



Financial Statements for the year to 31 July 2022



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Reaseheath College

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
Prof E Simmons
Ms J Cowell

Mr A Fletcher
Prof C Gaskell
Mrs A Potter
Ms E Davies-Jones
Mrs E Watts
Mr P Gibbon
Ms K Cole – resigned December 2021
Ms G Robinson – appointed March 2022
Ms K Angelakopoulos

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 2021/22:

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
Mr P Spearritt, Vice Principal Curriculum and Quality – Appointed August 2022

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 College

Strategic Report

OBJECTIVES AND STRATEGIES:

The governing body present their report and the audited financial statements and auditor's report for Reaseheath College for the year ended 31 July 2022.

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 managed closure of DART Ltd. DART Ltd was closed on 31st July 2021.

Mission

The College'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

Strategic Report (continued)

Implementation of Strategic Plan

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

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 College has various resources that it can deploy in pursuit of its strategic objectives:

- Tangible resources include the main College site, shown in the balance sheet at £68,212k, together with equipment, fixtures and fittings at a value of £6,134k.
- Financial Resources - The College has £33,066k of net assets including short-term and long-term debt of £46,518k (Bank Loans & finance leases £16,178k and deferred government capital grants £30,340k).
- People - The College employs 786 staff, of whom 220 are teaching staff, in teaching departments.
- Reputation – The College has an excellent reputation locally, nationally and internationally. Maintaining a quality brand is essential for the College'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. EFFF (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)

Strategic Report (continued)

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

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 College 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 College in delivering its mission can be demonstrated and assessed publicly throughout this Strategic Report. In delivering its mission, the College 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 College 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).
- College surplus to be between 1-3% of Turnover.

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

The College currently has a financial health category "Good". The College currently carrying debt facility of 46.6% of Turnover, which is in line with the Colleges financial strategy and was agreed with the Funding body at the onset of the now completed capital build programme.

Strategic Report (continued)

Financial results

- The College generated a deficit in the year of £2,557k (2020/21 £1,081k 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 £238k (2020/21 surplus £1,172k).
- The College has accumulated reserves of £27,582k (2020/21 £5,584k) which increased in year due to changes in assumptions in respect of pension schemes of £21,057k (2020/21 £3,382k). Assumptions take account of the McCloud judgement.
- Tangible fixed asset additions during the year amounted to £2,572k. This was split between assets under construction (£1,232k), Land and Buildings (£98k), and equipment (£1,242k). In the main, this related to an investment in specific projects for Construction new facility and refurbishments to centre point and Wilbraham buildings these projects were funded through grant funding and investment of the College surplus.
- The College has reliance on the Funding Bodies for its principal funding source, largely from recurrent grants. In 2021/22 the Funding Bodies provided 63.38% (2020/21 64.47%) of the College's total income, including release of deferred capital grant.

Cash flows

Net cash inflow from operating activities was £4,172k in year (£7,828k inflow 2020/21). The Medium-Term Loan (MTL) continues to be serviced in line with the facility letter.

The size of the College'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 College complied with all three bank covenants.

Developments

The College has continued to develop the campus, This year has focused on the development of facilities to deliver the T' Levels in Construction and Business along with continued work at the Reaseheath Engineering Apprentice Academy (REAA) and refurbishment of Centre Point to act as a business hub. These projects focus on improving the student experience and technical resources.

Reserves

The College currently has reserves of £7,191k (2020/21 £5,835k) in cash. The College intends to continue to accumulate cash reserves to support the management of the College debt position and facilitate future investment in specialist equipment to support industry focused delivery.

Sources of income

The College has a reliance on education sector funding bodies with funding from the ESFA and other public bodies amounting to 63.38% of the College's total income This is an increase in comparison to the prior year 64.47% due to increased student numbers on the College's 16-18 funding agreement.

Group companies

The College formally had a 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 prior 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.

Strategic Report (continued)

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
- From 2021/22 Energy in the form of electricity sourced from renewable sources

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 2021 to 31 July 2022	1 August 2020 to 31 July 2021	Restated
Energy consumption used to calculate emissions (kWh)	8,131,733		8,493,623
<u>Scope 1 emissions in metric tonnes CO₂e</u>			
Gas consumption	518,520		630,144
Owned transport	<u>29,923</u>		<u>28,981</u>
Total	548,443		659,125
<u>Scope 2 emissions in metric tonnes CO₂e</u>			
Purchased electricity	71,647		688,051
<u>Scope 3 emissions in metric tonnes CO₂e</u>			
Business travel in employee owned vehicles	<u>26,622</u>		<u>10,575</u>
Total gross emissions in metric tonnes CO₂	649,712		1,357,751
<u>Intensity ratio</u>			
Metric tonnes CO ₂ e per student	0.110		0.246

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.

The figures as at 31st July 2021 are restated due to corrected conversion factors.

Intensity ratio

The chosen intensity measurement ratio is Student number.

FUTURE PROSPECTS

Developments

Following the completion of the Colleges capital master plan, the College is delivering against 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 within the industries that we serve.

Financial plan

The College governors approved the financial plan in July 2022. 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 residual

impact of Covid-19. The College's combined funding allocations for 16-18 and the Adult Education Budget (AEB) for 2022/23 has been confirmed at £17,960k, which is 45.4% of the budgeted turnover.

Strategic Report (continued)

Treasury policies and objectives

Treasury management is the management of the College'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. Following discussion with the Governing body approval was agreed to support an interest rate swap, unfortunately the increase in interest rates took place prior to the swap being in place.

The College 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 College 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 College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £27,582k (2020/21: £5,584k). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

PRINCIPAL RISKS AND UNCERTAINTIES:

Risk management

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

The College's strategic risk register is maintained on 4Risk and is reviewed by Executive on a monthly basis and by the governing body subcommittees (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.

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 College 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 College is exposed. Systems and procedures are identified including specific actions which should mitigate any potential impact of the risks on the College. 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 College has implemented.

The main risk factors affecting the College are outlined below along with actions being taken to mitigate them and minimise the impact on the College. Not all the factors are within the Colleges control. Additional factors to those outlined below may adversely affect the College all of which will be adversely influenced by the external environment and the residual effects of the global pandemic.

- Continued difficulties in recruiting Specialist staff – The College 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 College continues to develop its wellbeing provision to support the increase in demand.
- Maintaining the Financial sustainability of the College – The College currently has a debt facility of 45.5% 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.

Strategic Report (continued)

Risks that the College is aware of that may in the future affect the College are:

- Residual impact of Global Pandemic
- Continued real term reduction in funding body funding
- General cost of living increases
- The direct and indirect impact of the FE white paper
- The continued impact of the Apprenticeship Levy funding and associated study methodology
- Delivery of the English and Maths within programmes of study
- The continued take up of Advanced Learner Loans for 19+ funding

These risks are mitigated in a number of ways: -

- Pro-active management of the impact of the residual Global Pandemic through the Executive Team.
- Funding is derived through a number of direct and indirect contractual arrangements.
- By ensuring the College 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 College 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 College contributes to national discussions and receives the latest information on the changing environment.
- Tuition fee policy.

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 develop 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.
- Informing learners at an early stage of their application what the cost implication may be.

Other risks

The College 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 College 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 and the transition to Environment Land Management scheme (ELMs) that will affect many of the employers that the College work with. 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.

Strategic Report (continued)

KEY PERFORMANCE INDICATORS

Performance Indicators

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

- The learner allocations target for 16–18-year-old learners for 2021/22 was 2,294 Learners. The year-end funding claim shows that the College has achieved 2,324 Learners for 2021/22.
- Students continue to realise high achievement and grades at the College. Early indications are that success rates for 2021/22 will be in line with the previous year's good performance with an overall success rate around 85% for Long Qualifications (2020/21 – 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 2021/22	Score/Grade 2020/21
Overall Achievement	85%	93%
Student satisfaction rate	9.4 / 10	9.3 / 10
Progression rate	87%	88.61%

Student numbers

- In 2021/22 the College has delivered activity that has produced £17,645k in Funding Bodies main allocation funding (2020/21 £15,281k). The College had approximately 6,000 learners from Entry Level through to Higher Education including Apprenticeships.

Student Achievements

- Student success has remained broadly in line with last year's good performance with an anticipated overall achievement rate of 85%. 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 2021 to 31 July 2022, the College paid 91.2% 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 leads on the College's approach to bringing this policy to life. The EDI Committee has strong staff, student and governor representation. The College has a Diversity and Inclusion Manager who actively drives the College's approach towards this area, focusing on embedding a social inclusion model. The College's Policy and EDI key objectives are published on the College's Website and Intranet site.

Strategic Report (continued)

The College 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 new policies and procedures to understand the impact that these will have and makes appropriate adjustments. The EDI Committee delivers against the key objectives and these are reviewed regularly and evolve throughout the year as the College makes progress in this area.

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

- All College capital builds comply with the Building Research Establishment Environmental Assessment Method (BREEAM) standard and Disability Discrimination Act (DDA) requirements.
- The College 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 College's website.
- The College 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 College 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 College 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 College Complaints Policy at induction.

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 (2021/22: Three Meetings).

Going Concern

Due consideration has been taken regarding the post pandemic impact on the Corporation during FY 2021/22. The main residual impact was with catering and commercial operations. The college has also seen post pandemic pressure on staff recruitment and retention. The College was not in breach of any of its bank covenants during FY 2021/22.

The College plan for FY2022/23 takes into consideration the continued post pandemic impact on the business whilst ensuring the continued safety of staff, students and visitors. Based on this plan the Corporation has prepared financial forecasts for the period to 31 July 2023 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.

Strategic Report (continued)

Events After The Reporting Period

On 29th November 2022, the Office for National Statistics reclassified all college corporations as public sector institutions with immediate effect and this prompted the Department for Education to introduce some new rules for colleges which will take effect from 29th November 2022 and be supported with a transition period.

The college considers this announcement to be a non-adjusting post balance sheet event and is evaluating the implications of the announcement and the potential new rules but do not consider that they will have an impact on these financial statements.

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 College'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 College's auditors are aware of that information.

Approved by order of the Members of the Corporation on 9th December 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 College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2021 to 31st July 2022 and up to the date of approval of the annual report and financial statements.

The College 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 2022. 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 14 July 2022.

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	13/15
Dr E Harrison	Aug 2013 Aug 2016 Aug 2019 Aug 2022	3 Years		Independent	Finance and General Purposes Remuneration Search and Governance	11/12
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 Aug 2022	3 years		Independent	Quality and Standards Committee	5/7

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	8/10
Mr M Burns	Aug 2012 Aug 2015 Aug 2018 Aug 2021	3 Years		Independent	Finance and General Purposes	5/7
Mr P Green	March 2019 March 2022	3 Years		Independent	Quality and Standards Audit	10/10
Prof G Crowe	March 2019 March 2022	3 Years		Independent	Finance and General Purposes Higher Education	8/10
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 Aug 2017 Aug 2020	3 Years		Independent	Audit Remuneration	8/9
Mr M Gorton	Aug 2019 Aug 2022	3 Years		Independent	Audit Quality and Standards	7/10
Mr A Fletcher	March 2018 March 2021	3 Years		Independent	Finance and General Purposes	4/6
Prof C Gaskell	Dec 2017 Dec 2020	3 years		Independent	Higher Education Search and Governance	9/10
Mrs A Potter	Dec 2017 Dec 2020	3 years		Independent	Finance and General Purposes	5/7
Prof E Simmons	Aug 2020	3 years		Independent		1/4
Ms E Davies-Jones	Aug 2021	3 years		Independent	Audit Remuneration	8/9
Mrs L Watts	March 2019 March 2022			Staff	Finance and General Purposes Higher Education	9/10
Ms G Robinson	March 2022	1 year		Student	Quality and Standards	2/4
Mr P Gibbon	Aug 2021	3 years		Staff	Quality and Standards	4/7
Ms K Cole	Nov 2021	1 year	Dec 2021	Student	Quality and Standards	1/2
Ms K Angelakopoulos	Nov 2021	1 year		Student	Higher Education	4/7
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 2021-22. Ms F Johnson served as a co-opted member of the Audit Committee in 2021-22. Ms S Belfield served as a co-opted member of the Remuneration Committee in 2021-22. None were members of the Corporation in 2021-22. Mr J Furber and Mr P Weston served as Associate Members of the Corporation in 2021-22, 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 College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets each term and holds additional meetings as necessary.

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 Professional 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 College 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 2022 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 2022. The Board was satisfied that in 2021-22 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. The Board undertook a number of development activities during the year including three days dedicated to training development and strategy development, in addition to its usual meetings within which updates and training is received. Development activities included: safeguarding and prevent; equality, diversity and inclusion; T Levels and curriculum planning; funding and accountability reforms and industry engagement; the FE Commissioner's work; wider education sector developments; sustainability and financial sustainability; audit and risk updates provided by college auditors; and opportunities for governors to attend online sector courses and sector forums and meetings. The Company Secretary undertook ongoing development in 2021-22 as part of the Chartered Governance Institute UK and Ireland's Qualifying Programme.

Remuneration Committee

During the year ended 31 July 2022, the College's Remuneration Committee comprised four members of the Corporation and one external co-opted member. 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 2022 are set out in Note 8 to the financial statements.

No payment was made for the fulfilment of the Governors' roles, however £1,380 (2020/21 - £285) of expenses incurred were paid.

Audit Committee

In 2021-22, the Audit Committee comprised five members of the Corporation (excluding the Accounting Officer), together with one co-opted external member, together 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 College'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 College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit 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 2022. The members of the Audit Committee and their attendance record is shown below.

Committee member	Meetings attended
Mr C Baxter	3
Ms K Bailey	3
Mr P Green	3
Mr M Gorton	3
Ms F Johnson	2
Ms E Davies-Jones	3

Internal Control

Scope of responsibility

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

The 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 College'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 College 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 College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Reaseheath College for the year ended 31 July 2022 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 College 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 College's significant risks that has been in place for the year ending 31 July 2022 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

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.

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

The analysis of risks and the internal audit plans are endorsed by the 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 College. The report includes their independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Risks faced by the Corporation

The College's risk management framework provides a framework to reviews risks and report them in line with the College's risk management policy for recommended approval.

The report draws on the following documents;

1. Strategic Risk and Board Assurance Framework Report (provided separately on the agenda)
2. Key associated risk management framework
3. Risk management policy and procedure

The table below shows the key strategic risk which forms the basis of the college's board assurance framework summary across the risk areas.

Strategic Risk Areas:

SRR 1 – Failure to achieve Financial Targets and Budget

SRR 2 – The College becomes financially unsustainable and at risk of insolvency

SRR 3 - Student outcomes and quality of provision decline

SRR 4 – Failure to develop and implement effective strategic planning

SRR 5 – Failure to maintain and build employer relationships and key partnerships

SRR 6 – Failure of infrastructure and resource to support delivery of strategy

SRR 7 – Failure to recruit and retain the right people to meet the organisation's current and emerging needs.

SRR 8 – Failure to effectively safeguard students/learners and support their wellbeing

SRR 9 - Failure to provide for the health and safety of students, staff and visitors

SRR 10 – The College breaches legal or regulatory requirements or carries out its business in an improper way.

The College's current agreed overall risk appetite statement is:

“The College as a well-managed college is prepared to take measured risks provided that the risks involved have been properly considered, are understood and are well managed. In this way, the College intends to manage change and promote innovation. The College operates in a competitive and uncertain external environment and the Governing Body is committed to taking such measured risks where it is in the College's best interests to do so in order to achieve its strategic objectives and promote its long-term sustainable success.”

Statement of Corporate Governance and Internal Control (continued)

This overarching risk appetite is implemented via a risk management process that acknowledges that risk appetite differs over time and in relation to different individual risks. To enable informed and consistent decision-making and effective mitigations, the College's strategic risk register considers risk appetite on a 'live' risk by risk basis using a 'target risk' approach against which risks are regularly reviewed, using key performance indicators and benchmarking. Those risks that are significantly above 'target risk' require additional mitigation actions that are monitored via the committees of the Governing Body, including the Audit Committee and that are reported for assurance or escalated for action to the Governing Body, as appropriate.

The current principal risk areas to the organisation as set out in the strategic risk register are:

- *Financial*
- *Student Outcomes and Quality*
- *College Strategy and External Environment*
- *Employer Engagement and Key Partnerships*
- *Infrastructure, Resources and Business Continuity*
- *People*
- *Safeguarding*
- *Health and Safety*
- *Improper Conduct/Breach of Statutory Requirements*

In addition to this general statement, the pandemic significantly impacted on these risk areas during 2019-20 / 22 and has continued to a certain degree in 2021-22.

The college has managed to maintain good financial health, academic delivery and outcomes as the sector continues to recover from the pandemic. The college reviews the risk register monthly at executive meetings and the relevant areas are also reviewed in the governor committee meetings and as a whole risk register by the full board via the Strategic Risk and Board Assurance Framework Report. This enables governors to take assurance that the college's risk assessment around the college delivery is robust and in line with government guidance for further education colleges.

Control weaknesses identified

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

Responsibilities under funding agreements

The College 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 2021/22 and up to the date of the approval of the financial statements are:

- Setting the internal audit plan.
- Reviewing internal audit reports and ensuring progress is made on any required actions.
- Carrying out the annual review and re-appointing the internal and external audit service
- Reviewing the College Statutory accounts and audit completion report, recommending to the board as appropriate

Statement of Corporate Governance and Internal Control (continued)

Governor Development

The college supports Governor development through additional development days (2022 Two Days) in addition to link Governor visits which are carried out with operational managers. Internal audit provide governor updates on current matters of interest and sector environment changes. The Chair and Clerk attend Association of College's (AOC) meetings which facilitates strategic understanding of the sector.

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

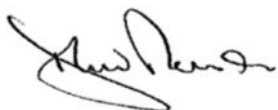
The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous 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 2022 meeting the Corporation carried out the annual assessment for the year ended 31 July 2022, by considering documentation from the senior management team, internal and external audit and third party assurance, whilst taking account of events since 31 July 2022. An external review of governance has been commissioned to take place during 2023 and consultants appointed.

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 9th December 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 9th December 2022



Mr D Pearson MBE

Chair of Governors

Date 9th December 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.

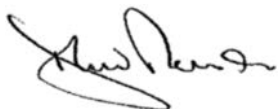
The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the Corporation.

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College 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 College'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 College'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 9th December 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 2022 which comprise the Group and College Statement of Comprehensive Income and Expenditure, the Group and College Statement of Changes in Reserves, the Group and College Balance Sheet, the Group 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 2022 and of the Group's and College's surplus of income over expenditure 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 21, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Group and the College and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: compliance with the ESFA funding agreements, the OfS regulatory framework, the OFSTED regulatory framework, safeguarding, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering.

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

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

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

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

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

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

- Making enquiries of the Members of the Corporation 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.

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

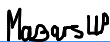
Matters on which we are required to report by exception

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

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

Use of the audit report

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



[Mazars LLP \(Dec 14, 2022 15:16 GMT\)](#)

Mazars LLP

Chartered Accountants and Statutory Auditor

Park View House

58 The Ropewalk

Nottingham

NG1 5DW

Date Dec 14, 2022

Independent auditor’s Report on Regularity to the Members of the Corporation (continued)

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 24 June 2022 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 2021 to 31 July 2022 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 ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.

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 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 2021 to 31 July 2022 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 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 and propriety.

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 and propriety 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.
- Tested a sample of individual learner records.
- 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.

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

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 2021 to 31 July 2022 has not been applied to purposes intended by Parliament, that the financial transactions do not conform to the authorities that govern them.

Signed: Mazars LLP
Mazars LLP (Dec 14, 2022 15:16 GMT)

Mazars LLP

Park View House

58 The Ropewalk

Nottingham

NG1 5DW

Date: Dec 14, 2022

Consolidated Statement of Comprehensive Income

Reaseheath Group	Note	Year ended 31 July 2022			Year ended 31 July 2021		
		Continuing Operations £'000	Discontinued Operations £'000	Total £'000	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
INCOME							
Funding body grants	2	22,527	-	22,527	21,071	1,179	22,250
Tuition fees and education contracts	3	6,665	-	6,665	7,938	398	8,336
Other grants and contracts	4	-	-	-	226	7	233
Other income	5	6,350	-	6,350	4,761	-	4,761
Endowment and investment income	6	-	-	-	-	-	-
Donations and Endowments	7	-	-	-	38	-	38
Total income		35,542	-	35,542	34,034	1,584	35,618
EXPENDITURE							
Staff costs*	8	22,251	-	22,251	21,245	714	21,959
Other operating expenses	9	12,234	-	12,234	10,331	812	11,143
Depreciation	12	2,803	-	2,803	2,793	4	2,797
Interest and other finance costs	10	811	-	811	614	-	614
Total expenditure		38,099	-	38,099	34,983	1,530	36,513
(Deficit) before other gains and losses****		(2,557)	-	(2,557)	(949)	54	(895)
(Loss) on disposal of assets		-	-	-	(185)	-	(185)
(Deficit) before tax		(2,557)	-	(2,557)	(1,135)	54	(1,080)
Taxation	11	-	-	-	-	-	-
(Deficit) for the year		(2,557)	-	(2,557)	(1,135)	54	(1,080)
Actuarial gain in respect of pensions schemes	28	24,211	-	24,211	(3,382)	-	(3,382)
Movement in enhanced pension provision	22	112	-	112	(146)	-	(146)
Total Comprehensive Income for the year		21,766	-	21,766	(4,662)	54	(4,608)

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

Deficit before other gains and losses	****	(2,557)	-	(2,557)	(949)	54	(895)
Defined benefit pension obligations FRS102(28)	*	2,795	-	2,795	2,067	-	2,067
Investment Impairment	**	-	-	-	-	-	-
Adjusted operating position adding back Covid19 impact		238	-	238	1,118	54	1,172

College Statement of Comprehensive Income

Reassheath College	Note	Year ended 31 July 2022			Year ended 31 July 2021		
		Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
		£'000	£'000	£'000	£'000	£'000	£'000
INCOME							
Funding body grants	2	22,527	-	22,527	21,071	-	21,071
Tuition fees and education contracts	3	6,665	-	6,665	7,938	-	7,938
Other grants and contracts	4	-	-	-	226	-	226
Other income	5	6,350	-	6,350	4,761	-	4,761
Investment income	6	-	-	-	-	-	-
Donations and Endowments	7	-	672	672	38	-	38
Total income		35,542	672	36,214	34,034	-	34,034
EXPENDITURE							
Staff costs*	8	22,251	-	22,251	21,245	-	21,245
Other operating expenses**	9	12,234	-	12,234	10,331	1,247	11,578
Depreciation	12	2,803	-	2,803	2,793	-	2,793
Interest and other finance costs	10	811	-	811	614	-	614
Total expenditure		38,099	-	38,099	34,983	1,247	36,230
(Deficit) before other gains and losses****		(2,557)	672	(1,885)	(949)	(1,247)	(2,196)
(Loss) on disposal of assets		-	-	-	(185)	-	(185)
(Deficit) before tax		(2,557)	672	(1,885)	(1,134)	(1,247)	(2,381)
Taxation	11	-	-	-	-	-	-
(Deficit) for the year		(2,557)	672	(1,885)	(1,134)	(1,247)	(2,381)
Actuarial gain in respect of pensions schemes	28	24,211	-	24,211	(3,382)	-	(3,382)
Movement in enhanced pension provision	22	112	-	112	(146)	-	(146)
Total Comprehensive Income for the year		21,766	672	22,438	(4,662)	(1,247)	(5,909)

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

Deficit before other gains and losses	****	(2,557)	672	(1,885)	(949)	(1,247)	(2,196)
Defined benefit pension obligations FRS102(28)	*	2,795	-	2,795	2,067	-	2,067
Investment Impairment / Write off	**	-	-	-	-	1,247	1,247
Adjusted operating position adding back Covid19 impact		238	672	910	1,118	-	1,118

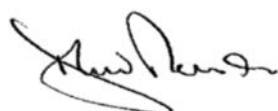
Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Group			
Balance at 1st August 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 account	232	(232)	-
Total comprehensive income for the year	(4,376)	(232)	(4,608)
Balance as 31st July 2021	5,584	5,716	11,300
Deficit from the income and expenditure account	(2,557)	-	(2,557)
Other comprehensive income	24,323	-	24,323
Transfers between revaluation and income and expenditure reserves	232	(232)	-
Total comprehensive income for the year	21,998	(232)	21,766
Balance at 31st July 2022	27,582	5,484	33,066
College			
Balance at 1st August 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 account	232	(232)	-
Total comprehensive income for the year	(5,677)	(232)	(5,909)
Balance as 31st July 2021	4,912	5,716	10,628
Deficit from the income and expenditure account	(1,885)	-	(1,885)
Other comprehensive income	24,323	-	24,323
Transfers between revaluation and income and expenditure reserves	232	(232)	-
Total comprehensive income for the year	22,670	(232)	22,438
Balance at 31st July 2022	27,582	5,484	33,066

Balance sheets as at 31 July

	Notes	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Fixed assets					
Tangible fixed assets	12	74,346	74,346	74,596	74,596
Intangible fixed assets	13	-	-	-	-
Investments	15	-	-	-	-
		74,346	74,346	74,596	74,596
Debtors: amounts falling due after one year	17	-	-	-	-
Current assets					
Stocks	14	814	814	818	818
Trade and other receivables	16	4,110	4,110	2,202	2,038
Investments	18	79	79	79	79
Cash and cash equivalents	23	7,191	7,191	5,835	5,832
		12,194	12,194	8,934	8,767
Less: Creditors – amounts falling due within one year	19	(8,720)	(8,720)	(5,958)	(6,463)
Net current assets		3,474	3,474	2,976	2,304
Total assets less current liabilities		77,820	77,820	77,572	76,900
Less: Creditors – amounts falling due after more than one year	20	(44,462)	(44,462)	(44,791)	(44,791)
Provisions					
Defined benefit obligations	22	-	-	(21,057)	(21,057)
Other provisions	22	(292)	(292)	(424)	(424)
Total net assets		33,066	33,066	11,300	10,628
Unrestricted reserves					
Income and expenditure account		27,582	27,582	5,584	4,912
Revaluation reserve		5,484	5,484	5,716	5,716
Total unrestricted reserves		33,066	33,066	11,300	10,628

The financial statements on pages 28 to 58 were approved and authorised for issue by the Corporation on 9th December 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	2022 Group £'000	2021 Group £'000
Cash inflow from operating activities			
(Deficit) for the year		(2,557)	(1,080)
Adjustment for non cash items			
Depreciation	12	2,803	2,797
(Increase)/Decrease in stocks	14	4	(61)
(Increase)/Decrease in debtors due within one year	16	(1,908)	2,453
Decrease in debtors due after one year	17	-	-
Increase/(Decrease) in creditors due within one year	19	2,762	318
Increase/(Decrease) in creditors due after one year	20	(394)	783
(Decrease)/Increase in provisions	22	(132)	122
Pensions costs less contributions payable	28	2,795	2,067
Adjustment for investing or financing activities			
Investment income	6	-	-
Interest payable	10	452	385
Pension finance costs		359	229
(Loss) on sale of fixed assets		-	(185)
		4,184	7,828
Cash flows from investing activities			
Proceeds from sale of fixed assets		19	385
Disposal of non-current asset investments		-	-
Capital grants received		1,308	-
Payments made to acquire fixed assets		(2,572)	(2,540)
		(1,245)	(2,155)
Cash flows from financing activities			
Interest paid		(451)	(384)
Interest element of finance lease rental payments		(1)	(1)
Loan restructuring costs		(169)	-
New unsecured loans		-	-
New hire purchase liabilities		-	-
Repayments of amounts borrowed		(958)	(3,825)
Repayments of loan notes		-	-
Capital element of finance lease rental payments		(4)	(4)
		(1,583)	(4,214)
Increase in cash and cash equivalents in the year		1,356	1,459
Cash and cash equivalents at beginning of the year	23	5,835	4,376
Cash and cash equivalents at end of the year	23	7,191	5,835

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.

Going concern

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

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

Recognition of income

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 College 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

Notes to the Consolidated Financial Statements (continued)

1 Accounting Policies (continued)

recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

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.

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income 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.

Notes to the Consolidated Financial Statements (continued)

1 Accounting Policies (continued)

Land and buildings

The College'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 College of between 20 and 50 years. The College 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.

On adoption of FRS 102, the College 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 College 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.

Notes to the Consolidated Financial Statements (continued)

1 Accounting Policies (continued)

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 College 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

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 College 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 College 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.

Notes to the Consolidated Financial Statements (continued)

1 Accounting Policies (continued)

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by 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 College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

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

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

A contingent liability arises from a past event that gives the College 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 College. 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 College 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 College 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 College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College'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.
- As the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a notional surplus. As management do not consider that the College will be able to recover the surplus either through reduced contributions in the future or through refunds from the plan, the surplus has not been recognised in these financial statements in line with paragraph 28.22 of FRS102.

Notes to the Consolidated Financial Statements (continued)

1 Accounting Policies (continued)

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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2022. 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 2022			Year ended 31 July 2021		
	Continuing Operations	Discontinue Operations	Total	Continuing Operations	Discontinue Operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Recurrent grants						
Education and Skills Funding Agency - adult	893	-	893	1,134	-	1,134
Education and Skills Funding Agency – 16 -18	16,245	-	16,245	14,986	-	14,986
Education and Skills Funding Agency -	3,504	-	3,504	3,028	1,179	4,207
Office for Students	560	-	560	518	-	518
Specific Grants						
Skills Funding Agency	445	-	445	453	-	453
Releases of government capital grants	402	-	402	394	-	394
HE grant	40	-	40	90	-	90
Teacher Pension Scheme Contribution Grant	438	-	438	468	-	468
Total	22,527	-	22,527	21,071	1,179	22,250

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 2022			Year ended 31 July 2021		
	Continuing Operations	Discontinue Operations	Total	Continuing Operations	Discontinue Operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Adult education fees	1,039	-	1,039	1,409	121	1,530
Apprenticeship fees and contracts	51	-	51	113	40	153
Fees for FE loan supported courses	581	-	581	610	-	610
Fees for HE loan supported courses	4,346	-	4,346	4,682	-	4,682
Total tuition fees	6,017	-	6,017	6,814	161	6,975
Education contracts	152	-	152	623	237	860
Higher Education contract income	496	-	496	501	-	501
Total	6,665	-	6,665	7,938	398	8,336

Notes to the Accounts (continued)

4 Other grants and contracts - Group and College

	Year ended 31 July 2022			Year ended 31 July 2021		
	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
Total	0	0	0	226	7	233

In 2021, 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 2022			Year ended 31 July 2021		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Catering and residences	3,546	-	3,546	2,516	-	2,516
Other income generating activities	197	-	197	115	-	115
Farming income	891	-	891	778	-	778
Other grant income	391	-	391	369	-	369
Non government capital grants	-	-	-	-	-	-
Miscellaneous income	1,325	-	1,325	983	-	983
Total	6,350	-	6,350	4,761	-	4,761

6 Investment income - Group and College

	Year ended 31 July 2022			Year ended 31 July 2021		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Other interest receivable	-	-	-	-	-	-
Pension finance income (note 28)	-	-	-	-	-	-
Total	-	-	-	-	-	-

7 Donations and Endowments - Group and College

	Year ended 31 July 2022			Year ended 31 July 2021		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Donated Assets	-	-	-	38	-	38
Gift Aid covenant - subsidiary	-	671	671	-	-	-
Total	-	671	671	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 2022			Year ended 31 July 2021		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	No.	No.	No.	No.	No.	No.
Teaching staff	220	-	220	223	-	223
Non teaching staff	566	-	566	583	22	605
	786	-	786	806	22	828
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	14,521	-	14,521	14,527	662	15,189
Social security costs	1,279	-	1,279	1,226	39	1,265
Other pension costs	6,039	-	6,039	5,335	13	5,348
Payroll sub total	21,839	-	21,839	21,088	714	21,802
Contracted out staffing services	394	-	394	154	-	154
	22,233	-	22,233	21,242	714	21,956
Restructuring costs approved by Corporation - contractual	18	-	18	3	-	3
Total Staff costs	22,251	-	22,251	21,245	714	21,959

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 Vice Principal Finance & Resources.

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:	<u>3</u>	<u>3</u>

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		Other staff	
	2022 No.	2021 No.	2022 No.	2021 No.
£ 60,001 to £ 65,000 p.a	-	-	1	3
£ 65,001 to £ 70,000 p.a	-	-	2	-
£ 70,001 to £ 75,000 p.a	-	1	1	1
£ 75,001 to £ 80,000 p.a	-	-	1	-
£ 80,001 to £ 85,000 p.a	-	-	-	-
£ 85,001 to £ 90,000 p.a	-	-	-	-
£ 90,001 to £ 95,000 p.a	-	1	-	-
£ 95,001 to £ 100,000 p.a	1	-	-	-
£ 135,001 to £ 140,000 p.a	-	-	-	-
£ 140,001 to £ 145,000 p.a	1	1	-	-
£ 170,001 to £ 175,000 p.a	-	-	-	-
	<u>2</u>	<u>3</u>	<u>5</u>	<u>4</u>

Note: The third senior postholder ceased employment with the College in Oct 21. As a result, their emoluments for the year does not fall into any of the above ranges.

Key management personnel emoluments are made up as follows:

	2022 £'000	2021 £'000
Salaries	255	308
Employers National Insurance	33	39
Benefits in kind	<u>5</u>	<u>6</u>
	<u>293</u>	<u>353</u>
Pension contributions	<u>60</u>	<u>73</u>
Total emoluments	<u><u>353</u></u>	<u><u>426</u></u>

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:

	2022 £'000	2021 £'000
Salaries	143	141
Benefits in kind	<u>2</u>	<u>2</u>
	<u>145</u>	<u>143</u>
Pension contributions	<u>29</u>	<u>33</u>

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

	2022	2021
Principal's basic salary as a multiple of the median of all staff	6.04	6.05
Principal and CEO's total remuneration as a multiple of the median of all staff	7.64	7.38

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

9 Other operating expenses

Group	Year ended 31 July 2022			Year ended 31 July 2021		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Teaching costs	1,552	-	1,552	1,831	223	2,054
Non teaching costs	7,960	-	7,960	6,196	541	6,737
Premises costs	2,722	-	2,722	2,304	48	2,352
Total	12,234	-	12,234	10,331	812	11,143

College Only	Year ended 31 July 2022			Year ended 31 July 2021		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Teaching costs	1,552	-	1,552	1,831	-	1,831
Non teaching costs	7,960	-	7,960	6,196	1,247	7,443
Premises costs	2,722	-	2,722	2,304	-	2,304
Total	12,234	-	12,234	10,331	1,247	11,578

Other operating expenses include:

	2022	2021
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	39	42
Internal audit	26	26
Other services provided by the financial statements	2	1
Other services provided by the internal auditors	-	-
Hire of assets under operating leases	319	322

10 Interest payable - Group and College

	Year ended 31 July 2022			Year ended 31 July 2021		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:	451	-	451	384	-	384
	451	-	451	384	-	384
On finance leases	1	-	1	1	-	1
Pension finance costs (note 28)	359	-	359	229	-	229
Total	811	-	811	614	-	614

11 Taxation - Group only

	2022	2021
	£'000	£'000
United Kingdom corporation tax	-	-
Provision for deferred corporation tax in the	-	-

Notes to the Accounts (continued)

12 Tangible fixed assets (Group)

	Land and buildings	Equipment	Assets in the Course of Construction	Total
	Freehold £'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2021	88,687	17,928	25	106,640
Additions	98	1,242	1,232	2,572
Transfers	-	-	-	-
Disposals	-	(48)	-	(48)
At 31 July 2022	88,785	19,122	1,257	109,164
Depreciation				
At 1 August 2021	19,994	12,050	-	32,044
Charge for the year	1,836	967	-	2,803
Elimination in respect of disposals	-	(29)	-	(29)
At 31 July 2022	21,830	12,988	-	34,818
Net book value at 31 July 2022	66,955	6,134	1,257	74,346
Net book value at 31 July 2021	68,693	5,878	25	74,596

Tangible fixed assets (College only)

	Land and buildings	Equipment	Assets in the Course of Construction	Total
	Freehold £'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2021	88,687	17,928	25	106,640
Additions	98	1,242	1,232	2,572
Transfers	0	0	0	0
Transfers - From Discontinued Operations	0	0	0	0
Disposals	0	(48)	0	(48)
At 31 July 2022	88,785	19,122	1,257	109,164
Depreciation				
At 1 August 2021	19,994	12,050	0	32,044
Charge for the year	1,836	967	0	2,803
Transfers - From Discontinued Operations	0	0	0	0
Elimination in respect of disposals	0	(29)	0	(29)
At 31 July 2022	21,830	12,988	0	34,818
Net book value at 31 July 2022	66,955	6,134	1,257	74,346
Net book value at 31 July 2021	68,693	5,878	25	74,596

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 £23,612 (2020-21 – £27,110) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £3,498 (2020-21 – £3,498).

Notes to the Accounts (continued)

13 Intangible fixed assets

	Group £'000
Cost or Valuation	
At 1 August 2021	-
Additions	-
Disposals	-
At 31 July 2022	<u>-</u>
Amortisation	
At 1 August 2021	-
Charge for year	-
Disposals	-
At 31 July 2022	<u>-</u>
Net book value at 31st July 2022	<u>-</u>
Net book value at 31st July 2021	<u>-</u>

14 Stocks

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Livestock (Biological assets)	618	618	578	578
Other	196	196	240	240
Total	<u>814</u>	<u>814</u>	<u>818</u>	<u>818</u>

Inventories with the exception of Farm stocks are stated at the lower of their cost and net realisable value. Farm stock including Livestock have been valued at Fair Value on 31st July 2022. Biological assets included within Livestock are broken down as follows:

	Cattle £'000	Sheep £'000	Pigs £'000	Total Group £'000
Biological assets				
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:	-	-	-	0
- Due to price changes	(2)	-	-	(2)
- Due to physical changes	-	-	-	0
Balance at 31st July 2021	<u>552</u>	<u>26</u>	<u>-</u>	<u>578</u>
Balance at 1st August 2021	552	26	-	578
Increase due to purchases	-	41	-	41
Decrease due to sales	(49)	(28)	-	(77)
Net increase due to births/deaths	(56)	17	-	(39)
Change in fair value less costs to sell:	-	-	-	-
- Due to price changes	14	7	-	21
- Due to physical changes	91	3	-	94
Balance at 31st July 2022	<u>552</u>	<u>66</u>	<u>-</u>	<u>618</u>

Notes to the Accounts (continued)

15 Non current investments

	Group 2022 £'000	College 2022 £'000
Investments in subsidiary companies	-	-
	<u> </u>	<u> </u>
Total	<u> </u>	<u> </u>

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.

During the period 1st August 2021 to 31st July 2022 DART Ltd didn't not undertake any trading activities however, there were intercompany transactions relating to the closure of the company, detailed in the related parties note 30 (page 55) of these accounts.

16 Debtors: amounts falling due within one year

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Amounts falling due within one year:				
Trade receivables	2,969	2,969	314	312
Other receivables - Kingsley Fields	-	-	-	-
Net VAT liability receivable	19	19	57	57
Prepayments and accrued income	808	808	1,303	1,303
Amounts owed by the Skills Funding Agency	314	314	528	366
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>4,110</u>	<u>4,110</u>	<u>2,202</u>	<u>2,038</u>

17 Debtors: amounts falling due after one year

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Other receivables - Kingsley Fields	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes to the Accounts (continued)

18 Current investments

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'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 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Bank loans and overdrafts	1,128	1,128	1,128	1,128
Obligations under finance leases	5	5	6	6
Trade payables	1,214	1,214	586	471
Other creditors	699	699	1,210	1,073
Subsidiary undertakings	-	-	-	798
Other taxation and social security	303	303	298	298
Accruals and deferred income	4,232	4,231	1,561	1,520
Deferred income - government capital grants	923	923	875	875
Amounts owed to the Skills Funding Agency	216	216	294	294
Total	8,720	8,720	5,958	6,463

20 Creditors: amounts falling due after one year

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Bank loans	15,045	15,045	15,797	15,797
Obligations under finance leases	-	-	4	4
Deferred income - government capital grants	29,417	29,417	28,990	28,990
Total	44,462	44,462	44,791	44,791

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:

	2022 £'000	2021 £'000
In one year or less	1,128	1,128
Between one and two years	1,128	1,128
Between two and five years	13,917	14,669
In five years or more	-	-
Total	<u>16,173</u>	<u>16,925</u>

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%.

The bank loan is secured on a portion of the freehold land and buildings of the College.

(b) Finance leases

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

	2022 £'000	2021 £'000
In one year or less	5	6
Between two and five years	-	4
In five years or more	-	-
Total	<u>5</u>	<u>10</u>

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 2021	21,057	424	-	21,481
Expenditure in the period	(1,881)	(20)	-	(1,901)
Transferred from income and expenditure account	(20,472)	(112)	-	(20,584)
Notional surplus not recognised	1,296	-	-	1,296
At 31 July 2022	0	292	-	292

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 2022	Group 2021
Price inflation	2.90%	2.60%
Discount rate	3.30%	1.60%

23 Analysis of changes in net debt

	At 1 August 2021 £'000	Cash flows £'000	Other changes £'000	At 31 July 2022 £'000
Cash and cash equivalents				
Cash	5,835	1,356	-	7,191
Total cash and cash equivalents	5,835	1,356	-	7,191
Borrowings				
Senior loan	(16,925)	958	(206)	(16,173)
Revolver loan	-	-	-	-
Finance leases	(10)	5	-	(5)
Total Borrowing	(16,935)	963	(206)	(16,178)
Total net debt	(11,100)	2,319	(206)	(8,987)

Notes to the Accounts (continued)

24 Capital commitments - Group and College

	2022 £'000	2021 £'000
Commitments contracted for at 31 July	245	-
Authorised, but not contracted for at 31 July	992	-

The capital commitments include the development of a two storey building on an existing farm building site.

25 Lease Obligations

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

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Future minimum lease payments due				
Other				
Not later than one year	461	461	150	150
Later than one year and not later than five years	2,855	2,855	71	71
later than five years	-	-	-	-
	3,316	3,316	221	221

The Group entered into a new lease agreement for additional facilities on 29th September 2021, the term of the lease is 15 years

26 Contingent liabilities

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

27 Events after the reporting period

On 29th November 2022 the Office for National Statistics reclassified all college corporations as public sector institutions with immediate effect and this prompted the Department for Education to introduce some new rules for colleges which will take effect from 29th November 2022, and be supported with a transition 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	2022		2021	
	£'000	£'000	£'000	£'000
Teachers Pension Scheme: contributions paid		1,364		1,337
Local Government Pension Scheme:				
Contributions paid	1,881		1,937	
FRS 102 (28) charge	<u>2,795</u>		<u>2,067</u>	
Charge to the Statement of Comprehensive Income		4,676		4,004
Enhanced pension charge to Statement of Comprehensive Income		20		24
Total Pension Cost for Year within staff costs		<u>6,060</u>		<u>5,365</u>

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

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 2021-22 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 £1,849,187 (2021: £1,815,280).

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 2022 was £2,370k of which employer's contributions totalled £1,881k and employees' contributions totalled £489k. 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 2022 by a qualified independent actuary

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.40%	3.50%
Future pensions increases	2.70%	2.80%
Discount rate for scheme liabilities	3.50%	1.60%
Inflation assumption (CPI)	2.70%	2.80%
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 2022 years	At 31 July 2021 years
<i>Retiring today</i>		
Males	21.20	21.40
Females	23.80	24.00
<i>Retiring in 20 years</i>		
Males	22.10	22.40
Females	25.50	25.70

The college's share of the assets in the plan at the balance sheet date and the expected rates of return were:

	Long-term rate of return expected at 31 July 2022	Fair value at 31 July 2022	Long- term rate of return expected at 31 July 2021	Fair Value at 31 July 2021
		£'000		£'000
Equity instruments		20,057		21,475
Debt instruments		17,322		20,075
Property		5,926		4,202
Cash		2,279		934
Total fair value of plan assets		45,583		46,685
Weighted average expected long term rate of return	5.8%		5.8%	
Actual return on plan assets		(3,512)		4,485

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:

	2022 £'000	2021 £'000
Fair value of plan assets	45,583	46,685
Present value of plan liabilities	(44,287)	(67,742)
Less notional surplus not recognised	(1,296)	-
Net pensions (liability) (Note 22)	<u>-</u>	<u>(21,057)</u>

As the present value of the defined benefit obligation at the reporting date is less than the fair value of the plan assets at that date, the plan has a notional surplus. As management do not consider that the College will be able to recover the surplus either through reduced contributions in the future or through refunds from the plan, the surplus has not been recognised in these financial statement in line with paragraph 28.22 of FRS102.

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

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current service cost	4,676	4,004
Past service cost	-	-
Total	<u>4,676</u>	<u>4,004</u>

Amounts included in interest payable

Net interest cost	(359)	(229)
	<u>(359)</u>	<u>(229)</u>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	(3,512)	4,485
Experience gains arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	29,019	(7,867)
Notional surplus not recognised	(1,296)	-
Amount recognised in Other Comprehensive Income	<u>24,211</u>	<u>(3,382)</u>

Notes to the Accounts (continued)

28 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	2022	2021
	£'000	£'000
Deficit in scheme at 1 August	(21,057)	(15,379)
Movement in year:		
Current service cost	(4,676)	(4,004)
Employer contributions	1,881	1,937
Past service cost	-	-
Net interest on the defined liability	(359)	(229)
Effect of business combinations and disposals	-	-
Actuarial gain or loss	24,211	(3,382)
Net defined benefit liability at 31 July	<u>-</u>	<u>(21,057)</u>

Asset and Liability Reconciliation

	2022	2021
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	67,742	55,216
Current Service cost	4,676	4,004
Interest cost	1,119	799
Contributions by Scheme participants	489	502
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	(28,937)	7,655
Changes in demographic assumptions	(263)	993
Other experience	181	(781)
Estimated benefits paid	(720)	(646)
Past Service cost	-	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	<u>44,287</u>	<u>67,742</u>

Reconciliation of Assets

Fair value of plan assets at start of period	46,685	39,837
Interest on plan assets	760	570
Return on plan assets	(3,512)	4,485
Employer contributions	1,881	1,937
Contributions by Scheme participants	489	502
Estimated benefits paid	(720)	(646)
Assets at end of period	<u>45,583</u>	<u>46,685</u>

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 2022. 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%.

Pension Increase Orders are used to set the level of pension increases with effect from 1 April of each year, normally with reference to the change in CPI inflation over the 12 months to the previous September, which was announced in October. This was 9.9% and was considerably higher than the CPI assumption set by employers as at 31 July 2022. As Pension Increase orders are not automatically set with reference to the September CPI and they are only known with certainty when the Pension Increase Order is enacted by Parliament, which is usually in April of the following year, no adjustment has been made to recognise the possible 2023 Pension Increase Order within the CPI assumption.

29 Defined Contribution Pension

The Reaseheath Group operated a defined contribution pension plan for the employees of DART Limited up to 20/21. 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 2022 were £0 (2021:£12,849).

Notes to the Accounts (continued)

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 £1,380; 4 governors (2021: £284; 1 governor). 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 (2021: None).

During the year the following intercompany transactions took place with the group, these transactions facilitated the closure of DART Ltd which has ceased trading on 31st July 2021

	College 2022 £'000	College 2021 £'000
Opening Balance at 1 August	798	771
Movement in year:		
Cash Transfers	(131)	15
Online Store	-	20
Fixed Asset Transfer	-	2
Prepaid Debt Card	-	(7)
Audit Costs -Transferred	-	(3)
Audit Costs - Expensed	7	-
Other	(3)	-
Dividend Received	(671)	-
Total	-	798

31 Amounts disbursed as agent

Learner support funds

	2022 £'000	2021 £'000
Balance unspent as at 1 August, included in creditors	510	321
Funding body grants – 16-19 bursary support	71	78
Funding body grants – 16-19 discretionary learner support	345	288
Funding body grants – 16-19 residential bursaries	272	272
Other Funding body grants	-	-
Interest earned	-	-
	1198	959
Disbursed to students	(451)	(360)
Administration costs	(20)	(16)
Paid by/(Returned to) funding bodies	(58)	(73)
Amount in financial statements	-	-
	669	510
Balance unspent as at 31 July, included in creditors		

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.

Notes to the Accounts (continued)

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 2021/22, Reaseheath College spent the following in relation to this plan:

	2022
	£'000
Access Investment	84
Financial Support to Students	122
Disability Support	103
Research and Evaluation	55
Total Expenditure	<u>364</u>

Included within the above costs are £58k in relation to staff time, this cost is included within staff costs (Note 8)