Consolidated Financial Statements for the year to 31 July 2021

Contents

Reaseheath College Group

Key Management Personnel, Board of Governors and Professional Advisors

Board of Governors

Mr D Pearson MBE
Dr E Harrison
Mr M Clinton
Mr C Baxter
Mr M Gorton
Mr M Burns
Mr P Green
Prof G Crowe
Mr A Taylor
Mrs K Bailey
Ms J Cowell
Mr A Fletcher
Mrs A McKay- Resigned August 2021
Prof C Gaskell
Mrs A Potter
Ms E Davies-Jones
Ms C Rowntree - Resigned August 2021
Mrs E Watts
Mr P Gibbon
Ms K Cole
Ms K Angelakopoulos
Prof E Simmons

Clerk / Company Secretary

Mrs J Schillinger

Key Management Personnel

Key management personnel are defined as the Principal and two Vice Principals and were represented by the following in 2020/21:

Mr M Clinton, Principal and CEO; Accounting Officer
Mr G Lavery, Vice Principal Finance and Resources
Mr M Gower, Vice Principal Curriculum and Quality – Resigned October 2021

Principal and Registered Office

Reaseheath College, Reaseheath, Nantwich, CW5 6DF

Professional advisors

Professional Advisors –
Financial Statements and Regularity Auditors:
Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Internal Auditors:
RSM
Festival Way
Festival Park
Stoke-on-Trent
ST1 5BB

Bankers:
Santander UK Plc
Bridle Road
Bootle
Merseyside
L30 4GB

Solicitors:
Excello Law
One City Place
Queens Road
Chester CH1 3BQ

Reaseheath Group

Strategic Report

OBJECTIVES AND STRATEGIES:

The governing body present their report and the audited financial statements and auditor's report for Reaseheath College Group for the year ended 31 July 2021.

Legal Status

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

The Corporation was incorporated as Reaseheath College. On 19 December 2013 the College acquired 100% of the share capital of DART Limited, a training provider in the land-based sector. Following consultation and an independent report Executive, DART Board, and the College Governors agreed to have a manged closure of DART Ltd. DART Ltd was closed on 31st July 2021.

Mission

The Group's mission as approved by its Members is:

- Industry Focused Career Ready.

Vision
- To be the leading specialist land-based college in the UK
- Be the preferred place to learn, work and progress
- Support the growth and prosperity of the specialist land-based industries, technical sectors and rural communities we serve
- Place our students and staff at the heart of everything we do
- An inclusive offer facilitating appropriate progression for everyone
- Deliver an inspirational learning experience and environment supported through our values, our guiding principles and commitments

Values
- PEOPLE - We will work together in a safe and secure environment with a positive approach to our own and others' health and wellbeing. We will respect democracy and individual liberty, recognising the valuable contribution each person can make to society
- RESPONSIBILITY – We will be responsible for our own actions and decisions whilst making a positive contribution to community cohesion and pride. We will demonstrate environmental sustainability through our behaviour
- INTEGRITY – We will demonstrate honesty, integrity and ethical standards in everything we do. We will respect the rule of law and act fairly in the best interests of all
- DIVERSITY – We will actively promote equality; recognise, respect, promote and celebrate diversity and individual difference and strive to create an inclusive environment. We will challenge behaviour or views which discriminate against others
- EXCELLENCE - We will challenge ourselves to strive for the highest standards of quality and behaviour by adopting a supportive self-critical approach in our pursuit of excellence. We will always aim to be the best that we can be

Guiding Principles are:
- Leading edge
- Relevant
- Excellence in all we do
- Financially strong
- Sustainable in the environment

Implementation of Strategic Plan
In Dec 2019 the Group approved its strategic plan for the period 1 August 2019 to 31 July 2024. This plan included improvement targets and a summary of the Group property strategy and financial forecasts. The Corporation regularly monitors the performance of the Group against this plan. A summary of the Group's annual corporate priorities are shown below.

Strategic Report (continued)

Strategic priorities 2019/24
- Our Offer - A coherent and ambitious curriculum offer, at all levels, that meets the needs of our students and the sectors that we serve
- Our People - To have the right people with the right skills in the right roles
- Our Environment - develop an estates and environment strategy which will support the five strategic priorities.
- Our Employers, Innovation and Scholarly Activity - An informed curriculum and apprenticeships which deliver the knowledge, skills and behaviours demanded by land-based employers
- Our Core Systems and Processes – further developments of business-critical processes that have documented protocols to ensure that we have a high level of compliance and a standard approach with an eye to continuous improvement

In addition to the strategic Plan the Executive continued to hold a Covid-19 Steering group which engaged key colleagues from around the College, including the H & S Manager, Staff Partnership Forum and Marketing, to agree the College's continued strategic and operation response to Covid-19, including but not limited to:
- Covid-19 Policy
- College risk assessment
- Departmental action plans
- FAQ's for students and parents
- FAQ's for staff
- The managed implementation and updating of Covid-19 protection measured across College to maintain a safe environment

Resources:
The Group has various resources that it can deploy in pursuit of its strategic objectives:
- Tangible resources include the main Group site, shown in the balance sheet at £68,693k, together with equipment, fixtures and fittings at a value of £5,903k.
- Financial Resources - The Group has £11,300k of net assets (including £21,057k Pension liability) and long-term debt of £44,791k (Bank Loans & finance leases £16,925k and deferred government capital grants £29,865k).
- People - The Group employs 806 staff, of whom 223 are teaching staff, in teaching departments.
- Reputation – The Group has an excellent reputation locally, nationally and internationally. Maintaining a quality brand is essential for the Group's continuing success.

STAKEHOLDER RELATIONSHIPS:

In line with other Colleges and with Universities, Reaseheath College has many stakeholders. These include:

- Students
- Parents
- Staff
- Education sector funding body
- Sector Skills Councils (Local and Regional)
- National Employers e.g. JCB, Case New Holland, Eden & First Bus
- Local Authorities
- Local Enterprise Partnerships
- Sub Regional Partnerships e.g. Job Centre Plus, Local Economic Partnerships (LEPs)
- Non-Statutory Bodies e.g. EFFP (European Food & Farming Partnership) / UKTI (UK Trade & Investment)
- The local community (Local Strategic Partnerships (LSPs), Local Action Groups (LAGs)
- Other FE institutions and schools
- Office for Students (OFS)
- HE Academic Partner University of Chester (strategic alliance)
- Trade Unions
- Professional bodies
- Membership Associations (NFU), (CLA)
- Other Colleges through the Cheshire Consortium, Landex Colleges etc
- National land-based College NLBC

The Group recognises the importance of these relationships and engages in regular communication with them through the Group internet site, joint information systems committee (JISC) e-mail and by attending local, regional and national meetings.

Strategic Report (continued)

PUBLIC BENEFIT

Reaseheath College is an exempt charity, for the purposes 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 in these financial statements.

In considering its vision, mission, values and strategic objectives, Reaseheath Group has had due regard to the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The value added to the community served by the Group in delivering its mission can be demonstrated and assessed publicly throughout this Strategic Report. In delivering its mission, the Group provides the following identifiable public benefits through the advancement of education:

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

DEVELOPMENT AND PERFORMANCE

Financial Objectives
The Governing body along with management have reviewed the financial objectives to ensure they are robust and appropriate for the changing financial environment in which the Group operates. These financial objectives have been refreshed during the year to reflect the changing emphasis on liquidity and are:

- Maintain a minimum of good in respect of the funding body's Financial Health.
- Meet the bank covenants (this ensures the following financial objectives are monitored):
    a. Adjusted net assets
    b. Debt service cover
    c. Operational surplus to Interest
- EBITDA – Education specific min 8% T/O.
- Current ratio to be a minimum of 1·25:1.
- Maintain minimum 25 cash days (to include any debt available for immediate drawdown).
- Group surplus to be between 1-3% of Turnover.

These financial objectives are integrated into the Group's financial planning and monitoring process, in addition indicators have been agreed to monitor the successful implementation of the policies and to maintain the Group's Financial Health status as assessed by the Funding Body.

The Group currently has a financial health category "Good". The Group currently carrying debt facility of 47.5% of Turnover, which is in line with the Groups financial strategy and was agreed with the Funding body at the onset of the now completed capital build programme.

Financial results

- The Group generated a deficit in the year of £1,080k (2019/20 £2,898k deficit). These figures include the following:
- The impact of Financial Reporting Standard 102 (28.11), formerly FRS17 Accounting for Retirement Benefits. Without the effect of these adjustments, the operating position would be a surplus of £1,172k (2020 deficit £753k).
- The Group has accumulated reserves of £5,584k (2019/20 £9,960k) which decreased in year due to changes in assumptions in respect of pension schemes of £3,382k (2019/20 £4,182k). Assumptions were changed in order to account for the McCloud judgement.
- Tangible fixed asset additions during the year amounted to £2,540k. This was split between assets under construction (£25k), Land and Buildings (£13k), and equipment (£2,502k). In the main, this related to an investment in specific projects for Robotic Milking and Vertical Farming these projects were funded through grant funding and investment of the Group surplus.
- The Group has reliance on the Funding Bodies for its principal funding source, largely from recurrent grants. In 2020/21 the Funding Bodies provided 64.47% (2019/20 60.23%) of the Group's total income, including release of deferred capital grant.

Strategic Report (continued)

Cash flows
Net cash inflow from operating activities was £7,828k in year (£5,155k inflow 2019/20). Following receipt of the in-year stage payment for Kingsley fields, the Group made its scheduled repayment against the RCF. The Medium-Term Loan (MTL) continues to be serviced in line with the facility letter.

The size of the Group's total borrowing and its approach to interest rates has been calculated to ensure a reasonable margin between the total cost of servicing debt and operating cashflow. During the year this margin was achieved, and the Group complied with all three bank covenants.

Developments
The Group has continued to develop the campus, This year has again involved more minor projects than in the recent past but these have focused on improving the student experience and resources.

Reserves
The Group currently has reserves of £5,835k (2019/20 £4,376k) in cash. The Group intends to continue to accumulate cash reserves to support the management of the Group debt position and facilitate future investment in specialist equipment to support industry focused delivery.

Sources of income
The Group has a reliance on education sector funding bodies with funding from the ESFA and other public bodies amounting to 64.47% of the Group's total income This is an increase in comparison to the prior year 60.23% due in the main to the continued impact on commercial income streams caused by the Covid-19 pandemic.

Group companies
The College has one wholly owned subsidiary, DART Ltd. The principal activity of DART Ltd is the delivery of Apprenticeships and training within the land-based sector. Any surpluses generated by DART Ltd are transferred to the Group under deed of covenant. In the current year, the surplus generated by DART Ltd was £54k.
Following consultation, an independent report and consultation with Staff, Executive, DART Board and the College Governors it was agreed to have a managed closure of DART Ltd. This was due to the changes in the mode of delivery that Apprenticeship Standards have required and the reduction of apprenticeship opportunities in the Land based sector that are financially viable. DART Ltd was closed on 31st July 2021.

Streamlined Energy and Carbon Reporting

The college is committed to reducing its carbon emissions and has taken the following measures in the year to improve energy efficiency:

- Planned conversion of internal and street lighting to LED
- Upgrading boilers & heating systems

The college's greenhouse gas emissions and energy use for the period are set out below:

UK Greenhouse gas emissions and energy use data for the period	**1 August 2020 to 31 July 2021**	**1 August 2019 to 31 July 2020**
Energy consumption used to calculate emissions (kWh)	8,483,526	8,745,295
Scope 1 emissions in metric tonnes CO2e		
Gas consumption	631	612
Owned transport	29	28
Total	660	640
Scope 2 emissions in metric tonnes CO2e		
Purchased electricity	755	769
Scope 3 emissions in metric tonnes CO2e		
Business travel in employee owned vehicles	11	54
Total gross emissions in metric tonnes CO2e	**1,426**	**1,463**
Intensity ratio		
Metric tonnes CO2e per student	0.386	0.441

Strategic Report (continued)

Qualification and reporting methodology
We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2021 UK Government's Conversion Factors for Company Reporting.

Intensity ratio
The chosen intensity measurement ratio is Student number

FUTURE PROSPECTS

Developments
Following the completion of the Groups capital master plan, the Group has developed a new estates management plan to support the continued development of the campus whilst meeting the technical requirements of our learners especially in areas such as T' Levels and within the industries that we serve.

Financial plan
The College governors approved the financial plan in July 2021. The financial plan was derived from the business planning held within the College. The plan took into consideration the development of the strategic plan and the ongoing impact of Covid-19. The College's combined funding allocations for 16-18 and the Adult Education Budget (AEB) for 2021/22 has been confirmed at £15,593k, which is 48.5% of the budgeted turnover.

Treasury policies and objectives
Treasury management is the management of the Group's cashflows, its banking, money market and capital market transactions, the effective control of the risks associated with these activities and the pursuit of optimum performance consistent with those risks.

The Group has a separate Investment Policy, and the Policy on Treasury Management is incorporated within the Financial Regulations. All executive decisions concerning borrowing, investment or financing, are delegated to the Vice Principal Finance & Resources, following appropriate approval by the College Executive, and the Corporation.

Reserves
The Group has no formal Reserves Policy but recognises the importance of reserves in the financial stability of the organisation and ensures that there are adequate reserves to support the Group's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £5,584k (2019/20: £9,960k). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Strategic Report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES:

Risk management
The Group continues to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the Group's assets and reputation whilst supporting the continued development of the Group's core business.

The Group maintains two strategic risk registers, one at College level and one for DART Ltd, the wholly owned subsidiary. The strategic risk register is maintained on 4Risk and is reviewed by Executive on a monthly basis and by the governing body subcommittees including the DART Ltd Board (with focus on their relevant areas) and also at the full board meeting on a termly basis The strategic risk register identifies the key risks and the impact on the College / DART Ltd.

The strategic risk register recognises the mitigation that is in place and the level of assurance that is provided that the mitigation is appropriate and effective. Risk registers across the Group are scored using a consistent methodology and context.

The strategic risk register is used within the strategic planning process. Once the strategic plan has been refreshed, the Executive undertakes a comprehensive review of the risks to which the Group is exposed. Systems and procedures are identified including specific actions which should mitigate any potential impact of the risks on the Group. The internal controls are then implemented, and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions.

The internal audit team is an integral tool for the Audit committee and executive to use to test and challenge the effectiveness of the mitigating processes and controls that the Group has implemented.

The main risk factors affecting the Group are outlined below along with actions being taken to mitigate them and minimise the impact on the Group. Not all the factors are within the Groups control. Additional factors to those outlined below may adversely affect the Group all of which will be adversely influenced by the external environment and the global pandemic.
- Continued difficulties in recruiting Specialist staff – The Group has developed a strategy to support the future recruitment of specialist staff which is already seeing positive results.
- Increased incidence of mental health and wellbeing support requirement – The Group continues to develop its wellbeing provision to support the increase in demand.
- Maintaining the Financial sustainability of the Group – The Group currently has a debt facility of 47.5% of Turnover. The financial plan details the financial strategy in place to reduce the levels of debt whilst maintaining the quality of delivery to our students.

Risks that the Group is aware of that may in the future affect the Group are:
- Covid – 19 Pandemic
- Continued real term reduction in funding body funding
- The impact of Brexit negotiations
- The direct and indirect impact of the FE white paper due out in the Autumn of 2020
- The continued impact of the Apprenticeship Levy funding
- Changes to structure of Apprenticeship programme of study
- Delivery of the English and Maths within programmes of study
- The continued take up of Advanced Learner Loans for 19+ funding

This risk is mitigated in a number of ways: -
- Pro-active management of the Covid-19 situation through the Covid-19 steering group.
- Funding is derived through a number of direct and indirect contractual arrangements.
- By ensuring the Group is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with funding bodies.
- Ensuring the Group is focused on those priority sectors, which will continue to benefit from public funding.
- Regular dialogue with the local ESFA, LEA's and our HE Partners.
- Focus on sustainable Full Cost Recovery work.
- Continue working relationships with the Local Enterprise Partnerships (LEP's), through their funding streams, the European Social Fund (ESF) and the Rural Development Programme for England (RDPE).
- Continue working closely with LANDEX and the AOC to ensure the Group contributes to national discussions and receives the latest information on the changing environment.
- Tuition fee policy.

Strategic Report (continued)

The funding body intends to maintain individual contributions for tuition fees as follows:
- 16-18 (at the commencement of learning).
- 19 – 24 dependent on prior learning, either fully funded or advanced learning loans.
- 24+ level 3 and above, advanced learning loans.

This risk is mitigated in a number of ways:-
- By continuing to rigorously develops high quality education and training, ensuring value for money for students.
- Development of strategic partnerships with local and national businesses.
- Close monitoring of the demand for courses as prices change.
- Continually monitoring the marketplace in order to ensure fees charged are competitive.
- Additionally, marketing support to inform learners of support through 24+ loans.

Other risks
The Group continues to work effectively within its Federation with the University of Chester which has delivered growth and high quality, sustainable Higher Education. This supports the Further Education and apprenticeships in the region. The Group continues to develop its infrastructure to support the HE requirements.

This risk is mitigated in a number of ways:-
- Governor scrutiny of all developments
- Executive control, planning and forecasting

Continued Implications of Britain leaving the European Union
The College student demographic is geographically centric to the UK due to residential accommodation on site. The College is, however, aware of the changes to the labour market and the agricultural subsidies that will affect many of the employers that the College work with, due to Brexit. There is now clear evidence of the increased need for the development of the UK labour market to support the future development of the food security agenda. The College sees this as a business opportunity.

KEY PERFORMANCE INDICATORS

Performance Indicators
The Education and Skills Funding Agency (ESFA) is the Group's accountable body ensuring that providers are contributing to the National Target.

- The learner allocations target for 16–18-year-old learners for 2020/21 was 2,059 Learners. The year-end funding claim shows that the College has achieved 2,279 Learners for 2020/21.

- Students continue to realise high achievement and grades at the College. Early indications are that success rates for 2020/21 will be in line with the previous year's good performance with an overall success rate around 88% for Long Qualifications (2019/20 – 88%).

- The College continually monitors Performance Indicators, and the following table is taken from information included in the Self-Assessment Review. All aspects of the College's funded provision are included within the key performance indicators for full and part time learners as well as Work Based Learning.

Performance Indicator	Score/Grade 2020/21	Score/Grade 2019/20
Overall long qualification success rate	84.96%	88%
Student satisfaction rate	9.3 / 10	9.4 / 10
Progression rate	88.61%	96%

Student numbers
- In 2020/21 the College has delivered activity that has produced £15,281k in Funding Bodies main allocation funding (2019/20 £13,289k). The College had approximately 6,000 learners from Entry Level through to Higher Education including Apprenticeships.

Strategic Report (continued)

Student Achievements

- Student success has remained broadly in line with last year's good performance with an anticipated overall Long Qualification achievement rate of 88%. The College recognises this as a key area and continues work with staff and students to ensure that every student achieves their full potential from their studies at the College.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days, is 95%. During the accounting period 1 August 2020 to 31 July 2021, the College paid 92.56% of its creditors, on average, within 30 days. This performance has improved compared to the previous year however it remains below the 95% as the College continued to process monthly supplier payment runs during the financial year, this resulted in some suppliers breaching the 30 Days payment target. The College incurred no interest charges in respect of late payments, under this legislation, for this period.

EQUALITY, DIVERSITY AND INCLUSION

Reaseheath is committed to building a diverse, equitable and inclusive College. Reaseheath is committed and accountable for advancing equity, diversity and inclusion in all its forms, and believes that diversity is critical to delivering excellence. Reaseheath is committed to enabling all members of the College community to achieve their full potential in an environment where equality of respect and opportunity are valued. Its EDI Policy sets out this commitment and the EDI Committee and EDI Working Group bring this policy to life. The Group's Policy, EDI action plan and key objectives are published on the Group's Website and Intranet site.

The Group publishes its EDI Report and EDI Objectives annually, and through transparent policies, practices and procedures it has due regard to its duties under the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. The EDI Working Group has an Action Plan which is a dynamic document and evolves throughout the year as the College makes progress against its objectives.

The Group is a 'Mindful Employer' and promotes a culture of positive mental health amongst its staff and students. It delivers a range of awareness training and activities around positive mental health, supported by its Wellbeing Team. Wellbeing and mental health are priorities for the Group and our Health and Wellbeing Manager is part of the Association of Colleges 'think tank' on the impact of this area within education. The Group is also a 'Disability Confident' Employer and is committed to recruiting, retaining and developing disabled people and people with health conditions, based on their skills and talent.

DISABILITY STATEMENT:

The Group seeks to comply with the Equality Act 2010 and this is evident through all the Group's Policies and Procedures. As the Groups policies and procedures are being reviewed, they are now equality assessed in line with the Equality Act 2010. Particular confirmation of the Group's commitment can be seen from the following actions:

- All Group capital builds comply with the Building Research Establishment Environmental Assessment Method (BREEAM) standard and Disability Discrimination Act (DDA) requirements.
- The Group has an Equality and Diversity Committee that advises on all matters relating to Equal Opportunities, including age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation. This is chaired by the Principal.
- The College has a Learning Skills Workshop which provides inputs for learners who have learning difficulties and/or other disabilities.
- Specialist equipment is available to support students and staff with learning difficulties and disabilities.
- The admissions policies for all students are available on the Group's website.
- The Group offers bursaries to enable learners with financial difficulties to access learning. Appeals against a decision not to offer a bursary are dealt with under the complaints policy.
- The Group has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard Group format.
- Counselling and welfare services are set out in the Student Handbook which is sent to students with their enrolment information. Students are also issued with information on the Group Complaints Policy at induction.

Strategic Report (continued)

Staff Partnership Forum

The College has a Staff Partnership Forum of elected staff representatives, whose role is to share, consult and communicate between staff and management on key issues. Regular meetings are held between representatives and management.

Going Concern

After making appropriate enquiries, a review regarding the impact of Covid-19 on the underlying business, student enrolment / retention, staff resilience and suppliers. Due consideration has been taken regarding the impact of Covid-19 on the Corporation during FY 2020/21. The main impact was within residential, catering and commercial operations. The College was not in breach of any of its bank covenants during FY 2020/21.

The College plan for FY2021/22 takes into consideration the continued impact of Covid-19 on the business whilst ensuring the safety of staff, students and visitors. Based on this plan the Corporation has prepared financial forecasts for the period to 31 December 2022 and considered sensitivities against these forecasts. Based on plausible worst-case scenarios informed by the risks identified in the College plan. These forecasts show that the College's current funding arrangements are sufficient for the period under review.

Following an extensive review into the viability of DART Ltd (a wholly owned subsidiary) including an independent review. It was agreed by Exec, the DART Ltd Board and the Governing body to propose a managed closure to the staff representatives. A full consultation was held with the staff and their representatives who concluded that they would support the managed closure of DART Ltd as at the 31st July 2021.

Events After The Reporting Period

There are no known events after the reporting period.

Disclosure Information to Auditors

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

Approved by order of the Members of the Corporation on 31st January 2022 and signed on its behalf by:

Mr D Pearson MBE
Chair

Statement of Corporate Governance and Internal Control

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

The Group 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); and
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the Code”).

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 1 August 2015. In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2020. It is satisfied that it has complied with the principles of the Code in relation to Terms of Office of Governors, though it does not follow the precise maximum length of term, which is suggested in the Code. The pro-active Search and Governance Committee ensures that succession planning is strong and that there is always a good balance between new members with fresh ideas and the organisational memory and experience provided by longer serving members. This opinion is based on an internal review of compliance with the Code reported to the board on 9 December 2021.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission’s guidance on public benefit and that the required statements appear elsewhere in these financial statements.

The Corporation

The Members who served on the Corporation during the year and up to the date of signature of this report are listed below.

Name	***Date Appointed/ reappointed***	***Term of Office***	***Date of resignation***	***Status of Appointment***	***Committees Served***	***Attendance (committee and corporation not incl. special meetings)***
Mr D Pearson MBE	Aug 2012 Aug 2015 Aug 2018 Aug 2021	3 Years		Independent	Quality and Standards Finance and General Purposes Remuneration Search and Governance	15/15
Dr E Harrison	Aug 2013 Aug 2016 Aug 2019	3 Years		Independent	Finance and General Purposes Remuneration Search and Governance	12/12
Mr M Clinton	Aug 2018	Ex officio		Principal	Quality and Standards Finance and General Purposes Higher Education Search and Governance	16/16
Ms J Cowell	Aug 2019	3 years		Independent	Quality and Standards Committee	7/7

Statement of Corporate Governance and Internal Control (continued)

Mr C Baxter	Aug 2012 Aug 2015 Aug 2018 Aug 2021	3 Years		Independent	Audit Search and Governance	9/10
Mr M Burns	Aug 2012 Aug 2015 Aug 2018 Aug 2021	3 Years		Independent	Finance and General Purposes	6/7
Mr P Green	March 2019	3 Years		Independent	Quality and Standards Audit	10/10
Prof G Crowe	March 2019	3 Years		Independent	Finance and General Purposes Higher Education	9/10
Mr A Taylor	May 2014 Aug 2017 May 2020	3 Years		Independent	Quality and Standards Search and Governance	9/10
Mrs K Bailey	Dec 2014 Aug2017 Aug2020	3 Years		Independent	Audit Remuneration	7/9
Mr M Gorton	Aug 2019	3 Years		Independent	Audit Quality and Standards	9/10
Mr A Fletcher	March 2018 March 2021	3 Years		Independent	Finance and General Purposes	4/7
Mrs A McKay	Dec 2015 Aug 2018	3 years	Aug 2021	Staff	Quality and Standards Higher Education	10/10
Prof C Gaskell	Dec 2017	3 years		Independent	Higher Education	7/7
Mrs A Potter	Dec 2017	3 years		Independent	Finance and General Purposes	6/7
Prof E Simmons	Aug 2020	3 years		Independent		4/4
Ms E Davies-Jones	Aug 2021	3 years		Independent	Audit Remuneration	3/3
Mrs L Watts	March 2019			Staff	Finance and General Purposes	6/7
Ms C Rowntree	Aug 2020	1 year	August 2021	Student	Higher Education	3/7
Mr P Gibbon	Aug 2021	1 year		Staff	Quality and Standards	2/2
Ms K Cole	Nov 2021	1 year		Student	Quality and Standards	2/2
Ms K Angelakopoulos	Nov 2021	1 year		Student	Higher Education	2/2
Mrs J Schillinger	1 Jan 2013	-		Clerk	Independent Clerk to the Corporation (Company Secretary and Head of Governance)	N/A

Statement of Corporate Governance and Internal Control (continued)

Mr I Britton served as a co-opted member of the Higher Education Committee in 2020-21. Ms E Davies-Jones served as a co-opted member of the Audit Committee and the Remuneration Committee in 2020-21. Ms F Johnson served as a co-opted member of the Audit Committee in 2020-21. Mr R Ratcliffe served as a co-opted member of the Finance and General Purposes Committee in 2020-21. None were members of the Corporation in 2020-21. Ms E Davies-Jones joined the Corporation on 1 August 2021.Mr J Furber and Mr P Weston served as Associate Members of the Corporation in 2020-21, serving on the Finance and General Purposes Committee. Associate membership of the Corporation is a non-voting membership and members do not count towards the quorum.

The Governance Framework

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Corporation is provided with regular and timely information on the overall financial performance of the Group together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets each term and holds additional meetings as necessary. During the year, meetings were held remotely via Microsoft Teams due to the impact of Covid-19.

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 Finance and General Purposes, Audit, Remuneration, Search and Governance, Quality and Standards, Higher Education and Special Committee/Staff Appeals (meets only as required). Full minutes of all meetings, except those deemed to be confidential, are available on the College website at www.reaseheath.ac.uk or from the Company Secretary and Head of Governance ('Company Secretary') at:

Reaseheath College
Reaseheath
Nantwich
Cheshire
CW5 6DF

The Company Secretary maintains a register of financial and personal interests of the Members. The register is available for inspection at the above address.

All Members are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Company Secretary, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment and removal of the Company Secretary are matters for the Corporation as a whole. The Company Secretary holds a relevant governance qualification and has undertaken further professional development during the year on the Chartered Governance Institute UK and Ireland's Chartered Governance Qualifying Programme.

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee consisting of the Members as shown in the table above, which is responsible for the selection and nomination of any new Member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided.

Members of the Corporation are appointed for a term of office not exceeding four years.

Statement of Corporate Governance and Internal Control (continued)

Corporation Performance

The Members of the Corporation review Corporation performance every year against the values and principal responsibilities set out in the Code of Good Governance for English Colleges (the Code). The Corporation, through its Chair and its Search and Governance Committee reviews the performance and effectiveness of Members on an on-going basis. Members review the performance of the Chair on an annual basis. Each Committee of the Corporation reviews its own performance against its Terms of Reference on an annual basis and reports to the Corporation. The Search and Governance Committee reports annually to the Board, based on the annual self-assessment process, with the annual governance report available in the December 2021 meeting papers. In the opinion of the Members, the College complies with the values and principal responsibilities of the Code and has complied throughout the year ended 31 July 2021. The Board was satisfied that in 2020-21 and to the date of approval of the annual report and accounts, its composition, processes and operations were effective and fit for purpose and responsive to the Covid-19 pandemic and the external regulatory and funding environment. A number of priority areas for Board business were identified and actions in relation to training and development were agreed.

Remuneration Committee

During the year ended 31 July 2021, the College's Remuneration Committee comprised three members of the Corporation and two external co-opted members. The Committee's responsibilities are to make recommendations to the Corporation, on the remuneration and benefits of the Accounting Officer and other senior post-holders. The Corporation has adopted the Association of Colleges' Senior Post Holder Remuneration Code, which it formally adopted on 21 March 2019.

Details of remuneration for the year ended 31 July 2021 are set out in Note 7 to the financial statements.

No payment was made for the fulfilment of the Governors' roles, however £285 (2019/20 - £2,447) of expenses incurred were paid.

Audit Committee

In 2020-21, the Audit Committee comprised four members of the Corporation (excluding the Accounting Officer), together with two co-opted external members with the necessary skills and expertise in finance and risk management. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the Group's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the Group's business.

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

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

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

Statement of Corporate Governance and Internal Control (continued)

The Audit Committee met three times in the year to 31 July 2021. The members of the Audit Committee and their attendance record is shown below.

Committee member	Meetings attended
Mr C Baxter	3
Ms K Bailey	1
Mr P Green	3
Mr M Gorton	3
Ms F Johnson	3
Ms E Davies-Jones	3

Internal Control

Scope of responsibility

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

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

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 Group policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Reaseheath College for the year ended 31 July 2021 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the Group is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the Group's significant risks that has been in place for the year ending 31 July 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

In 2020-21, the College applied the Procurement Policy Notice in relation to managing the risk of maintaining the essential service of its student transport provider in the context of the impact on the supplier of Covid-19. The Accounting Officer was satisfied that the College obtained value for money by doing so.

Statement of Corporate Governance and 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:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Whilst the Governing body is conscious of the potential impact of Covid-19 on the financial performance It was kept up to date with the continually updated financial position and the potential risks to cash and solvency, including impact of College financial KPI's.

Reaseheath College 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 the Group is exposed, and annual internal audit plans are based on this analysis.

The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the internal audit service provides the governing body with a report on internal audit activity in the Group. The report includes their independent opinion on the adequacy and effectiveness of the Group's system of risk management, controls and governance processes.

Control weaknesses identified

The internal auditors did not identify any significant internal control weaknesses or failures during the year.

Responsibilities under funding agreements

The Group has met its contractual responsibilities under its funding agreements and contracts with ESFA and OFS by ensuring compliance with all terms and conditions of funding, in addition to compliance with its Financial Regulations and procedures.

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 believed the corporation has effective internal controls in place.

The specific areas of review undertaken by the audit committee in 2020/21 and up to the date of the approval of the financial statements are:

- Setting the internal audit Plan.
- Reviewing internal audit reports and ensuring significant progress is made on any required actions, some internal audit jobs were carried out as desk based due to Covid-19.
- Carrying out the annual review and re-appointing the internal and external audit service
- Reviewing the Group Statutory accounts and audit completion report, recommending to the board as appropriate

Statement of Corporate Governance and Internal Control (continued)

Review of effectiveness

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

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

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, 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 receives reports thereon from the senior management team and the Audit Committee.

The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2021 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2021.

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

Approved by order of the Members of the Corporation on 31st January 2022 and signed on its behalf by:

Mr D Pearson MBE
Chair

Mr M Clinton
Accounting Officer

Statement of Regularity, Propriety and Compliance

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 agreement and contracts with the ESFA. As part of our consideration we have had due regard to the requirements of the 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.

Mr M Clinton

Accounting Officer

Date 31st January 2022

Mr D Pearson MBE

Chair of Governors

Date 31st January 2022

Statement of the Responsibilities of the Members of the Corporation

The Members of the Corporation are required to present audited financial statements for each financial year.

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

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK 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
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Corporation 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 information about the legal and administrative status of the Corporation.

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group and which enable it to ensure that the financial statements are prepared in accordance with 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 its assets and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the Members of the Corporation on 31st January 2022 and signed on its behalf by:

Mr D Pearson MBE
Chair

Independent auditor's report to the Members of the Corporation

Opinion

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

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Independent auditor's report to the Members of the Corporation (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 18, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report to the Members of the Corporation (continued)

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

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

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

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

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

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

Independent auditor's report to the Members of the Corporation (continued)

Use of the audit report

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

Mazars LLP

David Hoose (Jan 31, 2022 15:45 GMT)

Mazars LLP

Chartered Accountants and Statutory Auditor

Park View House

58 The Ropewalk

Nottingham

NG1 5DW

Date Jan 31, 2022

Independent Auditor's Report on Regularity to the Members of the Corporation

To: The corporation of Reaseheath College and Secretary of State for Education acting through Education and Skills Funding Agency ("ESFA")

In accordance with the terms of our engagement letter dated 20 September 2021 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Reaseheath College during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which the ESFA has other assurance arrangements in place.
This report is made solely to the corporation of Reaseheath College and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Reaseheath College and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept, or assume, responsibility to anyone other than the corporation of Reaseheath College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Reaseheath College and the reporting accountant

The corporation of Reaseheath College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them.
Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework.
The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.
A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.
Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the ESFA/funding agreement with the ESFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached

Independent Auditor's Report on Regularity to the Members of the Corporation (continued)

- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

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

Signed: Mazars LLP
David Hoose (Jan 31, 2022 15:45 GMT)

Mazars LLP

Park View House

58 The Ropewalk

Nottingham

NG1 5DW

Date: Jan 31, 2022

Consolidated Statement of Comprehensive Income

Reaseheath Group	Note	Year ended 31 July 2021 Continuing Operations £'000	Discontinued Operations £'000	Total £'000	Year ended 31 July 2020 Continuing Operations £'000	Discontinued Operations £'000	Total £'000
INCOME							
Funding body grants	2	21,071	1,179	22,250	18,372	985	19,357
Tuition fees and education contracts	3	7,938	398	8,336	7,362	333	7,695
Other grants and contracts	4	226	7	233	321	33	354
Other income	5	4,761	-	4,761	4,712	-	4,712
Endowment and investment income	6	-	-	-	19	-	19
Donations and Endowments	7	38	-	38	-	-	-
Total income		**34,034**	**1,584**	**35,618**	**30,786**	**1,351**	**32,136**
EXPENDITURE							
Staff costs*	8	21,245	714	21,959	20,392	712	21,104
Other operating expenses	9	10,331	812	11,143	9,887	437	10,324
Depreciation	12	2,793	4	2,797	2,811	6	2,817
Interest and other finance costs	10	614	-	614	789	-	789
Total expenditure		**34,983**	**1,530**	**36,513**	**33,879**	**1,155**	**35,034**
(Deficit) before other gains and losses****		**(949)**	**54**	**(895)**	**(3,093)**	**196**	**(2,898)**
(Loss) on disposal of assets		(185)	-	(185)	-	-	-
(Deficit) before tax		**(1,134)**	**54**	**(1,080)**	**(3,093)**	**196**	**(2,898)**
Taxation	11	-	-	-	-	-	-
(Deficit) for the year		**(1,134)**	**54**	**(1,080)**	**(3,093)**	**196**	**(2,898)**
Actuarial gain in respect of pensions schemes	28	(3,382)	-	(3,382)	(4,182)	-	(4,182)
Movement in enhanced pension provision	22	(146)	-	(146)	40	-	40
Total Comprehensive Income for the year		**(4,662)**	**54**	**(4,608)**	**(7,235)**	**196**	**(7,040)**

The below table does not form part of the statutory financial statements

Deficit before other gains and losses	****	(949)	54	(895)	(3,093)	196	(2,898)
Defined benefit pension obligations FRS102(28)	*	2,067	-	2,067	2,145	-	2,145
Add Back Net Impact of Covid19		-	-	-	1,000	-	1,000
Adjusted operating position adding back Covid19 impact		**1,118**	**54**	**1,172**	**52**	**196**	**247**

College Statement of Comprehensive Income

Reassheath College	Note	Year ended 31 July 2021 Continuing Operations £'000	Year ended 31 July 2021 Discontinued Operations £'000	Year ended 31 July 2021 Total £'000	Year ended 31 July 2020 Continuing Operations £'000	Year ended 31 July 2020 Discontinued Operations £'000	Year ended 31 July 2020 Total £'000
INCOME							
Funding body grants	2	21,071	-	21,071	18,372	-	18,372
Tuition fees and education contracts	3	7,938	-	7,938	7,362	-	7,362
Other grants and contracts	4	226	-	226	321	-	321
Other income	5	4,761	-	4,761	4,712	-	4,712
Endowment and investment income	6	-	-	-	19	-	19
Donations and Endowments	7	38	-	38	-	-	-
Total income		**34,034**	**-**	**34,034**	**30,786**	**-**	**30,786**
EXPENDITURE							
Staff costs*	8	21,245	-	21,245	20,392	-	20,392
Other operating expenses**	9	10,331	1,247	11,578	9,637	250	9,887
Depreciation	12	2,793	-	2,793	2,811	-	2,811
Interest and other finance costs	10	614	-	614	789	-	789
Total expenditure		**34,983**	**1,247**	**36,230**	**33,629**	**250**	**33,879**
(Deficit) before other gains and losses**		**(949)**	**(1,247)**	**(2,196)**	**(2,843)**	**(250)**	**(3,094)**
(Loss) on disposal of assets		(185)	-	(185)	-	-	-
(Deficit) before tax		**(1,134)**	**(1,247)**	**(2,381)**	**(2,843)**	**(250)**	**(3,094)**
Taxation	11	-	-	-	-	-	-
(Deficit) for the year		**(1,134)**	**(1,247)**	**(2,381)**	**(2,843)**	**(250)**	**(3,094)**
Actuarial gain in respect of pensions schemes	28	(3,382)	-	(3,382)	(4,182)	-	(4,182)
Movement in enhanced pension provision	22	(146)	-	(146)	40	-	40
Total Comprehensive Income for the year		**(4,662)**	**(1,247)**	**(5,909)**	**(6,985)**	**(250)**	**(7,236)**

The below table does not form part of the statutory financial statements

Deficit before other gains and losses	****	(949)	(1,247)	(2,196)	(2,843)	(250)	(3,093)
Defined benefit pension obligations FRS102(28)	*	2,067	-	2,067	2,145	-	2,145
Investment Impairment / Write off	**	-	1,247	1,247	-	250	250
Add Back Net Impact of Covid19		-	-	-	1,000	-	1,000
Adjusted operating position adding back Covid19 impact		**1,118**	**0**	**1,118**	**302**	**-**	**302**

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Group			
Balance at 1st August 2019	16,768	6,180	22,948
Deficit from the income and expenditure account	(2,898)	-	(2,898)
Other comprehensive income	(4,142)	-	(4,142)
Transfers between revaluation and income and expenditure account	232	(232)	-
Total comprehensive income for the year	(6,808)	(232)	(7,040)
Balance as 31st July 2020	**9,960**	**5,948**	**15,908**
Deficit from the income and expenditure account	(1,080)	-	(1,080)
Other comprehensive income	(3,528)	-	(3,528)
Transfers between revaluation and income and expenditure reserves	232	(232)	-
Total comprehensive income for the year	(4,376)	(232)	(4,608)
Balance at 31st July 2021	**5,584**	**5,716**	**11,300**
College			
Balance at 1st August 2019	17,592	6,180	23,772
Deficit from the income and expenditure account	(3,093)	-	(3,093)
Other comprehensive income	(4,142)	-	(4,142)
Transfers between revaluation and income and expenditure account	232	(232)	-
Total comprehensive income for the year	(7,003)	(232)	(7,235)
Balance as 31st July 2020	**10,589**	**5,948**	**16,537**
Deficit from the income and expenditure account	(2,381)	-	(2,381)
Other comprehensive income	(3,528)	-	(3,528)
Transfers between revaluation and income and expenditure reserves	232	(232)	-
Total comprehensive income for the year	(5,677)	(232)	(5,909)
Balance at 31st July 2021	**4,912**	**5,716**	**10,628**

Balance sheets as at 31 July

	Notes	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Fixed assets					
Tangible fixed assets	12	74,596	74,596	75,053	75,046
Intangible fixed assets	13	-	-	-	-
Investments	15	-	-	-	-
		74,596	**74,596**	**75,053**	**75,046**
Debtors: amounts falling due after one year	17	-	-	-	-
Current assets					
Stocks	14	818	818	757	757
Trade and other receivables	16	2,202	2,038	4,655	4,626
Investments	18	79	79	79	79
Cash and cash equivalents	23	5,835	5,832	4,376	4,306
		8,934	**8,767**	**9,867**	**9,768**
Less: Creditors – amounts falling due within one year	19	(5,958)	(6,463)	(5,493)	(6,004)
Net current assets		**2,976**	**2,304**	**4,374**	**3,764**
Total assets less current liabilities		**77,572**	**76,900**	**79,427**	**78,809**
Less: Creditors – amounts falling due after more than one year	20	(44,791)	(44,791)	(47,838)	(47,838)
Provisions					
Defined benefit obligations	22	(21,057)	(21,057)	(15,379)	(15,379)
Other provisions	22	(424)	(424)	(302)	(302)
Total net assets		**11,300**	**10,628**	**15,908**	**15,290**
Unrestricted reserves					
Income and expenditure account		5,584	4,912	9,960	10,589
Revaluation reserve		5,716	5,716	5,948	5,948
Total unrestricted reserves		**11,300**	**10,628**	**15,908**	**16,537**

The financial statements on pages 25 to 54 were approved and authorised for issue by the Corporation on 31st January 2022 and were signed on its behalf on that date by:

Mr D Pearson MBE
Chair

Mr M Clinton
Accounting Officer

Consolidated Statement of Cash Flows

	Notes	2021 Group £'000	2020 Group £'000
Cash inflow from operating activities			
(Deficit) for the year		(1,080)	(2,898)
Adjustment for non cash items			
Depreciation	12	2,797	2,817
(Increase)/Decrease in stocks	14	(61)	37
Decrease in debtors due within one year	16	2,453	396
Decrease in debtors due after one year	17	-	2,747
Increase/(Decrease) in creditors due within one year	19	318	360
Increase/(Decrease) in creditors due after one year	20	783	(994)
(Decrease)/Increase in provisions	22	122	(56)
Pensions costs less contributions payable	28	2,067	1,977
Adjustment for investing or financing activities			
Investment income	6	-	(19)
Interest payable	10	385	579
Pension finance costs		229	209
(Loss) on sale of fixed assets		(185)	-
Net cash flow from operating activities		**7,828**	**5,155**
Cash flows from investing activities			
Proceeds from sale of fixed assets		385	-
Disposal of non-current asset investments		-	-
Investment income		-	19
Payments made to acquire fixed assets		(2,540)	(609)
		(2,155)	**(590)**
Cash flows from financing activities			
Interest paid		(384)	(579)
Interest element of finance lease rental payments		(1)	(1)
Loan restructuring costs		-	-
New unsecured loans		-	-
New hire purchase liabilities		-	-
Repayments of amounts borrowed		(3,825)	(3,825)
Repayments of loan notes		-	-
Capital element of finance lease rental payments		(4)	(6)
		(4,214)	**(4,411)**
Increase in cash and cash equivalents in the year		**1,459**	**154**
Cash and cash equivalents at beginning of the year	23	4,376	4,222
Cash and cash equivalents at end of the year	23	5,835	4,376

Notes to the Consolidated Financial Statements

1 Accounting Policies

Statement of accounting policies

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

Basis of preparation

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

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, DART Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student association are included within the College. All financial statements are made up to 31 July 2021.

Going concern

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

The Group currently has £16.9m of loans outstanding with bankers on terms negotiated during the financial year 2020/21. The terms of the agreement are for up to 5 years and have been agreed with the bank and authorised by the governing body.

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

Notes to the Consolidated Financial Statements (continued)

1 Accounting Policies (continued)

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 FRS 102. 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 or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Grants (including research grants) from non-government sources are recognised in income when the 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 FRS 102. Other, non-governmental, 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 credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). 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 the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 28, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is, therefore, treated as a defined contribution scheme and the contributions recognised as they are paid in the year.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Notes to the Consolidated Financial Statements (continued)

1 Accounting Policies (continued)

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the Group. Any unused benefits are accrued and measured as the additional amount the 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 the Group annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the Group's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

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 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

The Group's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value.

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated insurance valuation, and inherited land at market value without milk quota. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the Group of between 20 and 50 years. The Group has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

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

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Notes to the Consolidated Financial Statements (continued)

1 Accounting Policies (continued)

On adoption of FRS 102, the Group followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Assets under construction are accounted for at cost, based on the project manager completion 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 it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

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

Equipment

Equipment costing less than £2,000 per individual item is written off to the income and expenditure account in the period of acquisition, except where an asset that forms part of a project is under £2,000 it is capitalised as an asset. All other equipment is capitalised at cost.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the Group of between three and ten years from incorporation and is now fully depreciated. All other assets are depreciated over their useful economic life as follows:

- Motor vehicles 5 years on a straight-line basis
- Computer equipment 3 years on a straight-line basis
- Plant and Equipment 10 years on a straight-line basis

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

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the income and expenditure account over its estimated economic life.

Amortisation is provided at the following rates:

Goodwill - 5 years straight line

Notes to the Consolidated Financial Statements (continued)

1 Accounting Policies (continued)

Inventories

Inventories 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.
Biological assets are stated at the lower of their fair values less costs to sell.

Investments

Investments are recognised at cost less any provisions for impairment.

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 without penalty.

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 the 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 costs, however the 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 transactions

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

Taxation

The Group is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Group 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.

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

Provisions and contingent liabilities

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

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.

Notes to the Consolidated Financial Statements (continued)

1 Accounting Policies (continued)

A contingent liability arises from a past event that gives the 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 the 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.

Agency arrangements

The Group acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure of the Group where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

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 the 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 the group's 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.

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 27, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 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.

- Investment Impairment

Due to sustained losses over the past three years and following consultation and independent report and consultation with the staff, Executive, DART Board and the College Governors it was agreed to have a managed closure of DART Ltd due to the changes in the mode of delivery that Apprenticeship Standards have required and the reduction of apprenticeship opportunities in the Land based sector that are financially viable. DART Ltd was closed on 31st July 2021.

Notes to the Accounts (continued)

2 Funding council grants - Group and College

	Year ended 31 July 2021			Year ended 31 July 2020		
	Continuing Operations	Discontinue Operations	Total	Continuing Operations	Discontinue Operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Recurrent grants						
Education and Skills Funding Agency - adult	1,134	-	1,134	1,412	-	1,412
Education and Skills Funding Agency – 16 -18	14,986	-	14,986	12,388	-	12,388
Education and Skills Funding Agency -	3,028	1,179	4,207	2,744	974	3,718
Office for Students	518	-	518	453	-	453
Specific Grants						
Skills Funding Agency	453	-	453	575	-	575
Releases of government capital grants	394	-	394	405	-	405
HE grant	90	-	90	24	-	24
Teacher Pension Scheme Contribution Grant	468	-	468	371	-	371
Education and Skills Funding Agency - provider relief scheme	-	-	-	-	11	11
Total	**21,071**	**1,179**	**22,250**	**18,372**	**985**	**19,357**

Within Note 2 - 10 of the financial statements, the total represents the consolidated total for the group. All continuing operations represent that of the College only.

3 Tuition fees and education contracts - Group and College

	Year ended 31 July 2021			Year ended 31 July 2020		
	Continuing Operations	Discontinue Operations	Total	Continuing Operations	Discontinue Operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Adult education fees	1,409	121	1,530	940	107	1,047
Apprenticeship fees and contracts	113	40	153	175	78	253
Fees for FE loan supported courses	610	-	610	782	-	782
Fees for HE loan supported courses	4,682	-	4,682	4,537	-	4,537
Total tuition fees	**6,814**	**161**	**6,975**	**6,434**	**185**	**6,619**
Education contracts	623	237	860	285	148	433
Higher Education contract income	501	-	501	643	-	643
Total	**7,938**	**398**	**8,336**	**7,362**	**333**	**7,694**

Notes to the Accounts (continued)

4 Other grants and contracts - Group and College

	Year ended 31 July 2021			Year ended 31 July 2020		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
European Commission	-	-	-	-	-	-
Coronavirus Job Retention Scheme grant	226	7	233	321	33	354
Total	**226**	**7**	**233**	**321**	**33**	**354**

The corporation furloughed some Catering, Domestic and Support Staff under the government's Coronavirus Job Retention Scheme. The funding received in respect of 182 staff of £233k relates to staff costs which are included within the staff costs note below as appropriate

5 Other income - Group and College

	Year ended 31 July 2021			Year ended 31 July 2020		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Catering and residences	2,516	-	2,516	2,722	-	2,722
Other income generating activities	115	-	115	92	-	92
Farming income	778	-	778	902	-	902
Other grant income	369	-	369	446	-	446
Non government capital grants	-	-	-	-	-	-
Miscellaneous income	983	-	983	550	-	550
Total	**4,761**	**-**	**4,761**	**4,712**	**-**	**4,712**

6 Investment income - Group and College

	Year ended 31 July 2021			Year ended 31 July 2020		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Other interest receivable	-	-	-	19	-	19
Pension finance income (note 28)	-	-	-	-	-	-
Total	**-**	**-**	**-**	**19**	**-**	**19**

7 Donations and Endowments - Group and College

	Year ended 31 July 2021			Year ended 31 July 2020		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Donated Assets	38	-	38	-	-	-
Gift Aid covenant - subsidiary	-	-	-	-	-	-
Total	**38**	**-**	**38**	**-**	**-**	**-**

Notes to the Accounts (continued)

8 Staff costs - Group and College

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

	Year ended 31 July 2021			Year ended 31 July 2020		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	No.	No.	No.	No.	No.	No.
Teaching staff	223	-	223	224	-	224
Non teaching staff	583	22	561	594	35	629
	806	**22**	**828**	**818**	**35**	**853**

Staff costs for the above persons

	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	14,527	662	15,189	14,185	650	14,835
Social security costs	1,226	39	1,265	1,152	48	1,200
Other pension costs	5,335	13	5,348	4,878	14	4,892
Payroll sub total	**21,088**	**714**	**21,802**	**20,215**	**712**	**20,927**
Contracted out staffing services	154	-	154	177	-	177
	21,242	714	21,956	**20,392**	**712**	**21,104**
Restructuring costs approved by Corporation -	3	-	3	-	-	-
Total Staff costs	**21,245**	**714**	**21,959**	**20,392**	**712**	**21,104**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal, Vice Principal and the Chief Finance Officer & Director of resource.

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

	Continuing No.	Continuing No.
The number of key management personnel including the Accounting Officer was:	3	3

Notes to the Accounts (continued)

8 Staff costs - Group and College (Continued)

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

	Key management 2021 No.	Key management 2020 No.	Other staff 2021 No.	Other staff 2020 No.
£ 60,001 to £ 65,000 p.a	-	-	3	2
£ 65,001 to £ 70,000 p.a	-	1	-	-
£ 70,001 to £ 75,000 p.a	1	-	1	1
£ 85,001 to £ 90,000 p.a	-	-	-	-
£ 90,001 to £ 95,000 p.a	1	1	-	-
£ 95,001 to £ 100,000 p.a	-	-	-	-
£ 140,001 to £ 145,000 p.a	1	1	-	-
£ 170,001 to £ 175,000 p.a	-	-	-	-
	3	**3**	**4**	**3**

Key management personnel emoluments are made up as follows:

	2021 £'000	2020 £'000
Salaries	308	298
Employers National Insurance	39	37
Benefits in kind	6	5
	353	**340**
Pension contributions	73	67
Total emoluments	**426**	**407**

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

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

	2021 £'000	2020 £'000
Salaries	141	138
Benefits in kind	2	2
	143	140
Pension contributions	33	32

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future.

The remuneration package of Key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

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

Notes to the Accounts (continued)

8 Staff costs - Group and College (Continued)

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

	2021	2020
Principal's basic salary as a multiple of the median of all staff	6.05	6.00
Principal and CEO's total remuneration as a multiple of the median of all staff	7.38	7.46

The median pay is calculated on a full-time equvalent basis for the salaries paid by the Group to all staff memebers.

9 Other operating expenses

Group	Year ended 31 July 2021			Year ended 31 July 2020		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Teaching costs	1,831	223	2,054	1,740	(162)	1,578
Non teaching costs	6,196	541	6,737	5,876	557	6,433
Premises costs	2,304	48	2,352	2,271	42	2,313
Total	**10,331**	**812**	**11,143**	**9,887**	**437**	**10,324**

College Only	Year ended 31 July 2021			Year ended 31 July 2020		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Teaching costs	1,831	-	1,831	1,740	0	1,740
Non teaching costs	6,196	1,247	7,443	5,626	250	5,876
Premises costs	2,304	-	2,304	2,271	0	2,271
Total	**10,331**	**1,247**	**11,578**	**9,637**	**250**	**9,887**

Other operating expenses include:	**2021**	**2020**
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	42	34
Internal audit	26	27
Other services provided by the financial statements	1	1
Other services provided by the internal auditors	-	-
Hire of assets under operating leases	322	344

10 Interest payable - Group and College

	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	0
	£'000	£'000	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:	384	-	384	579	-	579
	384	-	384	579	-	579
On finance leases	1	-	1	1	-	1
Pension finance costs (note 27)	229		229	209	-	209
Total	**614**	-	**614**	**789**	-	**789**

Notes to the Accounts (continued)

11 Taxation - Group only

	2021 £'000	2020 £'000
United Kingdom corporation tax	-	-
Provision for deferred corporation tax in the	-	-
Total	-	-

12 Tangible fixed assets (Group)

	Land and buildings Freehold £'000	Equipment £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation				
At 1 August 2020	88,951	15,354	72	104,377
Additions	13	2,502	25	2,540
Transfers	-	72	(72)	-
Disposals	(277)	-	-	(277)
At 31 July 2021	**88,687**	**17,928**	**25**	**106,640**
Depreciation				
At 1 August 2020	18,226	11,098	-	29,324
Charge for the year	1,845	952	-	2,797
Elimination in respect of disposals	(77)	-	-	(77)
At 31 July 2021	**19,994**	**12,050**	-	**32,044**
Net book value at 31 July 2021	**68,693**	**5,878**	**25**	**74,596**
Net book value at 31 July 2020	70,725	4,256	72	75,053

Tangible fixed assets (College only)

	Land and buildings Freehold £'000	Equipment £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation				
At 1 August 2020	88,951	15,245	72	104,268
Additions	13	2,502	25	2,540
Transfers	-	72	(72)	-
Transfers - From Discontinued Operations	-	57	-	57
Disposals	(277)	-	-	(277)
At 31 July 2021	**88,687**	**17,876**	**25**	**106,588**
Depreciation				
At 1 August 2020	18,226	10,996	-	29,222
Charge for the year	1,845	948	-	2,793
Transfers - From Discontinued Operations	-	54	-	54
Elimination in respect of disposals	(77)	-	-	
At 31 July 2021	**19,994**	**11,998**	-	**31,992**
Net book value at 31 July 2021	**68,693**	**5,878**	**25**	**74,596**
Net book value at 31 July 2020	70,725	4,249	72	75,046

Land and buildings valuations were established with the assistance of independent professional advice, on incorporation.

The net book value of equipment includes an amount of £27,110 (2019-20 – £30,608 restated) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £3,498 (2019-20 – £3,498).

Notes to the Accounts (continued)

13 Intangible fixed assets

	Group £'000
Cost or Valuation	
At 1 August 2020	624
Additions	-
Disposals	(624)
At 31 July 2021	-
Amortisation	
At 1 August 2020	624
Charge for year	-
Disposals	(624)
At 31 July 2021	-
Net book value at 31st July 2021	-
Net book value at 31st July 2020	-

14 Stocks

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Livestock (Biological assets)	578	578	533	533
Other	240	240	224	224
Total	**818**	**818**	**757**	**757**

Inventories with the exception of Farm stocks are stated at the lower of their cost and net realisable Farm stock including Livestock have been valued at Fair Value on 31st July 2021. Biological assets included within Livestock are broken down as follows:

Biological assets	Cattle £'000	Sheep £'000	Pigs £'000	Total Group £'000
Balance at 1st August 2019	450	75	46	571
Increase due to purchases	-	-	-	-
Decrease due to sales	(42)	(56)	(65)	(163)
Net increase due to births/deaths	45	40	-	85
Change in fair value less costs to sell:				
- Due to price changes	1	(8)	19	12
- Due to physical changes	30	(2)	-	28
Balance at 31st July 2020	484	49	-	533
Balance at 1st August 2020	484	49	-	533
Increase due to purchases	-	-	-	-
Decrease due to sales	-	(23)	-	(23)
Net increase due to births/deaths	70	-	-	70
Change in fair value less costs to sell:				
- Due to price changes	(2)	-	-	(2)
- Due to physical changes	-	-	-	-
Balance at 31st July 2021	552	26	-	578

Notes to the Accounts (continued)

15 Non current investments

	Group 2021 £'000	College 2021 £'000
Investments in subsidiary companies	-	-
Total	-	-

On 19 December 2013 the College acquired 100 per cent of the issued ordinary £1 shares of DART Limited, a company incorporated in England and Wales. The principal business activity of DART Limited is carrying out training of employees on behalf of employers.

Due to sustained losses over the past three years and following consultation and independent report and consultation with the staff, Executive, DART Board and the College Governors it was agreed to have a managed closure of DART Ltd due to the changes in the mode of delivery that Apprenticeship Standards have required and the reduction of apprenticeship opportunities in the Land based sector that are financially viable. DART Ltd was closed on 31st July 2021.

16 Debtors: amounts falling due within one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Amounts falling due within one year:				
Trade receivables	314	312	423	403
Other receivables - Kingsley Fields	-	-	2,747	2,747
Net VAT liability receivable	57	57	-	88
Prepayments and accrued income	1,303	1,303	1,152	1,146
Amounts owed by the Skills Funding Agency	528	366	333	242
Total	**2,202**	**2,038**	**4,655**	**4,626**

17 Debtors: amounts falling due after one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Other receivables - Kingsley Fields	-	-	-	-
	-	-	-	-

Notes to the Accounts (continued)

18 Current investments

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Investment in UK Arla Farmers Cooperative Limited	79	79	79	79
Total	**79**	**79**	**79**	**79**

Investment in The UK Arla Farmers Cooperative Limited – the UK corporate member of Arla created by the merger of AMCo and AML on 1st January 2016.

19 Creditors: amounts falling due within one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank loans and overdrafts	1,128	1,128	825	825
Obligations under finance leases	6	6	6	6
Trade payables	586	471	1,145	1,109
Other creditors	842	721	602	497
Amounts owed to group undertakings:	-	-	-	-
Subsidiary undertakings	-	798	-	771
Net VAT Creditor	-	-	55	-
Other taxation and social security	666	650	293	281
Accruals and deferred income	1,561	1,520	1,331	1,279
Deferred income - government capital grants	875	875	875	875
Amounts owed to the Skills Funding Agency	294	294	86	86
Other creditors - Kingsley Fields	-	-	275	275
Total	**5,958**	**6,463**	**5,493**	**6,004**

20 Creditors: amounts falling due after one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank loans	15,797	15,797	19,925	19,925
Obligations under finance leases	4	4	9	9
Deferred income - government capital grants	28,990	28,990	27,904	27,904
Other creditors - Kingsley Fields	-	-	-	-
Total	**44,791**	**44,791**	**47,838**	**47,838**

Notes to the Accounts (continued)

21 Maturity of debt - Group and College

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2021 £'000	2020 £'000
In one year or less	1,128	825
Between one and two years	2,256	19,925
Between two and five years	13,541	-
In five years or more	-	-
Total	**16,925**	**20,750**

The Group entered into a new Term Facility Agreement on 31st July 2021, this facility is at SONIA plus 2.50% repayable in instalments to 31st July 2026. The amortisation period of the loan is calculated over 15 years and the agreed term of the loan is 5 years. This has been reflected in the above repayment schedule.

During the period 2020/21 the Group loan and interest payments were charged on the previous a Medium Term Loan (MTL) Facility at LIBOR plus 1.85% and Revolving credit facility (RCF) of LIBOR plus 1.75%.

(b) Finance leases

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

	2021 £'000	2020 £'000
In one year or less	6	6
Between two and five years	4	9
In five years or more	-	-
Total	**10**	**15**

Finance lease obligations are secured on the assets to which they relate.

Notes to the Accounts (continued)

22 Provisions - Group and College

	Defined benefit Obligations £'000	Enhanced pensions £'000	Other £'000	Total £'000
At 1 August 2020	15,379	302	-	15,681
Expenditure in the period	(1,937)	(24)	-	(1,961)
Transferred from income and expenditure account	7,615	146	-	7,761
At 31 July 2021	**21,057**	**424**	-	**21,481**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 28.

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

The principal assumptions for this calculation are:

	Group 2021	Group 2020
Price inflation	2.60%	2.20%
Discount rate	1.60%	1.30%

23 Analysis of changes in net debt

	At 1 August 2020 £'000	Cash flows £'000	Other changes £'000	At 31 July 2021 £'000
Cash and cash equivalents				
Cash	4,376	1,459	-	5,835
Total cash and cash equivalents	**4,376**	**1,459**	-	**5,835**
Borrowings				
Senior loan	(13,750)	825	(4,000)	(16,925)
Revolver loan	(7,000)	3,000	4,000	0
Finance leases	(15)	5	-	(10)
Total Borrowing	**(20,765)**	**3,830**	-	**(16,935)**
Total net debt	**(16,389)**	**5,289**	-	**(11,100)**

Notes to the Accounts (continued)

24 Capital commitments - Group and College

	2021 £'000	2020 £'000
Commitments contracted for at 31 July	-	671
Authorised, but not contracted for at 31 July	-	-

The capital commitments include the supply and installation of a robotic milking palour and vertial farming equipment. Both projects are fully funded by the Local Enterprise Partnership.

25 Lease Obligations

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

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Future minimum lease payments due				
Other				
Not later than one year	150	150	193	153
Later than one year and not later than five years	71	71	262	262
later than five years	-	-	-	-
	221	**221**	**455**	**415**

26 Contingent liabilities

There are no known contingent liabilities provided for at the year end.

27 Events after the reporting period

There are no known events after the reporting period.

Notes to the Accounts (continued)

28 Defined benefit obligations

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

Total pension cost for the year	**2021**		**2020**	
	£'000	**£'000**	**£'000**	**£'000**
Teachers Pension Scheme: contributions paid		1,337		1,274
Local Government Pension Scheme:				
Contributions paid	1,937		1,667	
FRS 102 (28) charge	2,067		1,937	
Charge to the Statement of Comprehensive Income		4,004		3,604
Enhanced pension charge to Statement of Comprehensive Income		24		40
Total Pension Cost for Year within staff costs		**5,365**		**4,918**

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

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

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2014. These regulations apply to teachers in schools, 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.

Notes to the Accounts (continued)

28 Defined benefit obligations (continued)

Under the definitions set out in FRS102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

The valuation of the TP 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.

Valuation of the Teachers' Pension Scheme

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional cost during the 2020-21 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teacher's Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1,815,280 (2020: £1,740,080).

Notes to the Accounts (continued)

28 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Cheshire West and Chester Local Authority. The total contribution made for the year ended 31 July 2020 was £2,146k of which employer's contributions totalled £1,667k and employees' contributions totalled £479k. The agreed contribution rates for future years are 23.55% (with a further 1.5% paid to separate Ill Health Insurance) for employers and range from 5.5% to 9.9% cent for employees, depending

Principal Actuarial Assumptions

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

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	3.50%	2.80%
Future pensions increases	2.80%	2.10%
Discount rate for scheme liabilities	1.60%	1.40%
Inflation assumption (CPI)	2.80%	2.10%
Commutation of pensions to lump sums	75.00%	75.00%

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

	At 31 July 2021	At 31 July 2020
	years	**years**
Retiring today		
Males	21.40	21.20
Females	24.00	23.60
Retiring in 20 years		
Males	22.40	21.90
Females	25.70	25.00

Notes to the Accounts (continued)

28 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2021 £'000	2020 £'000
Fair value of plan assets	46,685	39,837
Present value of plan liabilities	(67,742)	(55,216)
Net pensions (liability) (Note 21)	**(21,057)**	**(15,379)**

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

	2021 £'000	2020 £'000
Amounts included in staff costs		
Current service cost	4,004	3,452
Past service cost	-	152
Total	**4,004**	**3,604**
Amounts included in interest payable		
Net interest cost	(229)	(209)
	(229)	**(209)**
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	4,485	1,072
Experience gains arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(7,867)	(5,254)
Amount recognised in Other Comprehensive Income	**(3,382)**	**(4,182)**

Notes to the Accounts (continued)

28 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	2021 £'000	2020 £'000
Deficit in scheme at 1 August	(15,379)	(9,051)
Movement in year:		
Current service cost	(4,004)	(3,452)
Employer contributions	1,937	1,667
Past service cost	-	(152)
Net interest on the defined liability	(229)	(209)
Effect of business combinations and disposals	-	-
Actuarial gain or loss	(3,382)	(4,182)
Net defined benefit liability at 31 July	**(21,057)**	**(15,379)**

Asset and Liability Reconciliation

	2021 £'000	2020 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	55,216	45,477
Current Service cost	4,004	3,452
Interest cost	799	992
Contributions by Scheme participants	502	479
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	7,655	5,254
Changes in demographic assumptions	993	-
Other experience	(781)	-
Estimated benefits paid	(646)	(590)
Past Service cost	-	152
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**67,742**	**55,216**

Reconciliation of Assets

	2021 £'000	2020 £'000
Fair value of plan assets at start of period	39,837	36,426
Interest on plan assets	570	783
Return on plan assets	4,485	1,072
Employer contributions	1,937	1,667
Contributions by Scheme participants	502	479
Estimated benefits paid	(646)	(590)
Assets at end of period	**46,685**	**39,837**

Notes to the Accounts (continued)

28 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

These accounts show a past service cost in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is less than 0.3% of the total scheme liability as at 31 March 2020. The calculation of adjustment to past service costs, £11,920k, arising from the outcome of the Court of Appeal judgement is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumptions

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability, Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgement, would be expected to change the disclosed past service cost.

Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pa increase the estimated cost by 65%.

29 Defined Contribution Pension

The Reaseheath Group operates a defined contribution pension plan for the employees of DART Limited. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid, the Company has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statements of Comprehensive Income when they fall due. Amounts not paid are shown as a liability in the Balance Sheets. The assets of the plan are held separately to the Company in independently administered funds.

Contributions paid in 2021 were £12,849 (2020: £13,954).

30 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £284; 1 governors (2020: £2,447; 8 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.
No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2020: None).

Notes to the Accounts (continued)

31 Amounts disbursed as agent

Learner support funds

	2021 £'000	2020 £'000
Balance unspent as at 1 August, included in creditors	321	154
Funding body grants – 16-19 bursary support	78	89
Funding body grants – 16-19 discretionary learner support	288	219
Funding body grants – 16-19 residential bursaries	272	272
	959	734
Disbursed to students	(360)	(396)
Administration costs	(16)	(18)
Paid by/(Returned to) funding bodies	(73)	2
Amount in financial statements	-	-
Balance unspent as at 31 July, included in creditors	**510**	**322**

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

32 OfS Access and Participation Expenditure

Reaseheath College has an agreed Access and Participation plan with the Office for Students (OfS), a copy of the plan can be obtained via the College website www.reaseheath.ac.uk. During 2020/21, Reaseheath College spent the following in relation to this plan:

	2021 £'000
Access Investment	95
Financial Support to Students	148
Disability Support	35
Reasearch and Evaluation	50
Total Expenditure	**328**

Included within the above costs are £85k in relation to staff time, this cost is included within staff costs (Note 8)