for the benefit of the whole organisation. The Covid-19 pandemic had a very significant impact on the Group's operations in the second half of the year with a rapid move to remote delivery for all students from the end of March 2020. This was a catalyst for further collaborative working with the rapid uptake in new technology, such as Microsoft Teams, enabling peer groups to come together across the organisation to support each other through the crisis.

Report of the members of the corporation for the year ended 31 July 2020

Strategic report (continued)

Development and performance

Developments

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

- Lewisham and Southwark Colleges had successful first years as separate colleges within the Group under their new leadership. Both improved their financial position and increased student numbers whilst continuing their quality improvement journey.
- The NCG board signed off the new strategy 'Towards 2030' in December 2019 and this was launched to colleagues through a series of CEO-led roadshows (face to face and latterly virtual) during the second half of the year.
- Progress was made on the property strategy through the development of the Lewisham new college project, further work on the master plan for Newcastle and the disposal of surplus assets in Wigan and Skelmersdale which both completed following the year-end.
- Investment in technology systems continued and was accelerated as a result of Covid-19 to ensure additional resilience and physical resources were in place.
- The loss-making subsidiaries, The Intraining Group Limited and Rathbone Training, completed all learner activity and were placed into formal insolvency in April 2020.

Quality improvement activities continued group-wide focussing on NCG's response to the Ofsted Education Inspection Framework. The expected inspection in the latter part of the year did not materialise as a result of the Covid-19 lockdown.

- A full analysis of the Group's FE and Skills provision is available in the 2019/20 Annual Quality and Performance Review document; specific detail on college quality is contained in the individual college self-assessment report.
- The learner outcomes for the academic year were impacted heavily by the Covid-19 lockdown. Although learners achieved their qualifications at a much-improved rate, final grades were based on teacher assessment rather than examination, and cannot be compared to previous years.
- At the point of lockdown, internal measures on student retention and progress indicated, however, that the quality improvement journey had continued.
- 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.
- The implementation of higher standards on apprenticeship provision, through the apprenticeship hubs, has started to have impact on performance, though some legacy activity is still being completed.
- The quality of the Higher Education provision has remained consistent with last year, although the National Student Survey showed a decline in overall satisfaction to 75% (2019: 81%), which is below the national average. This decline is largely attributable to dissatisfaction with learning resources. A programme of investment in resource and consultation with the student body to place them central to the improvement plan is underway. More detail is available in the HE Annual Review.

NCG is committed to observing the importance of sector measures and indicators, and uses the FE Choices data available on the GOV.UK website, which looks at measures such as success rates.

Report of the members of the corporation for the year ended 31 July 2020

Strategic report (continued)

Development and performance

Developments (continued)

Overall, financial performance has continued to be extremely challenging, without the impact of Covid-19, the main impact on income from the Group's core activities has been as a result of the freeze on funding rates within the sector despite inflationary cost pressures. This has been exacerbated by falling numbers of apprenticeships starts across the sector following the introduction of the apprenticeship levy.

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

16-19 learner numbers were 11,410 (2019: 11,132) and achievement rates were 85.9% (2019: 85.2%). Adult learner numbers were 10,333 (2019: 15,756) and achievement rates were 88.0% (2019: 89.5%). Apprentices were 2,804 (2019: 3,347) and achievement rates were 55.0% (2019: 63.5%), unlike the other rates the achievement percentage was impacted by covid-19. HE learner numbers were 2,342 (2019: 2,463).

Wind down of Training Provider entities

Since March 2019 NCG has been undertaking an orderly wind down of its training provider subsidiary entities – The Intraining Group Limited and Rathbone Training. The decision for their closure was made as a result of continuing decline in their financial performance coupled with market information that their core delivery areas would be unlikely to recover to previous levels. By the start of the 2019/20 financial year the vast majority of learners had been completed or transferred to other training providers to continue their programmes; the majority of the 400 staff had left the organisations through a structured redundancy programme. As at 1 August 2019 the only remaining provision was a small volume of work programme activity with Intraining, Skills Development Scotland (SDS) contracts with Rathbone and a small number of subcontractors delivering apprenticeships in England with both organisations.

During the first half of the 2019/20 financial year the wind down continued with closure of the Scottish contracts through close work with SDS and completion or transfer of subcontracted apprentices. The residual work programme activity was transferred back to NCG, who are the ultimate contract holders. By March 2020 all staff had left the two businesses, all students and apprentices had been completed or transferred and the majority of residual liabilities had been settled. The Training Providers projected that they did not have sufficient funds to complete the orderly wind down of their organisations. 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. The insolvency process is likely to conclude during the 2020/21 financial year.

Financial results

2019/20 has been an unprecedented year. The closure of the training providers has had a very stabilising impact on the finances of NCG – driving a significant growth in EBITDA and helping return ESFA Financial Health Score to "Good". Covid-19 has had a significant impact on NCG primarily in the areas of commercial income and apprenticeships however this has been mitigated by grants received and reduced property and administration costs.

- Group turnover reduced from £148,522,000 in 2019 to £129,806,000 in 2020 largely as a result of the close down of the training provider businesses. Turnover from continuing operations reduced from £131,840,000 in 2019 to £130,486,000 with the reduction mainly due to the impact of COVID-19. The Group has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. The ESFA provided 61% of total income (2019: 67%), this reduction in percentage is primarily due to the movement of elements of the Adult Education Contract from the ESFA to devolved combined authorities. Income has been supported by the following grants from the government:

Report of the members of the corporation for the year ended 31 July 2020

Strategic report (continued)

Financial results (continued)

- The Teacher Pension contribution increased from 16.48% to 23.68% in September 2019. A grant has been paid to support colleges with the transition to the resulting increased expenditure. This amounted to £1,963,000 in 2020
- The Provider Relief Scheme resulted in a payment from the ESFA of £182,000 to support reduced non-levy apprenticeship delivery during the pandemic.
- A maximum of 138 support staff were furloughed during the pandemic resulting in £590,000 of Coronavirus Job Retention Scheme grant income.
- The ESFA Adult Education Budget is being reconciled at a lower threshold this year 68% vs 97% in prior years. The Greater London Authority Adult Education Budget reconciliation was changed to assess performance level using the mid-year claim.
- Earnings before Interest Tax, Depreciation and Amortisation (EBITDA) has improved from £1,793,000 in 2019 to £8,810,000 in 2020 mainly due to the closure of the training provider businesses. EBITDA from continuing operations remained relatively flat at £11,163,000 in 2020 compared against £11,433,000. It is pleasing that the cost of a pay review and inflationary cost pressures have been mitigated despite no inflationary increases in the funding per learner for further education in the year.
- NCG incurs large deficits before tax, in part due to large depreciation charges £13,762,000 (2019: £14,187,000) as a result of assets acquired on merger being restated at fair value. The deficit before tax has improved to £3,109,000 from £10,961,000 in 2019. Again, this large improvement was due to the closure of the loss-making training provider businesses and the closure costs incurred mainly in 2019. Deficit before tax from continuing operations increased from £1,361,000 in 2019 to £3,544,000 in 2020. This was largely due to increased pension interest costs (increase of £496,000), write off of an old campus building in Skelmersdale that was disposed of post year-end (£370,000) and the downward revaluation of a building identified as an investment property (£908,000).
- Discontinued operations generated a surplus before tax of £435,000 (2019: deficit £9,600,000). The surplus mainly relates to a gain on disposal of the training providers because the companies had net liability balance sheets at the point they were placed into formal insolvency on 30 April 2020.
- NCG ended the year in a stable cash position with cash and cash equivalent balances of £13,014,000 (2019: £12,413,000) with a £5,000,000 revolving credit facility also available. The Group has cash forecasts that demonstrate cash reserves and facilities are in place and are sufficient to meet the cash requirements of the business.
- NCG has a strong asset backed balance sheet. After deducting the defined benefit pension deficit NCG has accumulated reserves of £68,088,000 (2019: £114,667,000). Prior to the pension liability, NCG reserves stand at £176,478,000 (2019: £175,241,000). These accumulated reserves are largely tied up in tangible fixed assets to be used for the benefit of our learners.
- There has been a significant increase of £47,816,000 in the level of the Defined Pension Benefit Liability due to a significant reduction in the liability discount factor and the impact of COVID-19 on the asset values. The deficit on the balance sheet is £108,390,000 (2019: £60,574,000).
- The ESFA financial health assessment for 2019/20 has been calculated as “Good” which is indicative of the reduction in the costs of running the Training Provider entities. The ESFA have confirmed that the Financial Health Grade of NCG was “Requires Improvement” for the 2018/19 results.

Report of the members of the corporation for the year ended 31 July 2020

Strategic report (continued)

Financial results (continued)

Future prospects

The key focus of NCG for 2021 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, with contingency plans made for any recurrence in the coming period.
 - Continuation of the “Great Place to Teach” an NCG Programme based of the 12 principles of teaching, learning and assessment.
 - Continued embedding of the work of the Apprenticeship Council, providing leadership and consistent approaches on this important area of work.
- Launch of the new NCG leadership hub to ensure a sector-leading pipeline of leadership talent.
- Continuation of the property strategy, with specific work in Newcastle, Lewisham and Kidderminster.
- Deployment of the £4,598,000 FE condition fund to upgrade facilities and the £548,000 grant to fund the Kidderminster technology centre improvements.
- Ensuring full use of the additional post-Covid government funding for adults and young people.
- Driving recruitment and retention of learners.
- Improving colleague engagement.
- Consolidating the Group’s “good” financial position.
- Bidding for further funding opportunities in the Colleges.
- Utilising costed curriculum plans and services reviews to concentrate available resources to maximise learner experiences.
- Review of the property portfolio to improve utilisation of assets and develop new learning resources.
- Development and expansion of curriculum including preparing for T levels and developing higher education programmes for the new ‘Higher Technical Qualification’ programme.

The Corporation Governors approved a financial plan in July 2020 which sets objectives for the period to 2021. The financial plan was based on individual business plans submitted by each college within.

The Corporation aims to achieve and maintain a Financial Health Rate of “Good”.

Financial plan

Key factors affecting funding and expenditure going forward include:

- A welcome 4.7% increase in 16-19 base rate funding for 2020/21 has been announced by the government but this does not reverse the cuts of the previous decade.

Report of the members of the corporation for the year ended 31 July 2020

Strategic report (continued)

Financial plan (continued)

- From September 2019 the employer contributions for the Teachers' Pension Scheme increased by 7.2%. The government have agreed to fund this increased cost to March 2022, however funding for this annual £2,100,000 cost increase is uncertain beyond that date.
- Further devolution of adult funding has taken place with the North of Tyne Combined Authority taking control of the majority of Newcastle College's income in this area. The allocation for 2020-21 is significantly lower than that delivered in 2019-20 leaving the college reliant on improving out of area recruitment and pursuing growth requests.
- Uptake of apprentices has been hugely affected by the Covid-19 lockdown and subsequent economic down-turn. Apprenticeship trading is expected to continue to be tough while recognising the employer incentive payments announced by the government will be helpful.
- Commercial income from catering and real work experience outlets is expected to be challenging due to social distancing requirements.
- NCG expects to incur higher costs of running the colleges due to the cleaning and property costs associated with achieving social distancing.

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. Short-term borrowing for temporary revenue purposes is authorised by the Chief Executive. All other borrowing requires the authorisation of the Corporation and complies with the requirements of the Financial Memorandum of the ESFA.

Cash flows and Liquidity

Cash flow generated from operating activities amounted to £5,913,000 (2019: net outflow of £2,916,000). The outflow in 2018/19 was linked to the closure of the training provider businesses.

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.

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

Reserves Policy

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

Principal risks and uncertainties

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.

Report of the members of the corporation for the year ended 31 July 2020

Strategic report (continued)

Principal risks and uncertainties (continued)

Market and political risks

Risk description and impact	Mitigation of risk
<p>Impact of Covid-19 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 Governments ability to fund further education. There is a particular risk around recruitment of apprenticeships and commercial income.</p>	<p>NCG currently has all of its colleges open and operating with social distancing rules in line with government guidelines. NCG is running a mix of face to face, online and distanced learning to reduce the risks to learners and teachers and as a reaction to the capacity challenges that arise from running facilities in a socially distanced manner. NCG will be 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 have procured additional laptops out of bursary funds for qualifying learners to help make it possible for people in digital poverty to still learn. Those professional service colleagues who can work from home are working from home for the protection of learners and colleagues. NCG continues to utilise the job retention scheme for unutilised catering colleagues.</p> <p>Currently it is government policy to continue to fund further education during the pandemic and the government has indicated that further education will be key in helping the economy to recover post the pandemic.</p>
<p>Learner Recruitment 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>
<p>Brexit 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.</p>	<p>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.</p>
<p>Political change Risk that the Group fails to influence and / or respond to political change.</p>	<p>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.</p>

Report of the members of the corporation for the year ended 31 July 2020

Strategic report (continued)

Principal risks and uncertainties (continued)

Operational risks

Risk description and impact	Mitigation of risk
Major incident 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. This, along with continued investment into IT and operational infrastructure, will allow continued confidence in our recovery arrangements.
Customer Expectations 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.
Quality and performance of our education and training 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 is continues to achieve good traction.
Property Infrastructure 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.
Staffing 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.
Stakeholders / Partners 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.
Culture 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 2020

Strategic report (continued)

Principal risks and uncertainties (continued)

Financial risks

Risk description and impact	Mitigation of risk
Liquidity 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
Credit 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.
Interest Rate 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.
Training provider wind down Risk that unforeseen material liabilities arise as part of the training provider formal insolvency process.	The wind down plan included a quantification of known liabilities. Cash flow modelling includes contingencies to cover unforeseen liabilities.

Compliance risks

Risk description and impact	Mitigation of risk
External Compliance and Validation 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.
Learner Records 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.

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.

Report of the members of the corporation for the year ended 31 July 2020

Strategic report (continued)

Principal risks and uncertainties (continued)

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.

Trade union facility time

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 2019 to 31 March 2020 which is the reporting period required (and 1 April 2018 to 31 March 2019 for comparison).

	2020	2019
Relevant Union Officials during the period		
Number of employees	13.0	23.0
Full time equivalent number of employees	12.9	21.3

Percentage of time spent on facility time

13 employees who were relevant Union Officials spent between 1 and 50% of their working hours on facility time (2019: 23 employees).

Percentage of pay bill spent on facility time

Total cost of facility time (£000's)	44	83
Total pay bill (£000's)	81,569	79,955
Percentage of total bill spent on facility time	0.05%	0.10%

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

Total paid facility hours	2,347.8	5,190.2
Total Union activity hours	116.0	-
Percentage of facility hours spent on Union activities	4.94%	0.00%

Supplier payment policy and practice

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During the accounting period 1 August 2019 to 31 July 2020, NCG paid 94.02% (2019: 90.65%) of its invoices within 30 days. NCG incurred £127 of interest charges in respect of late payment for this period (2019: £63).

Report of the members of the corporation for the year ended 31 July 2020

Strategic report (continued)

Corporate Social Responsibility

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:

- 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.
- 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.
- We donated PPE to key workers at the start of the pandemic.

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 2019/20:

- Electric Vehicle (EV) charging points installed at Newcastle College, West Lancashire College and Carlisle College led, to encourage staff and students to adopt electric vehicles and allow for a transition to EV fleet vehicles.
- All colleges in the group are at Silver award for Eco Campus 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
- Tree planting programme that will see 500 trees planted across our estate
- Environmental & Waste management policies have been approved and implemented
- Approval of an environmental strategy which will target 50% CO2 reduction by 2030
- 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.

Report of the members of the corporation for the year ended 31 July 2020

Strategic report (continued)

Promoting equality and valuing diversity

NCG is committed to ensuring equality of opportunity for all students, clients and employees; we respect and value diversity. As such, NCG is committed to meet the requirements of the Equality Act 2010 in relation to the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The NCG Equality Strategy 2019-23 sets out our equality aims, specific equality objectives and roles and responsibilities. The progress against the previous (2014-18) Strategy was reported to Corporation in November 2018, showing improvements across a range of areas. This insight was used to shape updated Policy and processes and local and NCG plans for 18/19.

The Equality Policy and approach to how we create impactful plans to create greater equality, diversity and inclusion was presented to Board in May 2019 and includes our expectation that our colleagues will challenge extremist ideas. NCG Policy is supported at all Colleges and Equality, Diversity & Inclusion is reviewed at local College Board level in support of the overall NCG Strategy/ Policy. This is in recognition of the geographical spread of NCG and the diverse nature of our student and learner demographic. This strategy aims to provide Group wide direction; providing equality, diversity and inclusion themes around which local action plans have been developed. Local actions will be prioritised and targeted based on current local performance, and phased over a four-year period.

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.

Disclosure of information to the auditor

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which 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 15 December 2020 and signed on its behalf by:



Peter Lauener
(Chair of the Corporation)
15 December 2020

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 2019 to 31 July 2020 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 AoC Code of Good Governance.

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
Mr Peter Lauener	Mar-18	Mar-22	Chair of Governors	N/A	<ul style="list-style-type: none"> Appraisal and Remuneration Committee Search Committee Subsidiary Board (Chair) until Mar 20 Premises and Estates (New Committee – Sep 20)
Mr 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"> Appraisal and Remuneration Committee Search Committee (Chair) Premises and Estates (New Committee – Sep 20)
Mr 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"> Audit Committee (Chair)
Prof 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"> Appraisal and Remuneration Committee HE Governance Committee (Chair) Search Committee
Mr 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"> Appraisal and Remuneration Committee (Chair) Audit Committee Search Committee
Mrs Jeannette Strachan	Feb -20	Feb-24	Independent Governor	N/A	<ul style="list-style-type: none"> HE Governance Committee (from Sep 20) Audit Committee (from Sep 20)
Mr Andrew Cunningham	Jun -20	Jun-24	Independent Governor	N/A	<ul style="list-style-type: none"> Audit Committee (from Sep 20) Appraisal and Remuneration Committee (from Sep 20)
Mr Chris McCourt	Jun -20	Jun-24	Independent Governor	N/A	<ul style="list-style-type: none"> Audit Committee (from Sep 20)
Mr Robert Holt	Jun -20	Jun-24	Independent Governor	N/A	<ul style="list-style-type: none"> Premises and Estates (New Committee – Sep 20)

Statement of corporate governance and internal control

The Corporation (continued)

Name	Appointment	End of Appointment	Category of Appointment	Reappointment Details	Committees Served
Mr Matthew Otubu	Jun -20	Jun-24	Independent Governor	N/A	<ul style="list-style-type: none"> HE Governance Committee (from Sep 20)
Mrs Shirley Atkinson	Jun -20	Jun-24	Independent Governor	N/A	<ul style="list-style-type: none"> HE Governance Committee (from Sep 20)
Mr John Widdowson	Sep-20	Sep-24	Independent Governor	N/A	<ul style="list-style-type: none"> Premises and Estates (New Committee – Sep 20)
Mrs Jennifer Mitchelson	Feb-20	Feb-22	Staff Governor	N/A	<ul style="list-style-type: none"> None
Mr Brian Archibald	Oct-19	Dec-19	Staff Governor	N/A	<ul style="list-style-type: none"> None
Mr Cameron Hartley	Jul-19	Jul-20	Student Governor	N/A	N/A
Mr Chris Payne	Oct-18	Aug-19	Interim CEO (Ex-Officio)	N/A	<ul style="list-style-type: none"> HE Governance Committee Search Committee
Mrs Liz Bromley	Aug-19	N/A	CEO (Ex-Officio)	N/A	<ul style="list-style-type: none"> HE Governance Committee Search Committee

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	10	12
John Cuthbert, Independent Governor	10	12
Mark Squires, Independent Governor	10	12
Caroline MacDonald, Independent Governor	12	12
Jeannette Strachan, Independent Governor (Appointed 4th February 2020)	7	7
Andrew Cunningham, Independent Governor (Appointed 11th June 2020)	1	1
Chris McCourt, Independent Governor (Appointed 11th June 2020)	1	1
Robert Holt, Independent Governor (Appointed 11th June 2020)	1	1
Matthew Otubu, Independent Governor (Appointed 11th June 2020)	1	1
Shirley Atkinson, Independent Governor (Appointed 11th June 2020)	1	1
Jennifer Mitchelson, Staff Governor (Appointed 12th February 2020)	4	4
Brian Archibald, Staff Governor (Appointed 8th October 2019 / Resigned 31st December 2019)	2	2
Cameron Hartley, Student Governor (Term of office ended 1st July 2020)	6	9
Chris Payne, Interim CEO (Resigned with effect from August 2019)	0	0
Liz Bromley, CEO (Appointed with effect from August 2019)	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)

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 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. 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

Any new appointments to the Corporation are a matter for consideration by the Corporation as a whole.

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

The Search Committee met on six 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)	5	6
Mark Squires	6	6
Caroline MacDonald	6	6
Peter Lauener	6	6

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.

During the 19-20 Academic Year, 6 new Independent Governors were appointed to the Corporation Board via the Search Committee, with a further Independent Governor being appointed at the start of the 20-21 Academic year.

The Corporation used a mix of resources to assist with recruitment, including external recommendations, and external recruitment agencies.

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

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 Only)
- At least 6 Independent Members

The College Boards will normally meet 6 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)

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

The Local Boards are responsible at a local level for ensuring the effective and efficient use of resources, the solvency of the institution and the Corporation and safeguarding their assets. To allow them to do this, the College Boards have to carry out the following:

- Locally approve and recommend to the Corporation Board the College Business plan.
- Monitor the performance and progress against Group and locally agreed financial and quality KPIs.
- Locally approve and recommend the FE fee levels.
- Locally approve and recommend the HE fee levels.
- Receipt and scrutinise Group Assurance reporting, ensuring any concerns are addressed and included within the College Board annual report (where necessary).
- Receipt and scrutinise 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).

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
Grant Glendinning	N/A	N/A	Principal		5	5
Darren Crossley	Mar-20	Mar-24	Independent	Mar-17; Mar-20	4	5
Brian Hough	Dec-17	Dec-20	Independent		4	5
Joanne Stronach	Dec-17	Dec-20	Independent		4	5
Chetna Reay	Jul-19	Jul-23	Independent		4	5
Nigel Woodcock	Jul-19	Jul-23	Independent		4	5
Andrew Abernathy	Jul-19	Jul-23	Independent		5	5
Kimberley Ruddick	Oct-18	Oct-21	Staff		5	5
Harry Hogarth	Nov-19	Mar-20	Student		1	1
Patrick McGahon	Sep-17	Jun-20	Independent		4	5

Kidderminster College Board						
Name	Appointment	End of Appointment	Category of Appointment	Reappointment Details	Meetings attended	Out of a possible
Andy Dobson	N/A	N/A	Principal		5	5
Matthew Terry	Mar-17	Mar-21	Independent		4	5
Craig Fenney	Mar-20	Mar-24	Independent		2	2
Don Beckett	Mar-17	Mar-21	Independent		3	5
Mark Garnier	Mar-17	Mar-21	Independent		0	5
Sandra Hickman	Mar-17	Mar-21	Independent		5	5
Brian Seaby	Mar-17	Mar-21	Independent		3	5
Cathy Shaw	Mar-20	Mar-24	Independent		2	2
Lucy Bennett	Mar-17	Mar-21	Independent		2	3
Peter Gennard	Oct-19	Aug-21	Staff		4	5
Maria Ilnica Dima	Oct-19	Jul-20	Student		4	5

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		3	3
Simon Russell	May-20	May-24	Independent		2	2
Lekhnath Pandey	Jan-20	May-23	Independent	May-15; Jan-20	3	3
Hilary Moore	Dec-14	Dec-22	Independent	Dec-14; Jan-20	2	3
Jinlin Jin	Jan-20	Dec-23	Independent		3	3
Phoebe Juggins	Feb-20	Feb-24	Independent		3	3
Olivia Gowie	Feb-20	Feb-24	Independent		2	3
Edward Dent	May-20	May-24	Independent		1	2
David Wilson	Dec-13	May-20	Independent		3	3
Selena Bolingbroke	Mar-20	Jul-20	Independent		2	2
Jane Hoyle	Dec-19	Dec-21	Staff		3	3
Christina Maw	Dec-19	Aug-20	Staff		1	3
Ahmad Wakili	Feb-20	Jul-20	Student		2	3

* The Lewisham Southwark College Board split with effect from 31 December 2019 and the meetings above include the Lewisham College Board only.

Newcastle College Board						
Name	Appointment	End of Appointment	Category of Appointment	Reappointment Details	Meetings attended	Out of a possible
Tony Lewin	N/A	Jun-20	Principal		4	4
Scott Bullock	N/A	N/A	Principal		1	1
Alex Turner	Jul-19	Jul-23	Independent		5	5
Abu Ali	Nov-17	Nov-20	Independent		4	5
Sue McArdle	Nov-19	Nov-21	Independent	Nov-17; Nov-19	4	5
Lynne Shaw	Nov-17	Nov-20	Independent		5	5
Jonathan Eaton	Feb-20	Feb-24	Independent		2	2
Val Bailey	May-19	May-22	Independent		5	5
David Lowes	Sep-18	Sep-21	Staff		1	5
Cameron Hartley	May-19	Jun-20	Student		4	5
Ian Dormer	May-17	Sep-19	Independent		1	1
Kevin Appleby	Nov-17	Nov-19	Student		2	2

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		5	5
Peter Watson	Oct-17	Jul-20	Independent		2	4
Geoff Phillips	Feb-18	Feb-21	Independent		5	5
Jason Wainwright	Feb-18	Feb-21	Independent		4	5
Paul Atkinson	Dec-18	Dec-21	Independent		5	5
Lesley Pender	Sep-19	Sep-23	Independent		3	5
Suzanne Crozier	Aug-20	Jul-24	Independent	Dec-18; Aug-20 (former parent governor)	5	5
Emma Stubbs	Aug-20	Jan-21	Independent		N/A	N/A
David Shaw	Sep-18	Sep-19	Staff		0	0
Matthew Enright	Nov-19	Jul-20	Staff		4	4
Denise Chapim	Feb-20	Dec-20	Student		1	2
Clark Kent Chavez	Nov-18	Dec-19	Student		1	2

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		4	4
Ade Adebambo	Jan-20	Aug-20	Independent	Aug-12; Jan-20	3	4
Elaine Hawkins	Jan-20	Dec-22	Independent	Dec-14; Jan-20	4	4
Stephanie Cryan	Feb-20	Jul-23	Independent	Jul-19; Jan-20	3	4
Sinead O'Sullivan	Feb-20	Feb-24	Independent		1	4
John Jeffcock	Feb-20	Feb-24	Independent		4	4
Damien Williams	Feb-20	Feb-22	Staff		2	4
Luisa Saunders	Feb-20	Feb-22	Staff		3	4
Amir Javardi	Feb-20	Jul-20	Student		3	4

* The Lewisham Southwark College Board split with effect from 31 December 2019 and the meetings above include the Southwark College Board only.

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-18	Jan-21	Independent		6	6
Paula Gamester	Nov-19	Nov-23	Independent		4	4
Kim Webber	Mar-17	Sep-19	Independent		1	1
Dawn Paine	May-19	May-23	Independent		5	6
Jane Galbraith	Mar-19	Mar-23	Independent		2	6
Mike Maguire	Jun-19	Jun-23	Independent		6	6
Tony Rankin	Mar-17	Mar-20	Independent		1	4
Vicky Hayes	Dec-18	Dec-19	Staff		2	3
Leonie Darby	Feb-20	Feb-22	Staff		3	3
Bence Gebei	Dec-18	Feb-22	Student		3	6

Lewisham Southwark College Board*						
Name	Appointment	End of Appointment	Category of Appointment	Reappointment Details	Meetings attended	Out of a possible
Nigel Peet	Dec-14	Sep-19	Independent		N/A	N/A
John Litchfield	Aug-17	Dec-19	Independent		N/A	N/A
Kass Stone	Dec-18	Oct-19	Staff		N/A	N/A

* Lewisham Southwark used to be a single college, and therefore had a joint College Board. With effect from 1 August 2019 the Colleges separated, and the Boards were split with effect from 31 December 2019.

Appraisal & Remuneration Committee

The Appraisal & Remuneration Committee comprises three members of the Corporation (there is currently one vacancy). 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 two 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)	2	2
Caroline MacDonald	2	2
Peter Lauener	2	2

Statement of corporate governance and internal control

Appraisal & Remuneration Committee (continued)

A Senior Leadership Incentive Scheme is available to all Senior Post Holders and identified senior leaders within the business and has been designed to be both transparent and objective. To achieve the maximum available award, a College, or where relevant, NCG, has to be Quality assessed as Ofsted Outstanding and the Financial Surplus must be exceeded by an agreed amount.

The Rewards under the scheme are as follows: Quality assessed as Ofsted Good releases 25% of a maximum individual award, Quality assessed as Ofsted Outstanding releases 50% of a maximum individual award, Financial Surplus achieved releases 25% of a maximum individual award and Financial Surplus exceeded releases 50% of a maximum individual award.

Details of remuneration for the year ended 31 July 2020 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises two independent members of the Corporation (there are currently two vacancies). 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)	5	5
Mark Squires	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.

Statement of corporate governance and internal control

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 Governor 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
Chris Payne, Interim CEO (Resigned August 2019)	0	0
Chris Roberts (Joined February 2019)	4	4
Liz Bromley (Appointed August 2019)	4	4
Alan Houston (co-opted member)	1	4
Nicky Rutherford – Student Governor	3	3

Internal control

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.

Statement of corporate governance and internal control

Internal control (continued)

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.

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 of corporate governance and internal control

Internal control (continued)

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 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Audit Committee, financial statements and internal audit, and taking account of events since 31 July 2020.


Statement of corporate governance and internal control

Internal control (continued)

Going concern

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 15 December 2020 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 15 December 2020 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 2015 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 15 December 2020 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 2020 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheet, the Consolidated Cash Flow Statement 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 College's affairs as at 31 July 2020 and of the College's surplus of income over expenditure 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 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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NCG CORPORATION

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters 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; and
- we have not received all the information and explanations we require for our audit. have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Responsibilities of the Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 34, 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 College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NCG CORPORATION

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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 College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed.



Mazars LLP
Chartered Accountants and Statutory Auditor
Salvus House
Durham
DH1 5TS

Date 15/12/2020

Statement of comprehensive income

NCG (Group)	Notes	Year ended 31 July 2020			Year ended 31 July 2019		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		£000	£000	£000	£000	£000	£000
INCOME							
Funding body grants	2	99,184	(1,093)	98,091	97,457	8,453	105,910
Tuition fees and education contracts	3	26,627	(22)	26,605	27,167	293	27,460
Other grants and contracts	4	1,808	349	2,157	3,470	7,858	11,328
Other income	5	2,785	86	2,871	3,574	78	3,652
Investment income	6	82	-	82	172	-	172
Total income		130,486	(680)	129,806	131,840	16,682	148,522
EXPENDITURE							
Staff costs	8	85,377	928	86,305	77,258	13,124	90,382
Restructuring costs	8	296	216	512	448	891	1,339
Other operating expenses	9	31,496	240	31,736	39,921	11,864	51,785
Depreciation	14	13,762	-	13,762	14,035	152	14,187
Interest payable and other finance costs	11	1,821	54	1,875	1,541	224	1,765
Total expenditure		132,752	1,438	134,190	133,203	26,255	159,458
Surplus/(Deficit) before other gains and losses		(2,266)	(2,118)	(4,384)	(1,363)	(9,573)	(10,936)
Loss on disposal of assets	14	(370)	(274)	(644)	-	(25)	(25)
Revaluation of Investment Properties	15	(908)	-	(908)	-	-	-
Gain on investments	13	-	2,827	2,827	-	-	-
Surplus/(Deficit) before tax		(3,544)	435	(3,109)	(1,363)	(9,598)	(10,961)
Taxation	12	-	-	-	-	-	-
Surplus/(deficit)		(3,544)	435	(3,109)	(1,363)	(9,598)	(10,961)
Actuarial (loss)/gain in respect of pension schemes	26	(43,877)	407	(43,470)	(24,701)	(1,262)	(25,963)
Total comprehensive (loss)/ gain for the year		(47,421)	842	(46,579)	(26,064)	(10,860)	(36,924)

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.

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)

NCG (Group)	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations £000	Discontinued operations £000	Total £000	Continuing operations £000	Discontinued operations £000	Total £000
Deficit/ (Surplus) before other gains and losses	(2,266)	(2,118)	(4,384)	(1,363)	(9,573)	(10,936)
Less Capital grant release income	(5,979)	-	(5,979)	(4,076)	-	(4,076)
Investment income	(82)	-	(82)	(172)	-	(172)
Add Depreciation	13,762	-	13,762	14,035	152	14,187
Interest payable and other finance costs	1,821	54	1,875	1,541	224	1,765
Add LGPS Costs	9,730	13	9,743	6,599	505	7,104
Less LGPS Employer Contributions Paid	(5,823)	(302)	(6,125)	(5,133)	(946)	(6,079)
EBITDA	11,163	(2,353)	8,810	11,431	(9,638)	1,793

Statement of comprehensive income

NCG (Colleges)	Notes	Year ended 31 July 2020			Year ended 31 July 2019		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		£000	£000	£000	£000	£000	£000
INCOME							
Funding body grants	2	99,184	(760)	98,424	97,457	-	97,457
Tuition fees and education contracts	3	26,627	-	26,627	27,167	-	27,167
Other grants and contracts	4	1,808	40	1,848	3,470	-	3,470
Other income	5	2,785	-	2,785	3,574	-	3,574
Investment income	6	82	-	82	172	-	172
Total income		130,486	(720)	129,766	131,840	-	131,840
EXPENDITURE							
Staff costs	8	85,377	8,794	94,171	77,258	-	77,258
Restructuring costs	8	296	46	342	448	-	448
Other operating expenses	9	31,496	4,122	35,618	39,920	7,340	47,260
Depreciation	14	13,762	-	13,762	14,035	-	14,035
Interest payable and other finance costs	11	1,821	-	1,821	1,541	-	1,541
Total expenditure		132,752	12,962	145,714	133,202	7,340	140,542
Deficit before other gains and losses		(2,266)	(13,682)	(15,948)	(1,362)	(7,340)	(8,702)
Loss on disposal of assets	14	(370)	27	(343)	-	-	-
Revaluation of Investment Properties	15	(908)	-	(908)	-	-	-
Deficit before tax		(3,544)	(13,655)	(17,199)	(1,362)	(7,340)	(8,702)
Taxation	12	-	-	-	-	-	-
Deficit		(3,544)	(13,655)	(17,199)	(1,362)	(7,340)	(8,702)
Actuarial (loss)/gain in respect of pension schemes	26	(43,877)	-	(43,877)	(24,700)	-	(24,700)
Total comprehensive loss for the year		(47,421)	(13,655)	(61,076)	(26,062)	(7,340)	(33,402)

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.

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)

NCG (Colleges)	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations £000	Discontinued operations £000	Total £000	Continuing operations £000	Discontinued operations £000	Total £000
Deficit before other gains and losses	(2,266)	(13,682)	(15,948)	(1,362)	(7,340)	(8,702)
Less Capital grant release income	(5,979)	-	(5,979)	(4,076)	-	(4,076)
Investment income	(82)	-	(82)	(172)	-	(172)
Add Depreciation	13,762	-	13,762	14,035	-	14,035
Interest payable and other finance costs	1,821	-	1,821	1,541	-	1,541
Add LGPS Costs	9,730	8,899	18,629	6,599	-	6,599
Less LGPS Employer Contributions Paid	(5,823)	-	(5,823)	(5,133)	-	(5,133)
EBITDA	11,163	(4,783)	6,380	11,432	(7,340)	4,092

Statement of changes in reserves

	Income and expenditure account £000	Revaluation reserve £000	Total £000
NCG (Group)			
Balance at 1 August 2018	145,547	6,044	151,591
Deficit from the income and expenditure account - continuing operations	(1,363)	-	(1,363)
Deficit from the income and expenditure account - discontinued operations	(9,598)	-	(9,598)
Other comprehensive income	(25,963)	-	(25,963)
Transfers between revaluation and income and expenditure reserves	201	(201)	-
	<u>(36,723)</u>	<u>(201)</u>	<u>(36,924)</u>
Balance at 31 July 2019	108,824	5,843	114,667
Deficit from the income and expenditure account - continuing operations	(3,544)	-	(3,544)
Deficit from the income and expenditure account - discontinued operations	435	-	435
Other comprehensive loss	(43,470)	-	(43,470)
Transfers between revaluation and income and expenditure reserves	201	(201)	-
Total comprehensive loss for the year	<u>(46,378)</u>	<u>(201)</u>	<u>(46,579)</u>
Balance at 31 July 2020	<u>62,446</u>	<u>5,642</u>	<u>68,088</u>
NCG (Colleges)			
Balance at 1 August 2018	156,522	6,044	162,566
Deficit from the income and expenditure account - continuing operations	(1,362)	-	(1,362)
Deficit from the income and expenditure account - discontinued operations	(7,340)	-	(7,340)
Other comprehensive income	(24,700)	-	(24,700)
Transfers between revaluation and income and expenditure reserves	201	(201)	-
	<u>(33,201)</u>	<u>(201)</u>	<u>(33,402)</u>
Balance at 31 July 2019	123,321	5,843	129,164
Deficit from the income and expenditure account - continuing operations	(3,544)	-	(3,544)
Deficit from the income and expenditure account - discontinued operations	(13,655)	-	(13,655)
Other comprehensive loss	(43,877)	-	(43,877)
Transfers between revaluation and income and expenditure reserves	201	(201)	-
Total comprehensive loss for the year	<u>(60,875)</u>	<u>(201)</u>	<u>(61,076)</u>
Balance at 31 July 2020	<u>62,446</u>	<u>5,642</u>	<u>68,088</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 sheets as at 31 July


	Notes	NCG (Group) 2020 £000	NCG (Colleges) 2020 £000	NCG (Group) 2019 £000	NCG (Colleges) 2019 £000
Fixed assets					
Tangible assets	14	254,766	254,766	269,513	269,506
Investment property	15	2,880	2,880	-	-
		257,646	257,646	269,513	269,506
Current assets					
Tangible assets	14	-	-	82	-
Assets held for sale	16	431	431	657	431
Stocks	17	75	75	124	124
Debtors	18	3,091	3,091	4,811	3,616
Cash and cash equivalents	23	13,014	13,014	12,413	12,401
		16,611	16,611	18,087	16,572
Less: Creditors - amounts falling due within one year	19	18,671	18,671	26,516	20,585
Net current (liabilities)/assets		(2,060)	(2,060)	(8,429)	(4,013)
Total assets less current liabilities		255,586	255,586	261,084	265,493
Creditors - amounts falling due after more than one year	20	73,923	73,923	79,022	79,022
Provisions					
Defined benefit pension obligations	26	108,390	108,390	60,574	50,486
Other provisions	22	5,185	5,185	6,821	6,821
Total net assets		68,088	68,088	114,667	129,164
Unrestricted reserves					
Revaluation reserve		5,642	5,642	5,843	5,843
Income and expenditure account		62,446	62,446	108,824	123,321
Total unrestricted reserves		68,088	68,088	114,667	129,164

For the purposes of this Statement:

NCG (Group) – is the consolidation of the colleges and the two subsidiary training providers. In 2020 this will be the same as NCG (Colleges) as the Training Providers are no longer controlled by NCG Corporation.

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

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


Peter Lauener
(Chair of the Corporation)
15 December 2020


Liz Bromley
(Chief Executive)
15 December 2020

Consolidated statement of cash flows

NCG (Group)	Notes	2020 £000	2019 £000
Cash flow from operating activities			
Deficit for the year		(3,109)	(10,961)
Depreciation		13,762	14,187
Deferred capital grants released to income		(5,979)	(4,076)
Decrease in stocks		51	13
Decrease in debtors		836	5,057
Decrease in creditors due in less than 1 year		(2,837)	(9,688)
(Decrease)/increase in provisions		(977)	711
Pensions costs less contributions payable		4,895	1,144
Adjustment for investing or financing activities			
Investment income		(82)	(172)
Interest payable		627	843
Profit on sale of fixed assets		644	26
Revaluation of Investment Properties		908	-
Gain on investments		(2,827)	-
Net cash inflow/ (outflow) from operating activities		5,913	(2,916)
Cash flows from investing activities			
Investment income		83	171
Capital grants received		400	249
Payments made to acquire fixed assets		(3,244)	(2,949)
Cash transferred to Insolvency Practitioners on disposal of training provider entities		(74)	-
		(2,835)	(2,529)
Cash flows from financing activities			
Interest paid		(622)	(847)
Repayments of amounts borrowed		(1,855)	(7,092)
		(2,477)	(7,939)
Increase/(decrease) in cash and cash equivalents in the year			
	23	601	(13,384)
Cash and cash equivalents at beginning of the year		12,413	25,797
Cash and cash equivalents at end of the year		13,014	12,413

Notes to the financial statements

at 31 July 2020

1. Accounting policies

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 2019 to 2020* 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 and Discovery Learning Limited have not been consolidated because NCG (Group) does not control those activities.

All financial statements are made up to 31 July 2020. 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)”) and excludes the two subsidiary training companies. The training subsidiaries were consolidated into the Statement of Comprehensive income up to the date they went into formal insolvency. In 2019 they were accounted for on a break up basis where all assets and liabilities were classified as current.

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

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

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.

Notes to the financial statements

at 31 July 2020

1. Accounting policies (continued)

Going concern (continued)

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.

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 taking into account the defined tolerance for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year-end reconciliation process with the funding body following the year-end, and the results of any funding audits. 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.

Notes to the financial statements

at 31 July 2020

1. Accounting policies (continued)

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.

Accounting for post-employment benefits

Post-employment benefits to employees of NCG (Group) are principally 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).

Notes to the financial statements

at 31 July 2020

1. Accounting policies (continued)

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.

Other 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 26.

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.

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.

Notes to the financial statements

at 31 July 2020

1. Accounting policies (continued)

Non-current assets - tangible fixed assets (continued)

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.

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.

In 2019, the net book value of Tangible Fixed Assets in the Training providers was transferred into current assets consistent with accounting under a break up basis. At the balance sheet date of 31 July 2020 all assets had been disposed of along with all other assets and liabilities due to the entities going into formal insolvency during the year.

Notes to the financial statements

at 31 July 2020

1. Accounting policies (continued)

Non-current assets - tangible fixed assets (continued)

Investment Properties

Investment properties are measured at fair value annually and any changes to the value goes through the Statement of Comprehensive Income.

At the 31 July 2020, NCG's property portfolio was reviewed and one building, 100 St James' Boulevard was considered to now meet the criteria of being an investment property as it was not being used for supply of services or for formal insolvency purposes and was being held to earn rentals. This building has been reclassified as an investment property and was measured by an independent valuer, Lambert Smith Hampton whose employees are a RICS Registered Valuer.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. The valuation that Lambert Smith Hampton has produced is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global.

Borrowing costs

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

Leased assets

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

Notes to the financial statements

at 31 July 2020

1. Accounting policies (continued)

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.

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. During the year the training provider companies were part of the HRMC approved VAT Group.

NCG (Group) training provider entities are subject to corporation tax and VAT in the same way as any commercial organisation, with the exception of Rathbone which up until it went into formal insolvency was a registered charity and therefore not liable to corporation tax.

Notes to the financial statements

at 31 July 2020

1. Accounting policies (continued)

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 2020

1. Accounting policies (continued)

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

- 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 26, 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 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.

Notes to the financial statements at 31 July 2020

2. Funding body grants

NCG (Group)	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Recurrent grants						
Education & Skills Funding Agency - adult	13,530	190	13,720	27,347	1,329	28,676
Devolved Adult Education Budget	10,696	-	10,696	-	-	-
Education & Skills Funding Agency - 16-19	59,142	1	59,143	57,912	2,849	60,761
Education & Skills Funding Agency - apprenticeships	6,097	(1,284)	4,813	6,313	4,275	10,588
Office for Students	1,522	-	1,522	1,809	-	1,809
Specific grants						
Education & Skills Funding Agency - provider relief scheme	182	-	182	-	-	-
Teacher Pension Scheme contribution grant	1,963	-	1,963	-	-	-
Releases of government capital grants	5,979	-	5,979	4,076	-	4,076
Office for Students - Challenge grant	73	-	73	-	-	-
	99,184	(1,093)	98,091	97,457	8,453	105,910

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

NCG (Colleges)	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Recurrent grants						
Education & Skills Funding Agency - adult	13,530	-	13,530	27,347	-	27,347
Devolved Adult Education Budget	10,696	-	10,696	-	-	-
Education & Skills Funding Agency - 16-19	59,142	-	59,142	57,912	-	57,912
Education & Skills Funding Agency - apprenticeships	6,097	(760)	5,337	6,313	-	6,313
Office for Students	1,522	-	1,522	1,809	-	1,809
Specific grants						
Education & Skills Funding Agency - provider relief scheme	182	-	182	-	-	-
Teacher Pension Scheme contribution grant	1,963	-	1,963	-	-	-
Releases of government capital grants	5,979	-	5,979	4,076	-	4,076
Office for Students - Challenge grant	73	-	73	-	-	-
	99,184	(760)	98,424	97,457	-	97,457

3. Tuition fees and education contracts

NCG (Group)	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Adult education fees	563	-	563	707	-	707
Apprenticeship fees and contracts	105	(27)	78	247	107	354
Fees for FE loan supported courses	3,314	-	3,314	3,143	-	3,143
Fees for HE loan supported courses	17,115	-	17,115	16,840	-	16,840
International students fees	560	-	560	836	-	836
Total tuition fees	21,657	(27)	21,630	21,773	107	21,880
Education contracts	4,970	5	4,975	5,394	186	5,580
	26,627	(22)	26,605	27,167	293	27,460

Notes to the financial statements

at 31 July 2020

3. Tuition fees and education contracts (continued)

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 £2,876,000 (2019: £2,839,000). 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 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Adult education fees	563	-	563	707	-	707
Apprenticeship fees and contracts	105	-	105	247	-	247
Fees for FE loan supported courses	3,314	-	3,314	3,143	-	3,143
Fees for HE loan supported courses	17,115	-	17,115	16,840	-	16,840
International students fees	560	-	560	836	-	836
Total tuition fees	21,657	-	21,657	21,773	-	21,773
Education contracts	4,970	-	4,970	5,394	-	5,394
	26,627	-	26,627	27,167	-	27,167

4. Other grants and contracts

NCG (Group)

	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Erasmus	57	-	57	112	-	112
European Commission	1,088	(23)	1,065	3,207	562	3,769
Other grants and contracts	73	372	445	151	7,296	7,447
Coronavirus Job Retention Scheme grant	590	-	590	-	-	-
	1,808	349	2,157	3,470	7,858	11,328

Other grants and contracts made up of:

NCG (Group)

	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Department for Work and Pensions	-	63	63	-	971	971
Welsh Government	-	(78)	(78)	-	2,538	2,538
Skills Development Scotland	-	272	272	-	2,678	2,678
Subcontracted income	-	115	115	-	1,130	1,130
Other	73	-	73	151	(21)	130
	73	372	445	151	7,296	7,447

Notes to the financial statements

at 31 July 2020

4. Other grants and contracts (continued)

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

NCG (Colleges)

	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Erasmus	57	-	57	112	-	112
European Commission	1,088	-	1,088	3,207	-	3,207
Other grants and contracts	73	40	113	151	-	151
Coronavirus Job Retention Scheme grant	590	-	590	-	-	-
	1,808	40	1,848	3,470	-	3,470

Other grants and contracts made up of: NCG (Colleges)

	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Department for Work and Pensions	-	40	40	-	-	-
Other	73	-	73	151	-	151
	73	40	113	151	-	151

5. Other income

NCG (Group)

	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Catering	766	-	766	957	-	957
Miscellaneous income	2,019	86	2,105	2,617	78	2,695
	2,785	86	2,871	3,574	78	3,652

NCG (Colleges)

	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Catering	766	-	766	957	-	957
Miscellaneous income	2,019	-	2,019	2,617	-	2,617
	2,785	-	2,785	3,574	-	3,574

Notes to the financial statements at 31 July 2020

6. Investment income

NCG (Group)

	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Other interest receivable	82	-	82	172	-	172
	82	-	82	172	-	172

NCG (Colleges)

	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Other interest receivable	82	-	82	172	-	172
	82	-	82	172	-	172

7. Grant and fee income

NCG (Group)

	Notes	Year ended 31 July 2020			Year ended 31 July 2019		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		£000	£000	£000	£000	£000	£000
Grant income from the OfS		1,804	-	1,804	1,947	-	1,947
Grant income from other bodies							
Education & Skills Funding Agency adult	2	13,530	190	13,720	27,347	1,329	28,676
Devolved Adult Education Budget	2	10,696	-	10,696	-	-	-
Education & Skills Funding Agency 16-19	2	59,142	1	59,143	57,912	2,849	60,761
TPS contribution grant	2	1,963	-	1,963	-	-	-
Fee income for taught awards	3	17,115	-	17,115	16,840	-	16,840
Fee income from non-qualifying courses							
Adult education fees	3	563	-	563	707	-	707
Fees for FE loan supported courses	3	3,314	-	3,314	3,143	-	3,143
International students fees	3	560	-	560	836	-	836
		108,687	191	108,878	108,732	4,178	112,910

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 £162,000 in the year (2019: £169,000).

Continuing operations for this note are equal to the figures for NCG (Colleges).

Notes to the financial statements

at 31 July 2020

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 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Restated Continuing operations	Restated Discontinued operations	Restated Total
	No.	No.	No.	No.	No.	No.
Teaching staff	1,152	3	1,155	1,089	54	1,143
Non teaching staff	1,191	19	1,210	1,100	338	1,438
	2,343	22	2,365	2,189	392	2,581

The prior year figures have been restated as staff numbers were previously disclosed on a full time equivalent (FTE) basis.

NCG (Group)	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	63,505	770	64,275	60,831	11,229	72,060
Social security costs	5,724	85	5,809	5,517	940	6,457
TPS pension costs	6,466	-	6,466	4,311	-	4,311
LGPS pension costs (TWPF)	8,180	40	8,220	5,534	-	5,534
LGPS pension costs (LPFA)	1,500	12	1,512	1,065	30	1,095
Other pension costs	2	21	23	-	925	925
Payroll sub-total	85,377	928	86,305	77,258	13,124	90,382
Exceptional restructuring costs	296	216	512	448	891	1,339
Total staff costs	85,673	1,144	86,817	77,706	14,015	91,721

NCG (Colleges)	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	63,505	30	63,535	60,831	-	60,831
Social security costs	5,724	3	5,727	5,517	-	5,517
TPS pension costs	6,466	-	6,466	4,311	-	4,311
LGPS pension costs (TWPF)	8,180	4	8,184	5,534	-	5,534
LGPS pension costs (LPFA)	1,500	8,756	10,256	1,065	-	1,065
Other pension costs	2	1	3	-	-	-
Payroll sub-total	85,377	8,794	94,171	77,258	-	77,258
Exceptional restructuring costs	296	46	342	448	-	448
Total staff costs	85,673	8,840	94,513	77,706	-	77,706

Notes to the financial statements

at 31 July 2020

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)	Key management personnel		Other higher paid staff	
	2020	Restated 2019	2020	Restated 2019
Bandings based on Emoluments excluding employer pension contributions	No.	No.	No.	No.
£60,000 to £65,000	-	-	10	13
£65,001 to £70,000	-	-	5	1
£70,001 to £75,000	-	-	3	2
£75,001 to £80,000	-	-	3	2
£80,001 to £85,000	-	-	2	2
£85,001 to £90,000	-	2	2	-
£90,001 to £95,000	1	-	-	1
£95,001 to £100,000	1	-	2	-
£100,001 to £105,000	-	2	-	-
£105,001 to £110,000	4	2	-	-
£120,001 to £125,000	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	1	-	-
£160,001 to £165,000	1	-	-	-
£170,001 to £175,000	-	1	-	-
£235,001 to £240,000	1	-	-	-
	11	15	27	21

The prior year comparative has been restated based on the removal of the requirement by the ESFA to disclose the emoluments of higher-paid staff who joined or left part-way through the year as per the Accounts Direction.

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 of key management personnel would have been paid in the £190,001 to £195,000 banding in 2020.

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)	Key management personnel		Other higher paid staff	
	2020	2019	2020	2019
Bandings based on Basic Salary of £100,000 and over	No.	No.	No.	No.
£100,000 to £105,000	-	1	-	-
£105,001 to £110,000	3	3	1	-
£115,001 to £120,000	2	-	-	-
£120,001 to £125,000	1	-	-	-
£135,001 to £140,000	-	1	-	-
£150,001 to £155,000	-	1	-	-
£155,001 to £160,000	-	1	-	-
£160,001 to £165,000	1	-	-	-
£185,001 to £190,000	1	1	-	-
£205,001 to £210,000	1	-	-	-
	9	8	1	-

Notes to the financial statements

at 31 July 2020

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 Financial Officer,
- Chief Operating Officer (who left during the year),
- Executive Director of Governance, Assurance and Risk,
- Executive Director of Quality,
- Principals and Interim Principals of Carlisle College, Kidderminster College, Newcastle College, West Lancashire College, Lewisham College, Southwark College and Newcastle Sixth Form College, and
- in 2019 the Managing and Finance Director of The Intraining Group Limited and Rathbone Training.

NCG (Group)	2020 No.	2019 No.
The number of Key Management Personnel including those who held office for only part of the year, was:	15	15
NCG (Group)	2020 £000	2019 £000
Key Management Personnel emoluments are made up as follows:		
Basic Salary	1,631	1,698
Car Allowance	-	17
Relocation Allowance	9	8
Benefits in Kind - Health Insurance	12	13
	1,652	1,736
Employers Pension Contributions	286	277
Payments in Lieu of Pensions	36	-
Total emoluments	1,974	2,013

The Key Management Personnel emoluments include amounts payable to the Accounting Officer and highest paid officer in 2020, the Chief Executive, of:

NCG (Group)	2020 £000	2019 £000
Basic Salary	200	-
Relocation Allowance	6	-
Payments in Lieu of Pensions	29	-
Benefits in Kind - Health Insurance	2	-
Total emoluments	237	-

The current Accounting Officer and CEO Liz Bromley has been in post from 19 August 2019 to date.

Notes to the financial statements

at 31 July 2020

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 2019 / 2020 academic year the Chair of Corporation rated the CEO as having 'Exceeded Expectations'. 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 Liz Bromley did indeed exceed her expected performance level and that based on sector information her reward package 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 Key Management Personnel emoluments include amounts payable to outgoing Chief Executive and Former Accounting Officer, of:

NCG (Group)	2020 £000	2019 £000
Basic Salary	-	109
Benefits in Kind - Health Insurance	-	1
Pension contributions	-	8
Total emoluments	<u>-</u>	<u>118</u>

The outgoing Chief Executive and Former Accounting Officer was in post from 1 August 2019 to 10 October 2019. Included within salaries above is an amount for payment in lieu of notice of £57,000. In addition to the amounts disclosed as remuneration, £1,800 was paid towards legal fees.

The Key Management Personnel emoluments include amounts payable to Interim Chief Executive and Accounting Officer in 2019, of:

NCG (Group)	2020 £000	2019 £000
Basic Salary	160	129
Benefits in Kind - Health Insurance	2	2
Pension contributions	32	25
Total emoluments	<u>194</u>	<u>156</u>

The Accounting Officer and Interim Chief Executive Officer was in post from 11 October 2018 to 19 August 2019. Prior to October 2018 his role was the Executive Director of Partnerships and Assurance. After 19 August 2019 he became the Deputy Chief Executive Officer.

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.

Notes to the financial statements

at 31 July 2020

8. Staff costs (continued)

Key Management Personnel and Higher Paid Staff (continued)

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

	2020	2019
CEO's basic salary as a multiple of the median of all staff	7.76	6.40
CEO's total remuneration as a multiple of the median of all staff	8.05	6.65

The 2019 pay multiples are based on the Interim CEO's basic salary and remuneration as the CEO was not appointed until 2020.

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

NCG (Group)	2020 £000	2019 £000
Compensation paid to Key Management Personnel		
Contractual compensation	-	2
Non-contractual compensation	50	-
	<u>50</u>	<u>2</u>
NCG (Group)	2020 £000	2019 £000
Compensation paid to staff earning in excess of £60,000 per annum		
Contractual compensation	40	40
Non-contractual compensation	65	100
	<u>105</u>	<u>140</u>

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 £513,000 (2019: £1,007,000).

The number of people to whom compensation has been paid in 2020 was 104 (2019: 196).

The pension contributions in respect of the Interim Chief Executive and 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.

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
- An elected student member in sabbatical office as President of Newcastle College Students Union

These payments have been in relation to their duties as employees of NCG or Student Union 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.

Notes to the financial statements

at 31 July 2020

9. Other operating expenses

NCG (Group)

	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Teaching costs	2,024	14	2,038	2,312	63	2,375
Teaching and other support costs	9,757	737	10,494	13,586	5,510	19,096
Administration costs	5,574	(86)	5,488	7,196	2,002	9,198
Operational costs	6,906	(33)	6,873	7,716	900	8,616
Maintenance costs	2,651	51	2,702	2,592	275	2,867
Examination costs	3,497	23	3,520	3,576	218	3,794
Rent and lease costs	208	(502)	(294)	921	2,688	3,609
Catering, residences and conferences costs	882	5	887	1,121	19	1,140
Bad debt provision	(73)	112	39	376	83	460
Other costs	70	(81)	(11)	524	106	630
	31,496	240	31,736	39,919	11,866	51,785

Other operating expenses include:

NCG (Group)	2020 £000	2019 £000
Auditor's remuneration:		
- External audit (including Regularity Audit)*	66	67
- Other services provided by the external auditor	2	11
Subcontractor costs	3,585	10,824
Hire of assets under operating leases:		
- Land and buildings	762	2,350
- Other	418	520

NCG (Colleges)

	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Teaching costs	2,024	-	2,024	2,312	-	2,312
Teaching and other support costs	9,757	65	9,822	13,586	-	13,586
Administration costs	5,574	75	5,649	7,196	-	7,196
Operational costs	6,906	1	6,907	7,716	-	7,716
Maintenance costs	2,651	-	2,651	2,592	-	2,592
Examination costs	3,497	-	3,497	3,576	-	3,576
Rent and lease costs	208	494	702	921	-	921
Catering, residences and conferences costs	882	-	882	1,121	-	1,121
Bad debt provision	(73)	3,487	3,414	376	7,340	7,716
Other costs	70	-	70	524	-	524
	31,496	4,122	35,618	39,920	7,340	47,260

Other operating expenses include:

NCG (Colleges)	2020 £000	2019 £000
Auditor's remuneration:		
- External audit (including Regularity Audit)*	66	38
- Other services provided by the external auditor	2	-
Subcontractor costs	2,971	6,610
Hire of assets under operating leases:		
- Land and buildings	762	667
- Other	418	507

* External audit fees for NCG (Colleges) for continuing operations are £53,000 (2019: £38,000)

Notes to the financial statements

at 31 July 2020

10. Access and participation expenditure

NCG (Group) & NCG (Colleges)

	Year ended 31 July 2020		
	Staffing £000	Other £000	Total £000
Access investment	224	-	224
Financial support provided to students	-	1,296	1,296
Support for Disabled Students	249	9	258
Research and evaluation	4	-	4
Total access and participation expenditure	477	1,305	1,782

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.

11. Interest payable and other finance costs

NCG (Group) & NCG (Colleges)

	Year ended 31 July 2020			Year ended 31 July 2019		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
On bank loans	627	-	627	843	-	843
Other interest - pensions	1,194	54	1,248	698	224	922
	1,821	54	1,875	1,541	224	1,765

NCG (Colleges)

	Year ended 31 July 2020			Year ended 31 July 2019		
	£000	£000	£000	£000	£000	£000
On bank loans	627	-	627	843	-	843
Other interest - pensions	1,194	-	1,194	698	-	698
	1,821	-	1,821	1,541	-	1,541

12. Taxation

The Intraining Group Limited was liable for Corporation Tax on its taxable profits. No taxable profits were made during the year and accordingly there is no tax charge.

In 2019, the subsidiary company had an unrecognised deferred tax asset at 17% of £6,732,000 comprising tax losses of £6,536,000 and other timing differences of £196,000. A deferred tax asset was never recognised as the criteria under FRS102 was not met. These brought forward losses have not remained within NCG (Group) at the point the subsidiary went into formal insolvency.

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

Notes to the financial statements

at 31 July 2020

13. Intangible fixed assets and investments

NCG – investments

NCG (Colleges)	2020	2019
	£	£
Investments in subsidiary companies	7	8
	7	8

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.

The Corporation has a number of dormant companies, as follows:

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

NCG Corporation owns 100% of the issued ordinary £1 shares of Newcastle College Construction Limited and TWL Training Limited

Disposal of Training Providers

The Training Providers projected that they did not have sufficient funds to complete the orderly wind down of their organisations. The Directors of The Intraining Group Limited and the Trustees of Rathbone Training duly commenced a formal insolvency process on 30 April 2020. The Insolvency Practitioner is Begbies Traynor who have been responsible for both entities since the formal insolvency process began.

At the point of going into formal insolvency, The Intraining Group Limited and Rathbone Training had net liabilities as shown in the table below. These net liabilities have resulted in a gain on the disposal of these entities, which is disclosed in the Statement of Other Comprehensive Income.

	The Intraining Group Limited	Rathbone Training	Total
	£000	£000	£000
Trade and other debtors	1,027	298	1,325
Cash at bank and in hand	65	9	74
Creditors: amounts falling due within one year	(2,063)	(1,623)	(3,686)
Pension liability	-	(540)	(540)
Net liabilities disposed	(971)	(1,856)	(2,827)

Notes to the financial statements

at 31 July 2020

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 (£9,099) less gross liabilities (£9,099) of £nil. 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.

	2020 £000	2019 £000
Income	-	-
Expenses	-	-
At 31 July	-	-

14. Tangible fixed assets

NCG (Group) & NCG (Colleges)

	Land and buildings £000	Plant and equipment £000	Total £000
Cost or valuation:			
At 1 August 2019	369,486	17,042	386,528
Additions	510	2,673	3,183
Disposals	(423)	-	(423)
Transfer to investment property	(4,153)	-	(4,153)
At 31 July 2020	365,420	19,715	385,135
Depreciation:			
At 1 August 2019	104,162	12,853	117,015
Charge for year	12,047	1,715	13,762
Disposals	(43)	-	(43)
Transfer to investment property	(365)	-	(365)
At 31 July 2020	115,801	14,568	130,369
Net book value at 31 July 2020	249,619	5,147	254,766
Net book value at 1 August 2019	265,324	4,189	269,513

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 2020

14. Tangible fixed assets (continued)

Land and buildings with a net book value of £143,454,000 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.

The net book value of equipment includes an amount of £nil (2019: £nil) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £nil (2019: £41,000).

In 2019, the net book value of Tangible Fixed Assets in the Training providers equal to £82,000 was transferred into current assets consistent with accounting under a break up basis. At the balance sheet date of 31 July 2020 all assets had been disposed of along with all other assets and liabilities due to the entities going into formal insolvency during the year.

Included in land and buildings are assets at a cost of £53,000 which have not been depreciated as the assets have not yet been brought into use. Freehold land held at a value of £64,946,000 has not been depreciated.

Revaluation reserve

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

15. Investment property

NCG (Group) & NCG (Colleges)	£000
Carrying value at 1 August 2019	-
Transfer from tangible fixed assets	3,788
Gains/ (losses) from fair value adjustments	(908)
	<hr/>
Carrying value at 31 July 2020	<u>2,880</u>

At the 31 July 2020, NCG's property portfolio was reviewed and one building, 100 St James' Boulevard was considered to now meet the criteria of being an investment property as it was not being used for supply of services or for formal insolvency purposes and was being held to earn rentals. This building has been transferred and was measured by an independent valuer, Lambert Smith Hampton whose employees are a RICS Registered Valuer.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. The valuation that Lambert Smith Hampton has produced is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global.

16. Assets held for sale

	NCG (Group)	NCG (Colleges)	NCG (Group)	NCG (Colleges)
	2020	2020	2019	2019
	£000	£000	£000	£000
Assets held for sale	431	431	657	431
	<u>431</u>	<u>431</u>	<u>657</u>	<u>431</u>

The sale of this property completed on 1 December 2020.

Notes to the financial statements
at 31 July 2020

17. Stocks

	NCG (Group)	NCG (Colleges)	NCG (Group)	NCG (Colleges)
	2020	2020	2019	2019
	£000	£000	£000	£000
Stocks	75	75	124	124
	<u>75</u>	<u>75</u>	<u>124</u>	<u>124</u>

18. Debtors

	NCG (Group)	NCG (Colleges)	NCG (Group)	NCG (Colleges)
	2020	2020	2019	2019
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	512	512	1,272	1,146
Other debtors	22	22	306	214
Amounts owed by subsidiary undertakings	-	-	-	39
Prepayments and accrued income	1,923	1,923	2,239	1,718
Amounts owed by the ESFA	634	634	994	499
	<u>3,091</u>	<u>3,091</u>	<u>4,811</u>	<u>3,616</u>

19. Creditors: amounts falling due within one year

	NCG (Group)	NCG (Colleges)	NCG (Group)	NCG (Colleges)
	2020	2020	2019	2019
	£000	£000	£000	£000
Deferred income	4,087	4,087	4,631	4,529
Amounts owed to the ESFA	1,506	1,506	-	-
Trade creditors	445	445	491	431
Payroll creditors	22	22	37	10
Other taxation and social security	247	247	415	284
Accruals	5,261	5,261	8,483	5,854
Provision for dilapidations	-	-	2,250	-
Bank loans	1,731	1,731	1,841	1,841
Finance lease creditor	-	-	41	41
Other creditors	1,282	1,282	2,013	1,061
Deferred capital grants	4,090	4,090	6,314	6,314
Amounts due to subsidiary undertakings	-	-	-	220
	<u>18,671</u>	<u>18,671</u>	<u>26,516</u>	<u>20,585</u>

The provision for dilapidation at 31 July 2019 for the Training Providers has been moved into Creditors: amounts falling due within one year due to the consolidating them under a break up basis. At the balance sheet date these have been either settled or transferred over to NCG where the liability is determined to remain with the Group after the Training Providers have gone into formal insolvency.

Notes to the financial statements

at 31 July 2020

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

	NCG (Group)	NCG (Colleges)	NCG (Group)	NCG (Colleges)
	2020	2020	2019	2019
	£000	£000	£000	£000
Bank loans	17,161	17,161	18,907	18,907
Deferred capital grants	56,762	56,762	60,115	60,115
	73,923	73,923	79,022	79,022

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

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2020 £000	2019 £000
In one year or less	1,731	1,841
Between one and two years	1,749	1,731
Between two and five years	10,275	10,776
In five years or more	5,136	6,400
	18,891	20,748

(b) Finance leases

The net finance lease obligations to which the institution is committed are:

	2020 £000	2019 £000
In one year or less	-	41
	-	41

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 2020 and 2035.

Finance lease obligations are secured on the assets to which they relate. The final finance lease payment was settled in August 2019.

Notes to the financial statements at 31 July 2020

22. Provisions

NCG (Group) & NCG (Colleges)

	Dilapidations £000	Enhanced pensions £000	Total £000
At 1 August 2019	1,789	5,032	6,821
Actuarial gains	-	(121)	(121)
Benefits paid	-	(365)	(365)
Interest charged to other operating expenses	-	101	101
Transferred from Current Liabilities	644	-	644
Charged in the year	42	-	42
Utilised in the year	(959)	-	(959)
Released in the year	(978)	-	(978)
At 31 July 2020	<u>538</u>	<u>4,647</u>	<u>5,185</u>

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) 2020 % per Annum	NCG (Group) 2019 % per Annum
Price Inflation	<u>0.0 or 1.7</u>	<u>1.30</u>
Discount rate	<u>1.3 to 1.7</u>	<u>2.30</u>

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. Cash and cash equivalents

NCG (Group)

	At 1 August 2019 £000	Other Cash flows £000	At 31 July 2020 £000
Short term liquid investments	10,448	(4,970)	5,478
Cash at bank and in hand	1,965	5,571	7,536
	<u>12,413</u>	<u>601</u>	<u>13,014</u>

Notes to the financial statements

at 31 July 2020

24. Capital commitments – Group and NCG

NCG (Group) and NCG (Colleges)	2020 £000	2019 £000
Commitments contracted for at 31 July	179	181

25. Lease obligations

	NCG (Group) 2020 £000	NCG (Colleges) 2020 £000	NCG (Group) 2019 £000	NCG (Colleges) 2019 £000
Future minimum lease payments due:				
Land and buildings				
Not later than one year	416	416	860	593
Later than one year but not later than five years	600	600	1,343	1,337
Later than five years	232	232	450	450
	<u>1,248</u>	<u>1,248</u>	<u>2,653</u>	<u>2,380</u>
Other				
Not later than one year	273	273	398	398
Later than one year but not later than five years	384	384	704	704
	<u>657</u>	<u>657</u>	<u>1,102</u>	<u>1,102</u>

26. 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) 2020 £000	NCG (Colleges) 2020 £000	NCG (Group) 2019 £000	NCG (Colleges) 2019 £000
TPS pension costs	6,466	6,466	4,311	4,311
LGPS pension costs (TWPF)	8,220	8,180	5,534	5,140
LGPS pension costs (LPFA)	1,512	1,500	1,095	32
Other pension costs	23	2	925	448
Total pension cost for the year	<u>16,221</u>	<u>16,148</u>	<u>11,865</u>	<u>9,931</u>

Notes to the financial statements

at 31 July 2019

26. Pension schemes (continued)

Amounts charged to Other Comprehensive Income

	NCG (Group) 2020 £000	NCG (Colleges) 2020 £000	NCG (Group) 2019 £000	NCG (Colleges) 2019 £000
Tyne & Wear LGPS	(32,070)	(32,070)	(16,436)	(16,436)
The Pensions Trust Growth Plan	-	-	(1)	-
London Pension Fund Authority Scheme	(11,521)	(11,928)	(8,826)	(7,564)
Enhanced Pension Charge (note 22)	121	121	(700)	(700)
Actuarial (loss)/ gain recognised	<u>(43,470)</u>	<u>(43,877)</u>	<u>(25,963)</u>	<u>(24,700)</u>

Pension liability recognised in the balance sheet

	NCG (Group) 2020 £000	NCG (Colleges) 2020 £000	NCG (Group) 2019 £000	NCG (Colleges) 2019 £000
Tyne & Wear LGPS	62,150	62,150	25,761	25,763
The Pensions Trust Growth Plan	-	-	549	-
London Pension Fund Authority Scheme	46,240	46,240	34,264	24,723
	<u>108,390</u>	<u>108,390</u>	<u>60,574</u>	<u>50,486</u>

Outstanding contributions at 31 July 2020, included within creditors, were £nil (2019: £33,000).

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.

Notes to the financial statements

at 31 July 2020

26. Pension schemes (continued)

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 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 £6,466,000 (2019: £4,311,000).

Notes to the financial statements

at 31 July 2020

26. 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 2021 are estimated to be £4,440,000. 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 2020 are:

Full-time Equivalent Salary	Contribution rate per year
Up to £14,600	5.50%
£14,601 to £22,800	5.80%
£22,801 to £37,100	6.50%
£37,101 to £46,900	6.80%
£46,901 to £65,600	8.50%
£65,601 to £93,000	9.90%
£93,001 to £109,500	10.50%
£109,501 to £164,200	11.40%
£164,201 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 2020	At 31 July 2019	At 31 July 2018
CPI Inflation	2.05%	2.00%	1.85%
Rate of general long-term increase in salaries	1.20%	1.20%	1.20%
Rate of increase for pensions in payment	2.05%	2.00%	1.85%
Rate of revaluation of pension accounts	2.05%	2.00%	1.85%
Discount rate	1.65%	2.10%	2.75%

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

TWPF	2020 Years	2019 Years
Retiring at 31 July		
Males	21.3	21.3
Females	24.5	24.4
Retiring in 20 years		
Males	22.3	22.3
Females	25.7	25.6

Notes to the financial statements

at 31 July 2020

26. 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 2020 %	Asset split at 31 July 2019 %
Equities	53.5	64.9
Property	9.2	8.9
Government Bonds	2.4	4.3
Corporate Bonds	22.9	11.6
Cash	1.9	1.8
Other	10.1	8.5
Total market value	<u>100.0</u>	<u>100.0</u>

Reconciliation of funded status to Balance Sheet

TWPF	NCG (Group) 2020 £000	NCG (Colleges) 2020 £000	NCG (Group) 2019 £000	NCG (Colleges) 2019 £000
Fair value of assets	144,960	144,960	143,695	143,695
Present value of funded defined benefit obligation	<u>(207,110)</u>	<u>(207,110)</u>	<u>(169,359)</u>	<u>(169,359)</u>
Net pension liability	<u>(62,150)</u>	<u>(62,150)</u>	<u>(25,664)</u>	<u>(25,664)</u>

Analysis of the amount charged to the Statement of Comprehensive Income

TWPF	NCG (Group) 2020 £000	NCG (Colleges) 2020 £000	NCG (Group) 2019 £000	NCG (Colleges) 2019 £000
Current service cost	8,210	8,210	5,140	5,140
Past service cost	20	20	394	394
Interest cost	<u>500</u>	<u>500</u>	<u>161</u>	<u>161</u>
	<u>8,730</u>	<u>8,730</u>	<u>5,695</u>	<u>5,695</u>

Notes to the financial statements

at 31 July 2020

26. 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)
	2020	2020	2019	2019
	£000	£000	£000	£000
Opening defined benefit obligation	169,359	169,359	139,017	138,090
Transfer in from Intraining/Carlisle LGPS	101	101	-	927
Current service cost	8,210	8,210	5,140	5,140
Interest cost	3,540	3,540	3,797	3,797
Contributions by participants	1,400	1,400	1,320	1,320
Actuarial losses/(gains) on liabilities*	27,740	27,740	23,461	23,461
Net benefits paid out**	(3,260)	(3,260)	(3,770)	(3,770)
Past service cost	20	20	394	394
Closing defined benefit obligation	<u>207,110</u>	<u>207,110</u>	<u>169,359</u>	<u>169,359</u>

* 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)
	2020	2020	2019	2019
	£000	£000	£000	£000
Opening fair value of assets	143,695	143,695	131,474	130,080
Transfer in from Intraining/Carlisle LGPS	(5)	(5)	-	1,394
Interest income on assets	3,040	3,040	3,636	3,636
Actuarial gains on assets	(4,330)	(4,330)	7,025	7,025
Contributions by the employer	4,420	4,420	4,010	4,010
Contributions by participants	1,400	1,400	1,320	1,320
Net benefits paid out	(3,260)	(3,260)	(3,770)	(3,770)
Closing fair value of assets	<u>144,960</u>	<u>144,960</u>	<u>143,695</u>	<u>143,695</u>

Actual return on assets

TWPF	NCG	NCG	NCG	NCG
	(Group)	(Colleges)	(Group)	(Colleges)
	2020	2020	2019	2019
	£000	£000	£000	£000
Interest income on assets	3,040	3,040	3,636	3,636
Actuarial gains on assets	(4,330)	(4,330)	7,025	7,025
Actual return on assets	<u>(1,290)</u>	<u>(1,290)</u>	<u>10,661</u>	<u>10,661</u>

Notes to the financial statements

at 31 July 2020

26. 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)	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Fair value of assets	144,960	143,695	131,474	119,044	88,260
Present value of liabilities	(207,110)	(169,359)	(139,017)	(134,635)	(103,507)
Deficit	(62,150)	(25,664)	(7,543)	(15,591)	(15,247)

TWPF - NCG (Colleges)	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Fair value of assets	144,960	143,695	130,080	119,044	86,519
Present value of liabilities	(207,110)	(169,359)	(138,090)	(134,635)	(101,857)
Deficit	(62,150)	(25,664)	(8,010)	(15,591)	(15,338)

Sensitivity analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 July 2020 and the projected service cost for the period ending 31 July 2020 is set out below:

TWPF	£000	£000	£000
Adjustment to discount rate	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	202,140	207,110	212,080
Projected service cost	9,350	9,720	10,110
Adjustment to long term salary increase	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	207,520	207,110	206,700
Projected service cost	9,720	9,720	9,720
Adjustment to pension increase and deferred revaluation	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	211,670	207,110	202,550
Projected service cost	10,110	9,720	9,350
Adjustment to life expectancy assumptions	+ 1 year	None	- 1 year
Present value of total obligation	199,860	207,110	214,570
Projected service cost	9,330	9,720	10,120

The accounting results of the FRS102 valuation of the TWPF deficit 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. As the salary increase assumption remains below CPI there are no past service costs or future service element in respect of the McCloud / Sargeant judgement.

An allowance for full indexation on all Guaranteed Minimum Pensions (GMP) for members whose State Pension Age is on or after 6 April 2016. 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.

Notes to the financial statements

at 31 July 2020

26. Pension schemes (continued)

Defined Contribution Pension Schemes

Prior to going into formal insolvency, the Intraining Group Limited operated a defined contribution pension scheme for its employees. The assets of the scheme were held separately from those of the company in an independently administered fund. There were no unpaid contributions outstanding at the year-end (2019: £26,000).

Prior to going into formal insolvency, Rathbone Training operated a defined contribution pension scheme for its employees. The assets of the scheme were held separately from those of the company in an independently administered fund. There were no unpaid contributions outstanding at the year-end (2019: £10,000).

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

NCG (Group) participated in the London Pension Fund Authority Local Government Pension Scheme (LGPS) under two different employers, Rathbone Training and NCG (formerly Lewisham Southwark College).

On 18 November 2019 the two employers were pooled together due to the wind down of Rathbone Training.

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 actuarial assessment of this scheme was on 31 July 2019 and was carried out by Barnett Waddingham LLP, an independent actuary and the net liability at that point is estimated at £46,240,000.

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.

Contribution rates from 1 April 2020 are:

Full-time Equivalent Salary	Contribution rate per year
Up to £14,600	5.50%
£14,601 to £22,800	5.80%
£22,801 to £37,100	6.50%
£37,101 to £46,900	6.80%
£46,901 to £65,600	8.50%
£65,601 to £93,000	9.90%
£93,001 to £109,500	10.50%
£109,501 to £164,200	11.40%
£164,201 or more	12.50%

Notes to the financial statements

at 31 July 2020

26. Pension schemes (continued)

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

Impact of McCloud/ Sargeant Cases

The results of the FRS102 valuation of the LPFA pension deficit 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 2020.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closes on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. It is the actuary's belief that there are no material differences between their approach underlying the estimated allowance and the proposed remedy.

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 made adjustments to 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 22 January 2018, the Government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 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 2020

26. 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 2020	At 31 July 2019
Discount rate	1.55%	2.05%
Salary increases	2.05%	1.20%
Pension increases	1.20%	2.00%

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 2020	At 31 July 2019
<i>Retiring at 31 July</i>		
Males	21.0	19.9
Females	23.6	22.9
<i>Retiring in 20 years</i>		
Males	21.9	20.9
Females	24.9	24.2

Principal Actuarial Assumptions

The estimated asset allocation for NCG as at 31 July 2019 is as follows:

LPFA - NCG	At 31 July 2020 %	At 31 July 2019 %
Equities	53.6	54.5
Target Return Portfolio	23.6	25.4
Infrastructure	6.9	5.7
Property	9.2	9.1
Cash	6.7	5.3
	<u>100.0</u>	<u>100.0</u>

Net pension liability as at 31 July:

LPFA - NCG	2020 £000	2019 £000	2018 £000
Present value of the defined benefit obligation	(134,937)	(89,222)	(76,611)
Fair value of Fund assets (bid value)	<u>90,254</u>	<u>64,639</u>	<u>59,966</u>
Deficit	(44,683)	(24,583)	(16,645)
Present value of unfunded obligation	<u>(1,557)</u>	<u>(140)</u>	<u>(127)</u>
Net defined benefit liability	<u>(46,240)</u>	<u>(24,723)</u>	<u>(16,772)</u>

Notes to the financial statements

at 31 July 2020

26. 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 2020 £000	Year to 31 July 2019 £000
Service cost	10,314	987
Net interest on the defined liability	594	445
Administration expenses	84	78
	<u>10,992</u>	<u>1,510</u>

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

LPFA - NCG	At 31 July 2020 £000	At 31 July 2019 £000
Opening defined benefit obligation	89,362	76,738
Current service cost	1,332	987
Interest cost	2,275	2,079
Change in demographic assumptions	(400)	(1,439)
Change in financial assumptions	11,313	13,220
Experience loss on defined benefit obligation	929	21
Liabilities assumed / (extinguished) on settlements	35,658	-
Estimated benefits paid net of transfers in	(4,172)	(2,482)
Past service costs, including curtailments	84	-
Contributions by Fund participants and other employers	255	250
Unfunded pension payments	(142)	(12)
Closing defined benefit obligation	<u>136,494</u>	<u>89,362</u>

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

LPFA - NCG	At 31 July 2020 £000	At 31 July 2019 £000
Opening fair value of Fund assets	64,639	59,966
Interest on assets	1,681	1,634
Return on assets less interest	993	4,238
Other actuarial losses	(1,079)	-
Administration expenses	(84)	(78)
Contributions by employer including unfunded	1,403	1,123
Contributions by Fund participants and other employers	255	250
Estimate benefits paid plus unfunded net of transfers in	(4,314)	(2,494)
Settlement prices received / (paid)	26,760	-
Closing fair value of Fund assets	<u>90,254</u>	<u>64,639</u>

Notes to the financial statements

at 31 July 2020

26. 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 2020 and the projected service cost for the period ending 31 July 2020 is set out below:

LPFA - NCG	£000	£000	£000
Adjustment to discount rate	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	133,856	136,494	139,186
Projected service cost	1,668	1,717	1,768
Adjustment to long term salary increase	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	136,551	136,494	136,437
Projected service cost	1,718	1,717	1,716
Adjustment to pension increase and deferred revaluation	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	139,114	136,494	133,923
Projected service cost	1,767	1,717	1,669
Adjustment to life expectancy assumptions	+ 1 year	None	- 1 year
Present value of total obligation	141,061	136,494	132,074
Projected service cost	1,775	1,717	1,661

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	993	4,238
Other actuarial losses on assets	(1,079)	-
Change in financial assumptions	(11,313)	(13,220)
Change in demographic assumptions	400	1,439
Experience loss on defined benefit obligation	(929)	(21)
Remeasurement of the defined benefit pension liability	(11,928)	(7,564)

Projections for the year to 31 July 2021

LPFA - NCG	£000
Service cost	1,717
Net interest on the defined liability	709
Administration expenses	117
	<u>2,543</u>
Employer contributions	<u>764</u>

Notes to the financial statements

at 31 July 2020

26. Pension schemes (continued)

London Pension Fund Authority (LPFA) - Rathbone Training

The last active member of the LPFA left Rathbone on 18 November 2019 and therefore an estimated cessation valuation has been performed to calculate the transfer of the residual liabilities which have been transferred over to NCG (Group) on this date.

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

LPFA - Rathbone Training	<i>At 18 November 2019</i>	<i>At 31 July 2019</i>
Discount rate	1.85%	1.90%
Salary increases	-	1.20%
Pension increases	2.30%	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:

LPFA - Rathbone Training	<i>At 18 November 2019 years</i>	<i>At 31 July 2019 years</i>
<i>Retiring on valuation date</i>		
Males	19.1	19.2
Females	22.1	22.5
<i>Retiring in 20 years from valuation date</i>		
Males	20.2	20.3
Females	23.4	23.8

Principal Actuarial Assumptions

The estimated asset allocation for Rathbone Training as at 18 November 2019 is as follows:

LPFA - Rathbone Training	<i>At 18 November 2019 %</i>	<i>At 31 July 2019 %</i>
Equities	54.5	54.5
Target Return Portfolio	25.4	25.4
Infrastructure	5.7	5.7
Property	9.1	9.1
Cash	5.3	5.3
	<u>100.0</u>	<u>100.0</u>

Notes to the financial statements

at 31 July 2020

26. Pension schemes (continued)

London Pension Fund Authority (LPFA) - Rathbone Training (continued)

Net pension liability at valuation dates:

LPFA - Rathbone Training	At 18 November 2019 £000	At 31 July 2019 £000	At 31 July 2018 £000	At 31 July 2017 £000
Present value of the defined benefit obligation	(34,147)	(35,312)	(33,863)	(36,164)
Fair value of Fund assets (bid value)	26,760	27,307	26,636	26,880
Deficit	(7,387)	(8,005)	(7,227)	(9,284)
Present value of unfunded obligation	(1,511)	(1,536)	(1,693)	(1,878)
Net defined benefit liability	(8,898)	(9,541)	(8,920)	(11,162)

The net defined benefit liability of £8,898,000 was transferred into NCG on the 18 November 2019 when the last active member left the charity.

The amounts recognised in the Statement of Comprehensive Income are:

LPFA - Rathbone Training	Period to 18 November 2019 £000	Year to 31 July 2019 £000
Service cost	1	30
Settlement transfer to NCG	(8,898)	-
Net interest on the defined liability	54	223
Administration expenses	11	35
	(8,832)	288

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

LPFA - Rathbone Training	At 18 November 2019 £000	At 31 July 2019 £000
Opening defined benefit obligation	36,848	35,556
Current service cost	1	30
Interest cost	207	905
Change in demographic assumptions	(815)	(626)
Change in financial assumptions	972	3,743
Experience (loss)/ gain on defined benefit obligation	(678)	7
Estimated benefits paid net of transfers in	(821)	(2,587)
Contributions by Fund participants and other employers	-	6
Unfunded pension payments	(56)	(186)
Liabilities assumed / (extinguished) on settlements	(35,658)	-
Closing defined benefit obligation	-	36,848

Notes to the financial statements

at 31 July 2020

26. Pension schemes (continued)

London Pension Fund Authority (LPFA) - Rathbone Training (continued)

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

LPFA - Rathbone Training	At 18 November 2019 £000	At 31 July 2019 £000
Opening fair value of Fund assets	27,307	26,636
Interest on assets	153	682
Return on assets less interest	437	1,862
Other actuarial losses	(551)	-
Administration expenses	(11)	(35)
Contributions by employer including unfunded	302	929
Contributions by Fund participants and other employers	-	6
Estimate benefits paid plus unfunded net of transfers in	(877)	(2,773)
Settlement prices received / (paid)	(26,760)	
Closing fair value of Fund assets	-	27,307

Sensitivity analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 July 2020 is set out below:

LPFA - Rathbone Training	£000	£000	£000
Adjustment to discount rate	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	35,258	35,658	36,062
Adjustment to pension increase and deferred revaluation	+ 0.1%	0.0%	- 0.1%
Present value of total obligation	36,060	35,658	35,259
Adjustment to life expectancy assumptions	+ 1 year	None	- 1 year
Present value of total obligation	36,848	35,658	34,506

Remeasurement of the defined benefit pension liability

LPFA - Rathbone Training	At 18 November 2019 £000	At 31 July 2019 £000
Return on Fund assets in excess of interest	437	1,862
Other actuarial losses on assets	(551)	-
Change in financial assumptions	(972)	(3,743)
Change in demographic assumptions	815	626
Experience gain/ (loss) on defined benefit obligation	678	(7)
Remeasurement of the defined benefit pension liability	407	(1,262)

Notes to the financial statements

at 31 July 2020

26. Pension schemes (continued)

The Pensions Trust Growth Plan

Rathbone Training participated in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It was not possible for the charity to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounted for the scheme as a defined contribution scheme in the prior year.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore, the charity is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme.

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the charity has agreed to a deficit funding arrangement the charity recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Upon going into formal insolvency, the provision was taken over by the insolvency practitioners.

Present value of provision	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Present value of provision	-	549
	<u> </u>	<u> </u>
Reconciliation of opening and closing provisions		
Pensions Trust	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Provision at start of year	549	125
Unwinding of discount factor	-	2
Deficit contributions paid	-	(17)
Remeasurements - impact of any change in assumptions	-	2
Remeasurements - amendments to the contribution schedule	-	(3)
Cessation Debt Provision	-	440
Transfer out of NCG (Group) on going into administration	(549)	-
Provision at end of year	<u> </u>	<u> </u>

Notes to the financial statements

at 31 July 2020

26. Pension schemes (continued)

The Pensions Trust Growth Plan (continued)

Income and Expenditure Impact

Pensions Trust	2020 £000	2019 £000
Interest expense	-	2
Remeasurements - impact of any change in assumptions	-	2
Remeasurements - amendments to the contribution schedule	-	(3)
Cessation Debt Provision	-	440
Transfer out of NCG (Group) on going into administration	(549)	440

Assumptions

Pensions Trust	2020 %	2019 %
Discount rate	-	1.00

27. 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 College'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:

	2020 £000	2019 £000
Payments paid to or on behalf of Governors		
- Corporation	4	6
- Local college boards	-	2
	<u>4</u>	<u>8</u>
Number of governors	No.	No.
- Corporation	6	6
- Local college boards	2	9
	<u>8</u>	<u>15</u>

The Corporation was a Member of Discovery Learning Limited which was set up to provide a free school for pupils aged 14 to 19 specialising in STEM (Science, Technology, Engineering and Mathematics) subjects and was based in Newcastle Upon Tyne. The school closed on 31 August 2018 and was dissolved by voluntary strike-off on October 2020.

The Interim Principal of Carlisle College, S Salkeld, is also a director in Cumbria Colleges Limited in which Carlisle College has an interest. 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 are no amounts outstanding to NCG (Group) from Cumbria Colleges Limited as at 31 July 2020.

On 1 May 2018, Peter Lauener became the chair of the Construction Industry Training Board (CITB); NCG delivers training to CITB's learners. At 31 July 2020, £1,000 (2019: £1,000) was due to NCG from CITB, with transactions during the year totaling £260,000 (2019: £239,000) sales ledger and £89,000 (2019: £90,000) purchase ledger.

Notes to the financial statements

at 31 July 2020

27. Related party transactions (continued)

He also holds the position of Chair of the Board of the Student Loans Company (SLC), as of 4 January 2020. 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 2020, £56,000 was due to NCG from SLC, with transactions during the year totalling £15,923,000.

From September 2018, the Principal of Kidderminster College became a governor of ContinU Plus Academy. At 31 July 2020, the balance due from NCG to this organisation was £nil (2019: £nil), with transactions during the year totalling £nil (2019: £7,000).

Newcastle College Student's Union (SU) is a separate entity from NCG (Group). During the year a £30,000 grant (2019: £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 £22,000 due from the Student Union and at the 31 July 2020 £24,000 was the outstanding balance due to the SU.

One of the college board members is the Managing Partner and Shareholder of Muckle LLP. At 31 July 2020, the balance due from NCG to this organisation was £4,000 (2019: £3,000), with transactions during the year totaling £115,000 (2019: £49,000).

One board member is company director of Robertsons Facilities Management. At 31 July 2020, there was no balance due to or owed by NCG (2019: £8,000 owed by NCG), with transactions during the year totaling £4,000 (2019: £25,000).

On August 2019, one member of the board became partner of Armstrong Watson LLP. There were transactions during the year totaling £6,000 with no balance due to or owed by NCG at 31 July 2020.

28. Amounts disbursed as agent

NCG (Group)	2020 £000	2019 £000
ESFA 16-19 bursary	2,207	2,105
ESFA 16-19 Vulnerable bursary	243	421
ESFA Advanced Learner Loans bursary	1,752	1,009
Other funding body grants	-	215
	<u>4,202</u>	<u>3,750</u>
Disbursed to students	(3,104)	(3,553)
Administration costs	<u>(133)</u>	<u>(125)</u>
Balance unspent at 31 July included in creditors	<u>965</u>	<u>72</u>

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.

29. Events after the reporting period

There have been no events after the reporting period that require further disclosure in these Financial Statements.

Glossary

Acronym	Meaning
AoC	Association of Colleges
CARE	Career Average Related Earnings
EBITDA	Earnings before Interest, Taxation, Depreciation and Amortisation
ESFA	Education and Skills Funding Agency
EV	Electric Vehicle
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
OFS	Office for Students
Ofsted	Office for Standards in Education, Children's Services and Skills
SAR	Self-Assessment Report
SDS	Skills Development Scotland
SLC	Student Loans Company
SORP	Statement of Recommended Practice
SPH	Senior Post Holders
SU	Newcastle College Student's Union
TPS	Teachers' Pension Scheme
TWPF	Tyne and Wear Pension Fund
VAT	Value Added Tax
VfM	Value for Money

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"), West Midlands Combined Authority, West of England Combined Authority and the Greater London Authority

In accordance with the terms of our engagement letter dated 16 September 2020 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, West Midlands Combined Authority, West of England Combined Authority and the Greater London Authority, 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 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the 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, West Midlands Combined Authority, West of England Combined Authority and the Greater London Authority, 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, West Midlands Combined Authority, West of England Combined Authority and the Greater London Authority, 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, West Midlands Combined Authority, West of England Combined Authority and the Greater London Authority, 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 2019 to 31 July 2020 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 and in accordance with any guidance provided by a relevant devolved authority. We performed a limited assurance engagement as defined in that framework.

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

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

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

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"), West Midlands Combined Authority, West of England Combined Authority and the Greater London Authority

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.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year.
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed:



Mazars LLP

Date: 15/12/2020