

RNN Group

Annual Report and Financial statements

For the year ended 31 July 2019

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Key Management Personnel, Board of governors and professional advisors

Key management personnel:

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2018/19:

Jason Austin, Principal and CEO; Accounting Officer
Tracey Mace-Akroyd, Deputy Principal and CEO (*from October 2019*)
John Connolly, Principal and CEO; Accounting Officer* (*until October 2018*)
Paul Baylis, Interim Vice Principal*
Kate Noble, Executive Director of Finance
Jane Hartog, Executive Director of Human Resources
Tony De'Ath, Executive Director of Corporate Services
Cheryl Martin, Assistant Principal
Claire Godfrey, Assistant Principal
Angela Bates, Assistant Principal
Jana Checkley, Director of Higher Education and Skills*
Natalie James, Director of Funding & Contracts*
Lisa Wilson, Director of Apprenticeships

*Left the Group at or prior to the end of the financial year

Board of Governors:

A full list of Governors is on page 12 of these financial statements.

Details of people acting as Clerk to the Corporation throughout the period are on page 12.

Key Management Personnel, Board of governors and professional advisors

Bankers:

Barclays Bank
PO Box 1385
2 Arena Court
SHEFFIELD
S9 2LF

National Westminster Bank Plc
PO Box 4
69 Bridge Street
WORKSOP
Nottinghamshire
S80 1DJ

Royal Bank of Scotland Plc
2nd Floor
41 Corn Market
DERBY
DE1 2DG

Clydesdale Yorkshire Bank
2nd Floor
51 West George Street
GLASGOW
G1 2HL

Lloyds Bank
1 High Street
SHEFFIELD
S1 2GA

Solicitors:

Ford & Warren
Westgate Point
Westgate
LEEDS
LS1 2AX

Ilett and Clark Solicitors
86 Bridge Street
WORKSOP
Nottinghamshire
S80 1JA

Eversheds Sutherland
Bridgewater Place
Water Lane
LEEDS
LS11 5DR

Key Management Personnel, Board of governors and professional advisors

Internal auditors:

Wylie Bisset LLP (*Until May 2018*)
Unit 2, Ignite
Magna Way
ROTHERHAM
South Yorkshire
S60 1FD

ICCA Education, Training and Skills
11th Floor
McLaren House
46 Priory Queensway
BIRMINGHAM
B4 7LR

RSM Risk Assurance Services LLP
Central Square
29 Wellington Street
Leeds
LS1 4DL

Financial statements and regularity auditor:

Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
1 Holly Street
SHEFFIELD
S1 2GT

Report of the Members of the Corporation (including the operating and financial review)

Nature, objectives and strategies

The members present their report and the audited financial statements for the year ended 31 July 2019.

Legal status

On 1 February 2016, Rotherham College of Arts and Technology and North Nottinghamshire College merged to form RNN Group. On that date, the name of Rotherham College of Arts and Technology was changed to RNN Group and the assets and liabilities of North Nottinghamshire College and its subsidiaries were transferred into this Group. A further merger on 1 February 2017 saw the assets and liabilities of Dearne Valley College transfer into the RNN Group, but with the Group retaining its original name.

Following a strategic review of the Group during the year, it was decided to close Create Skills Limited and Charnwood Training Group Limited and bring their trading, assets and liabilities into the Group from 1st March 2019. The subsidiary companies ceased trading on 28th February 2019.

The Group's address is: RNN Group, Eastwood Building, Eastwood Lane, Rotherham, S65 1EG.

Our mission statement and values

The Group received an Ofsted grading of 'Requires Improvement' in March 2019 and are working hard to meet the recommendations made. The Group strives to assist its students, employers and local communities to achieve their ambitions. The desire to be 'Outstanding' continues to be at the heart of our mission and values:

Mission Supporting economic prosperity and social wellbeing through outstanding education and training.

This will be achieved by:

- Contributing to economic growth and productivity rises in our region
- Delivering higher-level skills and apprenticeships
- Supporting skills for entrepreneurship and business creation
- Helping people with lower-level skills or barriers enter employment
- Providing vocational routes to work, higher skills and education
- Fulfilling a civic responsibility in support of our local communities

Public Benefit

The RNN Group is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on page 12.

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

In delivering its mission, the College provides the following identifiable public benefits through its educational work:

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

Report of the Members of the Corporation (including the operating and financial review)

Implementation of Strategic Plan

In 2017, RNN Group consisting of its governors, staff and stakeholders, reviewed its strategic aims in the context of coming together as a larger organisation. The strategic review highlighted five core values which set the tone for how the Group will behave and define what it wants to achieve, these being Respect, Support, Inclusion, Excellence and Partnership.

The purpose of the Group will continue to be working together to make a difference to its students and communities, and to do that to the best of the Group's abilities. The Group's vision is to become one of the UK's leading Further Education Colleges, delivering outstanding technical and professional training, helping businesses succeed and grow, and transforming the lives of its students and its communities.

There are four areas that the Group will focus on to help achieve these ambitions:

- Becoming Outstanding
- Transforming its Offer
- Building for the Future
- Having Influence and Impact.

The plan includes performance measures established by the senior leadership team, which will be regularly monitored by the Board together with improvement plans which identify actions and resources necessary to achieve the required outcomes. At the present time, the Board considers the Group has made satisfactory progress against the relevant performance measures in the short time since the most recent merger date.

Performance indicators

The College is committed to observing the importance of sector measures and indicators and uses data available on the Gov.UK website which looks at measures such as success rates for a range of subjects and types of delivery, for example apprenticeship programmes. The College is required to complete the annual Financial Record for the Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having "Requires Improvement" financial health grading, which is considered to be an acceptable outcome given the changes made over the last two years.

Financial position

Financial Results

The Group generated a deficit for the year of £4,042,000 (2017/18 restated: £2,432,000) after tax and disposal of fixed assets.

Reconciliation of operating deficit to underlying (deficit)/surplus

	2019	Restated
	£'000	£'000
Deficit for the year after taxation	(4,042)	(2,432)
Restructuring costs	729	450
Enhanced pension provision adjustment	-	(131)
FRS 102 section 28 pension scheme related charges	2,897	3,235
Underlying (deficit)/surplus	<u>(416)</u>	<u>1,122</u>

At the year end, the Group has Income and Expenditure Account reserves (including pension reserves) of - £3,536,000 (2017/18 restated: £14,949,000) and cash and cash equivalents balances of £2,092,000 (2017/18: £4,928,000). There was a significant reduction in the reserves due to the deficit above, but mainly due to the movement in the LGPS pension scheme of £14,326,000, recognised in other comprehensive income.

Report of the Members of the Corporation (including the operating and financial review)

Tangible fixed asset additions during the year amounted to £1,062,000. This was split between land and buildings acquired of £483,000 and equipment purchased of £579,000.

The Group has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2018/19, the ESFA provided 71% of the Group's total income (2017/18: 73%).

The FRS 102 Section 28 Pension Scheme related charges do not, other things being equal, result in short term cash flows it should be noted. The Local Government Pension Scheme deficit has increased to £33,188,000 (2017/18: £17,627,000).

Treasury policies and objectives

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

The Group has a separate treasury management policy in place. Deposit funds are invested in at least two mainstream banking institutions in order to reduce the risk of capital loss.

Short term borrowing for temporary revenue purposes is authorised by the Principal. Such arrangements are restricted by limits in the Financial Memorandum with the Education and Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

Net cash outflow from operating activities was £1,496,000 (2017/18: inflow £4,936,000).

Reserves policy

The College has no formal reserves policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The College Group has no restricted reserves. At the balance sheet date, the income and expenditure reserve stands at a deficit of £3,536,000 (2018: (surplus) £14,949,000). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Current and future development and performance

Financial health

RNN Group received notification on 23 October 2019 from the EFSA that the assessment for the year ended 2018/19 was 'Requires Improvement' financial health. The ESFA financial health assessment is based on three criteria, which are evaluated by the submission of a three-year financial plan. The operating surplus (EBITDA) is the first measure, and is the most negative aspect of the Group's assessment, with a deficit exacerbated by merger activities and costs. Borrowing levels are relatively low and therefore strengthen the financial assessment. The balance sheet (measured using an adjusted current ratio) is also a strong financial measure for the Group.

The Group submitted a three-year financial forecast to the ESFA in July 2019 and this financial plan predicts that the organisation will have a "Requires Improvement" financial health in 2020/21.

However, the Group is going through a transition and reorganisation to right size the cost base. Following an initial cash outflow for this reorganisation the new structure will lead to an operating breakeven position in 2020/21 with a plan to return to "Good" financial health. The group has prepared and is implementing an updated 3-year strategic plan which will ensure that there is cash generation for reinvestment into the college, this will be monitored on a regular basis by the Board and Executive team to ensure the plans are delivered, particularly over the next 12 months. The

Report of the Members of the Corporation (including the operating and financial review)

Group has agreed new covenant measures with the Group's bank and the plan will ensure that these are not breached over the 3 years.

Student numbers

In 2018/19 the Group has delivered activity that has produced £29,986,000 in funding bodies' main allocation funding. The Group had approximately 16,298 grant funded and 1,590 non-grant funded students.

The volume of students in the 16-18 age group in 2018/19 for which funding was received from the ESFA equated to 89% of learner number allocation. For the 19+ age group, the value of activity equated to 101% of funding allocation. Employer Responsive activity equated to 93% of the funding allocation.

Curriculum developments

In 2018/19, post-merger, the College refined the curriculum offer, allowing for specialisms of provision by site, and ensuring that, at lower levels, a wide range of provision at each site existed to meet the needs of local communities. A robust curriculum mapping process has ensured that curriculum 'ladders' exist, and that the Group maximises the use of specialist resources, for example, Sports provision at the Dearne Valley site. Learners on full time vocational courses were entitled to receive high quality employability training, ensuring they are ready for the world of work. The progress tutor model continues to ensure that learners get full access to three tiers of employability, including independent external work experience. The College now offers new Foundation Degree and BA programmes which enhances the College's higher education portfolio and in 2018/19 the College achieved a Gold rating for HE under the Teaching Education and Student Outcomes Foundation (TEF).

Payment performance

The College recognises the importance of paying suppliers within a reasonable timescale and where invoices have been approved they are paid in line with the payment terms required by the supplier. Where an invoice is disputed, the College will not pay even if the due date has passed. The College is working towards setting a target for payments where invoices are not disputed.

Future developments

Although it will continue to be a significant income stream, the College would like to reduce dependency on the Education and Skills Funding Agency, and is seeking opportunities to diversify income particularly in areas such as Higher Education. The College is in the process of reviewing its estate, developing a strategic plan to rationalise and invest in the remaining estate. The initial plan is to move the Group's construction based provision from rented accommodation in Shireoaks to the North Notts Campus.

Resources

The Group has various resources it can deploy in pursuit of its strategic objectives.

Estate

The Group's estate includes the following:

- Rotherham Town Centre Campus
- Rawmarsh Road units in Rotherham (Leased)
- The Worksop Campus
- Shireoaks units in Worksop (Leased)
- Dinnington Campus
- Manvers Campus in Swinton
- Rockingham Centre (sold August 2019).
- Retford Post 16 Centre (Leased)
- Idle Valley Nature Reserve Centre

Financial

The Group has £4,105,000 of net assets (after deducting £33,188,000 pension liability).

Report of the Members of the Corporation (including the operating and financial review)

People

The Group employed 841 people during the year (expressed as full time equivalents), of whom 302 are teaching staff.

Reputation

The Group has a good reputation locally and nationally and in 2019 was officially recognised as “Requires Improvement” with some “Good” features by Ofsted. Maintaining a quality brand is essential for the Group's success at attracting students and external relationships.

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College.

Relevant Union Officials:

Numbers of employees who were relevant union officials in the relevant period	FTE employee number
7	5.24

Percentage of working hours spent on facility time:

Percentage of time spent on facility time	Number of employees
0%	-
1-50%	7
51-99%	-
100%	-

Percentage of pay bill spent on facility time:

Total cost of facility time	£13,385
Total pay bill	£25,974,000
Percentage of total bill spent on facility time	0.05%

Paid trade union activities:

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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Principal risks and uncertainties

The Group has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the Group's assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the Group is exposed. They identify systems and procedures, including specific actions which should help to mitigate the potential impact on the Group. The internal controls are then implemented and the subsequent year's process will include the review of progress against risk mitigation actions. The Risk Management Group will also consider any risks which may arise during the Group year.

A risk register is maintained at the Group level which is reviewed at least annually by the Audit Committee and weekly through the Senior Leadership Team. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Report of the Members of the Corporation (including the operating and financial review)

Outlined below is a description of the principal risk factors that may affect the Group. Not all the factors are within the Group's control. Other factors besides those listed below may also adversely affect the Group.

1 Government funding

The College has considerable reliance on continued government funding through the ESFA and Office for Students (OfS). In 2018/19, 71% of the Group's revenue was ultimately public funded and this level of requirement is expected to continue. There has been no increase in the funding rate for 16-19 year old learners for some time and there can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The Group is aware of significant issues which will impact on future funding and finances, or could impact on reputation:

- Pressure on government funding of further education, particularly for non-apprenticeship delivery is expected to continue for the foreseeable future.
- The lower levels of recruitment of 16-18 year-old study programme learners that are resulting in significantly lower income under the lagged funding model.
- The significant competition from schools and academies in the 16-18 year-old market
- The changes to the funding of apprenticeships both in terms of apprenticeships levy and funding available.
- The uncertainty of the structure and resource requirement of T level qualifications

These risks are mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training with the aim of gaining Ofsted at least Good status. This will benefit learners and also help to maximise College recruitment and income.
- Remaining responsive to changing circumstances.
- Ensuring the College is focused on those sectors that are a priority for employers which will continue to benefit from public funding.
- Develop new Curriculum Strategy to reflect expectations and opportunities of Technical and Professional Education routes.
- Establish RNN as primary Apprenticeship delivery partner for employers within catchment and wider SCR.
- Continue to develop the Higher Education and Skills offer, focussed on Higher Apprenticeships and other employer related skills needs.
- Funding is derived through a number of direct and indirect contractual arrangements.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
- Regular dialogue with the ESFA.
- Endeavouring to identify compensatory income improvements and cost reductions to mitigate the net impact on the College.

2 Tuition fee policy

In line with the majority of other Colleges, the Group seeks to increase tuition fees in accordance with the fee assumptions. The risk for the Group is that demand falls off as fees increase. This will impact on the growth strategy of the Group.

This risk is mitigated in a number of ways:

- By ensuring the Group is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses as prices change.

3 Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the Group's balance sheet in line with the requirements of FRS 102.

Report of the Members of the Corporation (including the operating and financial review)

Stakeholder relationships

In line with other Colleges and with Universities, RNN Group has many stakeholders. These include:

- Students
- Education sector funding bodies
- Staff
- Local employers (with specific links)
- Local Authorities
- Government Offices/Local Enterprise Partnerships
- The local community
- Local schools and academies
- Other Further Education institutions
- Higher Education institutions
- Trade unions and
- Professional bodies

The Group recognises the importance of these relationships and engages in regular communication with them through the Group Internet site and by meetings.

Equality, Diversity and Inclusion (EDI)

The Group believes that all forms of prejudice and discrimination are unacceptable. The Group is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, religion, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Single Equality Scheme, including its Race Relations and Transgender Policies, is published on the College's internet site.

The Group considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the Group continues. The Group's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees.

The Group has an EDI Management Group comprised of senior members of staff and a Governor 'Champion'. This group meets termly to consider all aspects of EDI and looks at strategies for continuous improvement. In addition, there is an EDI Committee, with representatives from across the organisation, which works hard to implement strategies to improve the learning and work environment for all.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 18th Dec 2019 and signed on its behalf on 17th Dec 2019 by:



Catherine Burn
Chair of the Corporation

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the Group to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2018 to 31 July 2019 and up to the date of approval of the annual report and financial statements.

The Group endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- 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 Group is committed to exhibiting best practice in all aspects of corporate governance and in particular the Board has adopted and complied with the Foundation Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the Board complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2019. The Board 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 English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in October 2012.

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

Statement of Corporate Governance and Internal Control

The Corporation

The members who served the Corporation during the year and up to the date of signature of this report were as follows:

Name	Date of appointment /reappointment	Current term of office	Date of resignation	Committees served	Status of appointment	Attendance
Jason Austin	09/05/2019	When ceases to be Principal		Search Remuneration	CEO/Principal	100%
John Connolly	01/04/2007	When ceased to be Principal	11/10/2018	Search Remuneration	CEO/Principal	100%
Atholl Stott (Chair)	01/09/2016	2 year	20/11/2019	Search Remuneration	External	100%
Stephen Smith (Vice Chair)	01/09/2016	2 year	06/11/2019	Search & Gov Remuneration	External	60%
Catherine Burn	01/09/2016	2 year		Search Remuneration	External	70%
Catherine Burn (Interim Chair)	18/12/2019	2 year		Search Remuneration	External	N/A
Darren Buxton	01/02/2017	18 months	07/10/2019	Audit Committee	External	85%
Ian Knowles	01/09/2016	2 years		Audit Committee	External	69%
Anne Nortcliffe	01/02/2017	18 months	06/11/2019	Strategic Quality Group	External	79%
Kathy Wood	01/09/2016	1 year	07/10/2019			
Angela Phillips	10/05/2018	2 years		Audit Committee	External	75%
Helen Groves	08/02/2018	1 year	19/10/2018	Strategic Quality Group	External	71%
Gill Scott	08/03/2019	1 year	06/11/2019	Strategic Quality Group	External	100%
Nigel Ruff	18/12/2019	TBC Jan 2020		TBC	External	N/A
Janet Pryke	18/12/2019	TBC Jan 2020		TBC	External	N/A
Veronica de Bruce McCoy	18/12/2019	TBC Jan 2020		TBC	External	N/A
Mirella Barnes	18/12/2019	TBC Jan 2020		TBC	External	N/A
Catherine Witherington	18/12/2019	TBC Jan 2020		TBC	External	N/A
Stephen Bulley	18/12/2019	TBC Jan 2020		TBC	External	N/A

Tony De'Ath acted as Clerk to the Corporation of RNN Group from 1 August 2018 to 31 July 2019.

Statement of Corporate Governance and Internal Control

Since the year ended 31 July 2019, there have been Governance changes to the Corporation. As noted in the table above the Chair and some of the Governors have stepped down from their duties for the Group. A new Interim Chair was appointed on 18 December 2019 along with 6 new Governors. Each of these Governors will be assigned to a committee relevant to their expertise in January 2020.

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 regularly through the year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

RNN Group
Eastwood Lane
Rotherham
S65 1EG

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

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

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each 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 Chair of the Corporation and Principal of the Group are separate.

Appointments to the Corporation

Any new appointments to the Corporation is a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee comprising of up to six members who 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 as required.

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

Corporation Performance

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2019 and graded itself as "Requires Improvement" on the Ofsted scale.

Statement of Corporate Governance and Internal Control

Audit Committee

The Audit Committee comprises up to seven members of the Corporation (who exclude the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the Group's system of internal control and its arrangements for risk management, control and governance processes.

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

The Group'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 undertake periodic follow up reviews to ensure such recommendations have been implemented.

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

Internal Control

Scope of responsibility

The Corporation is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Group's policies, aims and objectives whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between RNN Group and the Funding Bodies. The Principal is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Group policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at RNN Group for the year ended 31 July 2019 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

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

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation.
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against budgets.

Statement of Corporate Governance and Internal Control

- Setting targets to measure financial and other performance.
- Clearly defined capital investment control guidelines.
- The adoption of formal project management disciplines, where appropriate.

The Group has an internal audit service which operates in accordance with requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the Group is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

As a minimum, the Head of Internal Audit (HLA) annually provides the Corporation with a report on internal audit activity in the Group. The report includes the HLA's independent opinion on the adequacy and effectiveness of the Group's system of risk management, controls and governance processes.

Review of effectiveness

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

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

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

The Senior Leadership Team receives reports setting out key performance indicators and considers possible control issues brought to their attention. The Senior Leadership Team and 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 Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2019 meeting, the Corporation will carry out the annual assessment for the year ended 31 July 2019 by considering documentation from the Audit Committee, and taking account of events since 31 July 2019.

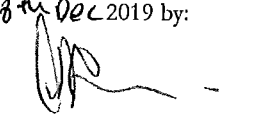
Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the Group has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources,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


On 11 October 2018, the incumbent Principal and Accounting Officer, John Connolly stepped down from the College. An Interim Principal and Accounting Officer, Jason Austin, was appointed by the Board on 14 November 2018 and his official appointment as Principal and Accounting Officer was made on 9 May 2019.

Going concern

After making appropriate enquiries, the Corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future (note 1). For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 18th Dec 2019 and signed on its behalf on 18th Dec 2019 by:


Catherine Burn
Chair of the Corporation


Jason Austin
Principal

Corporation's statement of the College's regularity, Propriety and Compliance with the Funding Body Terms and Conditions of funding


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

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 College, or material non-compliance with the terms and conditions of funding under the College's financial memorandum.

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



Catherine Burn
Chair of the Corporation



Jason Austin
Principal

18th Dec 2019

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 Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction for 2018/19 issued by the ESFA, which give a true and fair view of the state of affairs of the Group and the result for that year.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the Group will continue in operation.

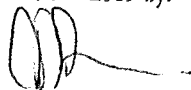
The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the Group.

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

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

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

Approved by order of the members of the Corporation *18th Dec* 2019 and signed on its behalf on *18th Dec* 2019 by:



Catherine Burn
Chair of the Corporation

Independent auditor's report to the Corporation of RNN Group

Opinion

We have audited the financial statements of RNN Group (the 'parent' College) and its subsidiaries (the 'group') for the year ended 31 July 2019 which comprise the Consolidated statement of comprehensive income, the Consolidated and College statement of changes in reserves, the Balance Sheets, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent College's affairs as at 31 July 2019 and of the Group's deficit of income over expenditure and parent College's deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

Basis for opinion

We have been appointed as auditor under the College's Articles of Government and report in accordance with regulations made under it. 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 College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Independent auditor's report to the Corporation of RNN Group

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 by the RNN Group; or
- the RNN Group annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement of the responsibilities of the members of the Corporation set out on page 17, the College's Corporation is responsible for the preparation of 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 parent College's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the group or parent College or to cease operations, or have no realistic alternative but to do so.

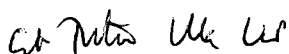
Auditor's responsibilities for the audit of the financial statements

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 these financial statements.

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

Use of our report

This report is made solely to the College's 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 College's Corporation those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's Corporation as a body, for our audit work, for this report, or for the opinions we have formed.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
SHEFFIELD
19 December 2019

Reporting Accountant's Assurance report on Regularity to the Corporation of RNN Group and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA')

In accordance with the terms of our engagement letter dated 25 July 2019 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by RNN Group during the period 1 August 2018 to 31 July 2019 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. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which ESFA has other assurance arrangements in place.

Respective responsibilities of RNN Group and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 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.

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

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

Reporting Accountant's Assurance report on Regularity to the Corporation of RNN Group and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA')

The work undertaken to draw our conclusion includes:

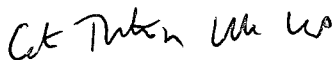
- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ.

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 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Use of our report

This report is made solely to the corporation of RNN Group and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of RNN Group and ESFA those matters we are required to state in a limited assurance 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 RNN Group, as a body, and ESFA, as a body, for our work, for this report, or for the conclusion we have formed.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
19 December 2019

Consolidated statement of comprehensive income & expenditure

	Note	Group 2019 £'000	Restated Group 2018 £'000	College 2019 £'000	Restated College 2018 £'000
Income					
Funding body grants	3	29,986	32,385	29,986	32,387
Tuition fees and education contracts	4	7,398	7,326	6,219	6,107
Other income	5	4,685	4,758	5,361	5,558
Investment income	6	6	15	20	32
Gift Aid		-	-	221	194
Total income		42,075	44,484	41,807	44,278
Expenditure					
Staff costs	7	30,165	31,765	29,132	29,522
Other operating expenses	9	12,335	11,837	11,911	13,366
Depreciation	13	2,965	2,758	2,868	2,666
Amortisation	14	-	20	-	-
Exceptional items	28	-	-	1,337	-
Interest and other finance costs	10	640	825	640	825
Total expenditure		46,105	47,205	45,888	46,379
Deficit before other gains and losses		(4,030)	(2,721)	(4,081)	(2,101)
(Loss)/gain on disposal of assets		(12)	266	(12)	262
Intercompany provisions		-	-	-	(794)
Deficit before tax		(4,042)	(2,455)	(4,093)	(2,633)
Taxation	11	-	23	-	-
Deficit after tax		(4,042)	(2,432)	(4,093)	(2,633)
Other comprehensive income					
Actuarial (loss)/gain in respect of pension scheme	19,21	(14,649)	8,792	(14,649)	8,792
Total comprehensive income for the year		(18,691)	6,360	(18,742)	6,159

The above activities relate to continuing operations.

The prior year results have been restated for the change in accounting policy for capital grants. See note 2.

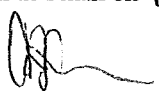
Consolidated and College statement of changes in reserves


Group	Income and expenditure reserve £'000	Revaluation Reserve £'000	Total £'000
Balance at 1 August 2017	11,942	8,029	19,971
Adjustment for Capital Grant policy change (note 2)	(3,535)	-	(3,535)
Restated balance at 1 August 2017	<u>8,407</u>	<u>8,029</u>	<u>16,436</u>
Deficit from the income and expenditure account (as previously stated)	(2,449)	-	(2,449)
Other comprehensive income (as previously stated)	8,792	-	8,792
Adjustment for change in deferred capital grants policy	17	-	17
Total comprehensive income for the year (restated)	<u>6,360</u>	<u>-</u>	<u>6,360</u>
Transfers between revaluation and income and expenditure reserves	182	(182)	-
Balance at 31 July 2018 (restated)	<u>14,949</u>	<u>7,847</u>	<u>22,796</u>
Deficit from the income and expenditure account	(4,042)	-	(4,042)
Other comprehensive income	(14,649)	-	(14,649)
Total comprehensive income for the year	<u>(18,691)</u>	<u>-</u>	<u>(18,691)</u>
Transfers between revaluation and income and expenditure reserves	206	(206)	-
Balance at 31 July 2019	<u>(3,536)</u>	<u>7,641</u>	<u>4,105</u>
 College	 Income and expenditure reserve £'000	 Revaluation reserve £'000	 Total £'000
Balance at 1 August 2017	11,729	8,029	19,758
Adjustment for Capital Grant policy change (note 2)	(3,518)	-	(3,518)
Restated balance at 1 August 2017	<u>8,211</u>	<u>8,029</u>	<u>16,240</u>
Deficit from the income and expenditure account (as previously stated)	(2,633)	-	(2,633)
Other comprehensive income (as previously stated)	8,792	-	8,792
Total comprehensive income for the year (restated)	<u>6,159</u>	<u>-</u>	<u>6,159</u>
Transfers between revaluation and income and expenditure reserves	182	(182)	-
Balance at 31 July 2018 (restated)	<u>14,552</u>	<u>7,847</u>	<u>22,399</u>
Deficit from the income and expenditure account	(4,093)	-	(4,093)
Other comprehensive income	(14,649)	-	(14,649)
Total comprehensive income for the year	<u>(18,742)</u>	<u>-</u>	<u>(18,742)</u>
Transfers between revaluation and income and expenditure reserves	206	(206)	-
Balance at 31 July 2019	<u>(3,984)</u>	<u>7,641</u>	<u>3,657</u>

Balance Sheets

	Note	Group 2019 £'000	Restated Group 2018 £'000	College 2019 £'000	Restated College 2018 £'000
Non current assets					
Fixed asset investments	12	-	-	350	350
Tangible assets	13	53,525	55,505	52,370	54,248
Intangible assets	14	-	-	-	-
		<u>53,525</u>	<u>55,505</u>	<u>52,720</u>	<u>54,598</u>
Current assets					
Stocks		12	12	10	11
Trade and other receivables: amounts due after more than one year	15	-	-	723	826
Trade and other receivables: amounts due within one year	15	2,113	2,737	2,123	2,485
Cash and cash equivalents	20	2,092	4,928	1,631	4,040
		<u>4,217</u>	<u>7,677</u>	<u>4,487</u>	<u>7,362</u>
Creditors: amounts falling due within one year	16	<u>(6,708)</u>	<u>(8,765)</u>	<u>(6,715)</u>	<u>(8,052)</u>
Net current liabilities		<u>(2,491)</u>	<u>(1,088)</u>	<u>(2,228)</u>	<u>(690)</u>
Total assets less current liabilities		<u>51,034</u>	<u>54,417</u>	<u>50,492</u>	<u>53,908</u>
Creditors: amounts falling due after one year	17	<u>(10,456)</u>	<u>(10,993)</u>	<u>(10,362)</u>	<u>(10,881)</u>
		<u>40,578</u>	<u>43,424</u>	<u>40,130</u>	<u>43,027</u>
Provisions					
Other provisions	19	(3,285)	(3,001)	(3,285)	(3,001)
Defined benefit obligations	19	(33,188)	(17,627)	(33,188)	(17,627)
		<u>(36,473)</u>	<u>(20,628)</u>	<u>(36,473)</u>	<u>(20,628)</u>
Total net assets		<u>4,105</u>	<u>22,796</u>	<u>3,657</u>	<u>22,399</u>
Reserves					
Income and expenditure account		(3,536)	14,949	(3,984)	14,552
Revaluation reserve		7,641	7,847	7,641	7,847
Total		<u>4,105</u>	<u>22,796</u>	<u>3,657</u>	<u>22,399</u>

The financial statements on pages 22 to 49 were approved by the Corporation on 18th Dec 2019 and were signed on its behalf on 18th Dec 2019 by:


Catherine Burn
Chair of the Corporation


Jason Austin
Principal

Consolidated Statement of Cash Flows

	Note	2019 £'000	Restated 2018 £'000
Cash inflow from operating activities			
Deficit for the year		(4,042)	(2,432)
Adjustment for non-cash items			
Depreciation		2,965	2,758
Amortisation of goodwill and other intangibles		-	20
Decrease in debtors		624	201
(Increase)/decrease in stocks		-	(2)
Decrease in creditors due within one year		(2,089)	(790)
Decrease in other provisions		(107)	(540)
Transfers in PPE		4	-
Release of deferred capital grants		(261)	(185)
Pension costs	21	2,630	2,997
Contributions payable		(1,877)	(1,482)
Adjustment for investing or financing activities and taxation			
Tax on profit on ordinary activities		-	(23)
Investment income		(6)	(15)
Interest payable		640	825
Loss/(gain) on sale of fixed assets		14	(266)
Cash received from deferred capital grants		9	3,870
Net cash inflow from operating activities		<u>(1,496)</u>	<u>4,936</u>
Cash flows from investing activities			
Payments made to acquire tangible fixed assets		(1,062)	(10,490)
Investment income		6	15
Proceeds from sale of fixed assets		59	318
		<u>(997)</u>	<u>(10,157)</u>
Cash flows from financing activities			
Interest paid		(90)	(102)
Repayments of amounts borrowed		(253)	(211)
		<u>(343)</u>	<u>(313)</u>
Decrease in cash and cash equivalents in the year		(2,836)	(5,534)
Cash and cash equivalents beginning of the year	20	<u>4,928</u>	<u>10,462</u>
Cash and cash equivalents at end of the year	20	<u><u>2,092</u></u>	<u><u>4,928</u></u>

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the financial statements

1 Statement of accounting policies and estimation techniques

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 are prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), The College Accounts Direction for 2016 to 2017 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 Group's accounting policies.

The prior year financial statements have been restated for comparative purposes due to a change in accounting policy. The deferred capital grants policy has changed from the performance basis to the accruals basis. It was decided that it was more appropriate to release the grant in line with the useful life of the asset.

The financial statements are presented in Sterling (£'000).

Going concern

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

The Group currently has £3.9m of loans outstanding with Lloyds Bank plc on terms renegotiated in December 2019. The new term of the loan is 5 years. The Group's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Rotherham Education Services Limited, Aston Recruitment and Training Limited, Chamwood Training Group Limited, Create Skills Limited and National Fluid Power Centre Limited controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the Consolidated Income and Expenditure Account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2019.

Business combination accounting

Where the combination of entities meets the requirements to be a merger the results of the combining entities are shown as if the entities had always been combined. Where the combination does not fall to be classified as a merger, acquisition accounting is used. Acquisition accounting incorporates the results of acquired operations in the Statement of Comprehensive Income from the date of acquisition. The Balance Sheet assets and liabilities are initially recognised at their fair value at acquisition date.

Notes to the financial statements

1 Statement of accounting policies and estimation techniques (continued)

All costs associated with the combinations are charged as an expense in the period incurred.

Where the fair value of net assets acquired is higher than the consideration paid the difference is classified as negative goodwill. Where the consideration is higher than the fair value of assets acquired then the difference is classified as goodwill.

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

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

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised in income when 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.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred income and released when all performance conditions have been met.

Where the Group receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the Income and Expenditure Account on the grounds that the Group does not have direct control over the future economic benefits derived from these funds. The Group has applied this policy to certain funds received during the year from the funding bodies (see note 26).

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.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met, or the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the Statement of Comprehensive Income to accumulated income within endowment funds.

Capital grants

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

Notes to the financial statements

1 Statement of accounting policies and estimation techniques (continued)

Accounting for post-retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS). Contributions to the TPS are charged as incurred. 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 plan and the contributions recognised as an expense in the Income and Expenditure Account in the periods during which services are rendered by employees.

The TPS is an unfunded scheme. Contributions to the TPS scheme 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.

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 liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in Other Comprehensive Income.

Further details of the pension schemes are given in note 21.

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 a College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the 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

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the Balance Sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the Balance Sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the Group of up to 60 years. The Group has a policy of depreciating major adaptations to buildings over the remaining useful economic life of each respective building.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are recognised over the useful life of the asset.

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(s) may not be recoverable.

Notes to the financial statements

1 Statement of accounting policies and estimation techniques (continued)

Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual Financial Statements.

Financial liabilities and equity

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

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised costs, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the Balance Sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Inventories

Inventories are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective items.

Foreign currency translation

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

Taxation

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

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

Provisions

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

Cash and cash equivalents

Cash for the purposes of the Statement of Cash Flows comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Notes to the financial statements

1 Statement of accounting policies and estimation techniques (continued)

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the ESFA, and subsequent disbursements to students are excluded from the Income and Expenditure Account and are shown separately in note 26 except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risk and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the Group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- During the year the decision was made to change the accounting policy for capital grants. It was decided that it was more appropriate to release the grant in line with the useful life of the asset. See note 2.

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 disposed values. In preparing these statements, management have used the transitional fair value as deemed cost provisions of FRS 102 to revise the valuation of fixed assets in respect of the land and RNN Group's properties.

- 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 21 will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount on the pension liability.

Notes to the financial statements

2 Prior year adjustment

The prior year financial statements have been restated for comparative purposes due to a change in accounting policy. The deferred capital grants policy has changed from the performance basis to the accruals basis. It was decided that it was more appropriate to release the grant in line with the useful life of the asset.

The overall Group adjustment has resulted in total comprehensive income increasing by £17,000 and reducing the Income and expenditure reserve and total net assets by £3,518,000, an adjustment in the Income and Expenditure at 1 August 2017 of £3,535,000. This is made of a release of £185,000 in the year and a reversal of a release made in 2018 of £168,000.

The overall College adjustment has in reducing the Income and expenditure reserve and total net assets by £3,518,000. There was also a restatement of the split of the release made in 2018 of £168,000.

	As previously reported at 31 July 2018 £'000	Adjustments £'000	As restated at 31 July 2018 £'000
Group			
Changes to the Balance Sheet			
Creditors : amounts falling due after more than one year	(3,946)	(7,047)	(10,993)
Creditors: amounts falling due within one year	(12,294)	3,529	(8,765)
Total Net Assets	26,314	(3,518)	22,796
Reserves - Income and Expenditure account	18,467	(3,518)	14,949
Changes to Reserves - Income and Expenditure account			
Funding Body Grants - Release from deferred capital grants	76	51	127
Other Income - Release from deferred capital grants	92	(34)	58
Income & Expenditure adjustment for Capital Grant Policy change	11,942	(3,535)	8,407
(Deficit)/Surplus before tax	(2,449)	17	(2,432)
College			
Changes to the Balance Sheet			
Creditors : amounts falling due after more than one year	(3,946)	(6,935)	(10,881)
Creditors: amounts falling due within one year	(11,470)	3,418	(8,052)
Total Assets	25,917	(3,518)	22,399
Reserves - Income and Expenditure account	18,070	(3,518)	14,552
Changes to Reserves - Income and Expenditure account			
Funding Body Grants - Release from deferred capital grants	76	51	127
Other Income - Release from deferred capital grants	92	(51)	41
Income & Expenditure adjustment for Capital Grant Policy change	11,729	(3,518)	8,211
(Deficit)/Surplus before tax	(2,633)	-	(2,633)

Notes to the financial statements

3 Funding body grants

	Group 2019 £'000	Restated Group 2018 £'000	College 2019 £'000	Restated College 2018 £'000
Recurrent grants				
Education and Skills Funding Agency – Adult and Apprenticeship	11,518	12,729	11,518	12,729
Education and Skills Funding Agency – 16-18	17,388	18,418	17,388	18,418
Office for Students	424	514	424	514
Non recurrent grants				
Education and Skills Funding Agency	-	-	-	-
Other funding body grants	449	511	449	511
Office for Students	-	30	-	30
Co-financed ESF	2	56	2	58
Releases of Government deferred capital grants	205	127	205	127
	<u>29,986</u>	<u>32,385</u>	<u>29,986</u>	<u>32,387</u>

4 Tuition fees and education contracts

	Group 2019 £'000	Group 2018 £'000	College 2019 £'000	College 2018 £'000
Tuition fees	5,923	5,801	4,744	4,583
Education contracts	1,475	1,525	1,475	1,524
	<u>7,398</u>	<u>7,326</u>	<u>6,219</u>	<u>6,107</u>

5 Other income

	Group 2019 £'000	Restated Group 2018 £'000	College 2019 £'000	Restated College 2018 £'000
Catering, residence and conferences	1	58	1	58
Exams	3	7	3	7
Income generating activities	3,897	4,000	3,904	4,019
Release from other deferred capital grants	56	58	37	41
Other grants	728	635	592	566
Intercompany recharge	-	-	824	867
	<u>4,685</u>	<u>4,758</u>	<u>5,361</u>	<u>5,558</u>

6 Investment income

	Group 2019 £'000	Group 2018 £'000	College 2019 £'000	College 2018 £'000
Other interest receivable	6	15	5	14
Intercompany interest (NFPC)	-	-	15	18
	<u>6</u>	<u>15</u>	<u>20</u>	<u>32</u>

Notes to the financial statements

7 Staff costs – Group

The average monthly number of persons (including key management personnel) employed by the Group during the period, expressed as full time equivalents, was:

	2019 Number	2018 Number
Teaching staff	302	368
Non-teaching staff	539	594
	<u>841</u>	<u>962</u>

The numbers above do not include estimates of the staff numbers employed through contracting out arrangements.

Staff costs for the above persons were as follows:

	2019 £'000	2018 £'000
Wages and salaries	20,767	22,326
Social security costs	1,878	2,022
Other pension costs	3,329	2,939
Defined benefit charge to income statement less cash contributions	753	1,515
Enhanced pension provision adjustment (note 19)	-	(131)
Payroll sub total	<u>26,727</u>	<u>28,671</u>
Contracted out lecturing services	1,320	1,312
Contracted out other staffing services	1,389	1,332
	<u>29,436</u>	<u>31,315</u>
Restructuring costs	729	450
	<u>30,165</u>	<u>31,765</u>

Key Management Personnel

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team, which comprises the Principal, Deputy Principal, Vice Principal Curriculum & Quality, Director of Finance, Director of Funding and Contracts, Commercial Director, Director of Quality, Director of Estates and IT, Assistant Principal, Director of Higher Education and Skills and the Director of Human Resources.

	2019 Number	2018 Number
The number of Key Management Personnel including the Accounting Officer was	<u>13</u>	<u>14</u>

Notes to the financial statements

8 Key Management Personnel Emoluments

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

	2019 Number of senior post- holders	2019 Number of Other Staff	2018 Number of senior post- holders	2018 Number of Other Staff
£1 to £10,000	1	-	1	-
£10,001 to £20,000	-	-	-	-
£20,001 to £30,000	-	-	-	2
£30,001 to £40,000	-	1	-	-
£40,001 to £50,000	-	2	-	1
£50,001 to £60,000	1	3	-	5
£60,001 to £70,000	1	-	1	-
£70,001 to £80,000	-	-	1	-
£80,001 to £90,000	1	-	1	-
£90,001 to £100,000	1	-	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	1	-	-	-
£130,001 to £140,000	1	-	-	-
£140,001 to £150,000	-	-	1	-
£150,001 to £160,000	-	-	-	-
£160,001 to £170,000	-	-	-	-
£170,001 to £180,000	-	-	1	-

Senior post holders are defined as members of the senior leadership team.

	2019 Number	2018 Number
The number of senior post-holders including the Principal was:	<u>7</u>	<u>6</u>

Key Management Personnel emoluments are made up as follows:

	2019 £'000	2018 £'000
Emoluments	899	922
Employer's National Insurance	92	104
Pensions costs	100	113
	<u>1,091</u>	<u>1,139</u>

The above compensation includes amounts paid to the Principal and Chief Executive who is the accounting officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	2019 £'000	2018 £'000
Emoluments – outgoing Principal/CEO	132	142
Pension costs – outgoing Principal/CEO	5	19
Emoluments – current Principal/CEO	83	-
Pensions costs – current Principal/CEO	14	-
	<u>234</u>	<u>161</u>

Notes to the financial statements

In October 2018, John Connolly stepped down from the business at which point he received emoluments totalling £137,000 including payment in lieu of notice, entitled holiday pay and early access to pension funds.

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and Local Government Pension Scheme and are paid at the same rate as for other employees.

The members of the Corporation other than the Principal and the staff members did not receive any payment from the Group other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

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.

The relationship of Principal pay and remuneration expressed as a multiple is as follows:

	2019	2018
Outgoing Principal basic salary of the median of all staff	6.3	6.8
Outgoing Principal total remuneration as a multiple of the median of all staff	5.4	6.3
Current Principal basic salary of the median of all staff	4.0	-
Current Principal total remuneration as a multiple of the median of all staff	3.8	-

The outgoing Principal's severance payment was approved by the Group's Remuneration Committee.

9 Other operating expenses

	Group 2019 £'000	Group 2018 £'000	College 2019 £'000	College 2018 £'000
Teaching costs	6,302	5,882	6,949	8,104
Non-teaching costs	3,282	3,262	2,318	2,806
Premises costs	2,751	2,693	2,644	2,456
	<u>12,335</u>	<u>11,837</u>	<u>11,911</u>	<u>13,366</u>
			2019 £'000	2018 £'000
Other operating expenses include:				
Auditors' remuneration				
Financial statements audit			57	59
Other services provided by the financial statement auditor			13	27
Internal audit			2	19
Hire of plant and machinery – operating leases			125	184
Hire of other assets – operating leases			146	164
			<u>343</u>	<u>453</u>

During 2017/18, the Group took the decision to cease using the incumbent Internal Auditors. Following a tender process, RSM were appointed in May 2019 with initial audits starting in summer 2019.

Notes to the financial statements

10 Interest and other finance costs – Group and College

	Group 2019 £'000	Group 2018 £'000	College 2019 £'000	College 2018 £'000
On bank loans, overdrafts and other loans: Repayable wholly or partly in more than five years	90	102	90	102
Pension finance costs	550	723	550	723
	<u>640</u>	<u>825</u>	<u>640</u>	<u>825</u>

Pension finance cost includes amounts relating to Enhanced Pension Provision of £68,000 (2017/18: £112,000).

11 Taxation – Group only

Whilst the College's activities in the year are exempt from corporation tax, the subsidiaries have incurred a tax (credit)/charge which is shown within the Consolidated Income and Expenditure Account.

The tax (credit)/charge represents:

	2019 £'000	2018 £'000
Deficit on ordinary activities before tax	<u>(4,042)</u>	<u>(2,472)</u>
Tax on loss on ordinary activities at standard corporation tax rate of 19% (2018: 19%)	(768)	(470)
Effect of:		
Fixed asset difference	11	5
Amounts in College not deductible	644	369
Adjustment to deferred tax rates	-	12
Adjustments in respect of previous periods	-	(23)
Deferred tax not recognised	113	84
Total tax (credit)/charge for the year	<u>-</u>	<u>(23)</u>

12 Fixed asset investments

The College

	Shares in subsidiary undertakings £'000
Cost	
At 1 August 2018 and at 31 July 2019	619
Provisions	
At 1 August 2018 and at 31 July 2019	<u>269</u>
Net book value at 31 July 2019	<u>350</u>
Net book value at 31 July 2018	<u>350</u>

Notes to the financial statements

12 Fixed asset investments (continued)

At 31 July 2019, the group held 20% or more of the allotted share capital of the following:

Subsidiary undertakings	Country of incorporation	Class of share held	Proportion held	Nature of business
Aston Recruitment & Training Limited	England and Wales	Ordinary	100%	Provider of education and training
Retford International College Limited	England and Wales	Ordinary	100%	Dormant
National Fluid Power Centre Limited	England and Wales	N/A	N/A	Provider of education and training
Create Skills Limited	England and Wales	Ordinary	100%	Provider of education and training
Charnwood Training Group Limited	England and Wales	Ordinary	100%	Provider of education and training
Rotherham Education Services Limited	England and Wales	Ordinary	100%	Provider of agency staff to the Group

Retford International College Limited is the sole member of Retford College Limited and therefore the Corporation indirectly controls its activities. Both companies are dormant.

National Fluid Power Centre Ltd (previously North Notts Create Limited), a company limited by guarantee and without any share capital, is treated as a subsidiary as it is indirectly controlled by the Corporation and its activities are conducted for the benefit of the College.

13 Tangible fixed assets

The Group

	Freehold land and buildings £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 August 2018	56,887	24,450	9,933	91,270
Additions	483	579	-	1,062
Transfers	9,933	(272)	(9,933)	(272)
Disposals	(12)	(137)	-	(149)
At 31 July 2019	67,291	24,620	-	91,911
Depreciation				
At 1 August 2018	16,482	19,283	-	35,765
Charge for the year	1,734	1,231	-	2,965
Transfers	-	(268)	-	(268)
Eliminated in respect of disposals	(1)	(75)	-	(76)
At 31 July 2019	18,215	20,171	-	38,386
Net book amount at 31 July 2019	49,076	4,449	-	53,525
Net book amount at 31 July 2018	40,405	5,167	9,933	55,505

Notes to the financial statements

13 Tangible fixed assets (continued)

The College

	Freehold land and buildings £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 August 2018	55,493	22,942	9,933	88,368
Additions	483	539	-	1,022
Transfers from subsidiaries	9,933	20	(9,933)	20
Disposals	(12)	(90)	-	(102)
At 31 July 2019	65,897	23,411	-	89,308
Depreciation				
At 1 August 2018	15,971	18,149	-	34,120
Charge for the year	1,706	1,162	-	2,868
Transfers from subsidiaries	-	8	-	8
Eliminated in respect of disposals	(1)	(57)	-	(58)
At 31 July 2019	17,676	19,262	-	36,938
Net book amount at 31 July 2019	48,221	4,149	-	52,370
Net book amount at 31 July 2018	39,522	4,793	9,933	54,248

Land and buildings with a net book value of £7,491,000 (2017/18: £4,150,000) have been partly financed from exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Council, to surrender the proceeds.

Tangible fixed assets inherited from the Local Education Authority on incorporation have been valued by the Corporation on a depreciated replacement costs basis, with the assistance of independent professional advice. As set out in the policy note, the Group carries inherited assets at an inherited valuation. The assets were valued at £4,246,000 on incorporation.

A building with a net book value of £433,160 (2017/18: £445,900) has been financed by Surestart project funds. Should these assets be sold or cease to be used for Surestart purposes, the College may be liable under the terms of the Surestart agreement to repay all or part of the funding.

Notes to the financial statements

14 Intangible Assets

Group

	Goodwill £'000	Course Development £'000	Subtotal – Goodwill & Course Development £'000	Negative Goodwill £'000	Total £'000
Cost					
At 1 August 2018 and at 31 July 2019	525	60	585	(1,751)	(1,166)
Amortisation					
At 1 August 2018	525	60	585	(1,751)	(1,166)
Amortised in the year	-	-	-	-	-
At 31 July 2019	525	60	585	(1,751)	(1,166)
Net book value at 31 July 2019	-	-	-	-	-
Net book value at 31 July 2018	-	-	-	-	-

The negative goodwill relates to the acquisition of Dearne Valley College on the 1 February 2017. RNN group was not required to pay any consideration for the acquisition and therefore consider the nature of the acquisition to be a gift.

The goodwill relates to the acquisition of Charnwood Training Group Limited on 14 October 2014 for a consideration of £2. An adjustment was included to write off the goodwill in its entirety in 2015.

15 Debtors

	Group 2019 £'000	Group 2018 £'000	College 2019 £'000	College 2018 £'000
Amounts falling due within one year:				
Trade receivables	421	603	272	407
Amounts owed by group undertaking	-	-	181	200
Other debtors	367	354	366	349
Amounts owed by the ESFA	698	1,078	698	1,078
Prepayments and accrued income	627	702	606	451
	2,113	2,737	2,123	2,485
Amounts falling due after more than one year:				
Amounts owed by group undertaking	-	-	723	826
	2,113	2,737	2,847	3,311

Notes to the financial statements

16 Creditors: amounts falling due within one year

	Group 2019 £'000	Restated Group 2018 £'000	College 2019 £'000	Restated College 2018 £'000
Trade payables	1,689	1,724	1,670	1,314
Amounts owed to subsidiary undertakings	-	-	371	428
Other taxation and social security	581	634	459	461
Accruals and deferred income	3,457	4,512	3,252	3,972
Other amounts owed to the ESFA	435	1,381	435	1,381
Bank loans (note 18)	263	225	263	225
Corporation tax	-	-	-	-
Other loans (note 18)	22	28	22	28
Deferred income: government capital grants	261	261	243	243
	<u>6,708</u>	<u>8,765</u>	<u>6,715</u>	<u>8,052</u>

17 Creditors: amounts falling due after one year

	Group 2019 £'000	Restated Group 2018 £'000	College 2019 £'000	Restated College 2018 £'000
Bank loan (note 18)	3,661	3,924	3,661	3,924
Other loans (note 18)	-	22	-	22
Deferred income: government capital grants	6,795	7,047	6,701	6,935
	<u>10,456</u>	<u>10,993</u>	<u>10,362</u>	<u>10,881</u>

The bank loan is secured on the freehold land and buildings at the Dinnington Campus.

18 Maturity of debt

	Group 2019 £'000	Group 2018 £'000	College 2019 £'000	College 2018 £'000
Loans are repayable as follows:				
In one year or less	285	253	285	253
Between one and two years	300	247	300	247
Between two and 5 years	900	675	900	675
In five years or more	2,461	3,024	2,461	3,024
	<u>3,946</u>	<u>4,199</u>	<u>3,946</u>	<u>4,199</u>

During 2016/17, the Group agreed a new debt facility with Lloyds Bank. The loan facility is up to £4,430,000, and is secured on the freehold land and buildings of the Dinnington Campus. The facility is repayable in instalments up until January 2025 with interest rates set at Libor plus 1.41%. This loan facility was used to pay down and consolidate the previous loans held by the Group including Dearne Valley College loans.

The Group has a further RCF facility with Lloyds Bank for £1,000,000 which was drawn down in November 2019, this is secured on the freehold land and buildings of the University Centre Rotherham at Doncaster Gate.

Notes to the financial statements

19 Provisions for liabilities

Group

	Defined benefit obligations £'000	Enhanced pensions £'000	Other Provisions £'000	Total £'000
At 1 August 2018	17,627	2,971	30	20,628
Payments in the period	(1,877)	(234)	-	(2,111)
Income and expenditure account	2,630	-	127	2,757
Interest	482	68	-	550
Actuarial gain	14,326	323	-	14,649
At 31 July 2019	<u>33,188</u>	<u>3,128</u>	<u>157</u>	<u>36,473</u>

College

	Defined benefit obligations £'000	Enhanced pensions £'000	Other Provisions £'000	Total £'000
At 1 August 2018	17,627	2,971	30	20,628
Payments in the period	(1,877)	(234)	-	(2,111)
Income and expenditure account	2,630	-	127	2,757
Interest	482	68	-	550
Actuarial gain	14,326	323	-	14,649
At 31 July 2019	<u>33,188</u>	<u>3,128</u>	<u>157</u>	<u>36,473</u>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in note 21.

Enhanced Pensions relate to ongoing liabilities for early retirements in the 1990s. The principal assumptions for this calculation are:

	2019	2018
Price inflation	2.2%	2.3%
Discount rate	2.0%	1.3%

Other Provisions of £157,000 (2018: £30,000) relate to a liability for European funds that may have to be repaid.

20 Cash and cash equivalents

Group

	At 1 August 2018 £'000	Cash flows £'000	Other charges £'000	At 31 July 2019 £'000
Cash at bank	4,928	(2,836)	-	2,092

College

	At 1 August 2018 £'000	Cash flows £'000	Other charges £'000	At 31 July 2019 £'000
Cash at bank	4,040	(2,409)	-	1,631

Notes to the financial statements

21 Defined benefit obligations

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). Both are multi-employer defined benefit plans. The total pension cost for the period is set out below:

	2019 £'000	2018 £'000
Teachers' pension scheme contributions	1,162	1,219
Local Government Pension Scheme:		
Current service cost	2,504	2,915
Past service cost	90	26
Curtailments	-	19
Administration expenses	36	37
Surestart pension scheme	264	224
Subsidiary pension schemes	3	14
Charge to the statement of comprehensive income	2,897	3,235
Enhanced pension charge to the statement of comprehensive income	-	(131)
Total pension cost for year within staff costs	<u>2,897</u>	<u>4,323</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actual valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £359,015 (2018: £357,303) were payable to the schemes and are included in creditors.

Teachers' Pension Scheme

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

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

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

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

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

Notes to the financial statements

21 Defined benefit obligations (continued)

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019). The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £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 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

The pension costs paid to TPS in the year amounted to £1,162,000 (2018: £1,219,000).

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by South Yorkshire Pensions Authority. The total contributions made for the year ended 31 July 2019 were £1,801,000, of which employer's contributions totalled £1,283,000 and employees' contributions totalled £518,000. The agreed contribution rates for future years are 14.2% for employers and range from 5.5% and 12.5% (50/50 scheme: 2.75% to 6.25%) for employees, depending on salary according to a national scale.

A recent High Court ruling found Guaranteed Minimum Pensions (GMPs) must be equalised between men and women, and that past underpayments must be corrected. Employers, such as the College, with a defined benefit pension scheme and contracted out of the State Second Pension from 17 May 1990 to 5 April 1997 are covered by the ruling, and will be impacted by increased defined benefit pension obligations. The specific impact on the College is unknown.

Principal actuarial assumptions

	RNN At 31 July 2019 %	RNN At 31 July 2018 %
Inflation (CPI)	2.2	2.1
Rate of increase in salaries	2.2	2.1
Rate of increase in pensions	2.3	2.1
Discount rate for liabilities	2.1	2.9

Notes to the financial statements

21 Defined benefit obligations (continued)

On advice from our actuaries we have assumed that 50% of employees retiring after 6 April 2009 will take advantage of the option to commute part of their future annual pension to a lump sum payment on retirement.

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

	RNN At 31 July 2019	RNN At 31 July 2018
Retiring today		
Males	23.1	23.0
Females	25.9	25.8
Retiring in 20 years		
Males	25.3	25.2
Females	28.3	28.1

The assets of the scheme relating to the College and the expected rate of return were:

	RNN % of total plan assets at 31 July 2019 %	RNN Fair Value at 31 July 2019 £'000	RNN % of total plan assets at 31 July 2018 %	RNN Fair Value at 31 July 2018 £'000
Equities	52.3	34,894	53.2	32,669
Bonds	21.6	14,412	21.6	13,264
Property	8.7	5,805	9.7	5,956
Cash	3.2	2,135	4.6	2,825
Other	14.2	9,474	10.9	6,693
Total fair value of plan assets		<u>66,720</u>		<u>61,407</u>

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

	2019 £'000	2018 £'000
Fair value of plan assets	66,720	61,407
Present value of plan liabilities	(99,653)	(78,792)
Present value of unfunded liabilities	(255)	(242)
Net pension liability	<u>(33,188)</u>	<u>(17,627)</u>

Notes to the financial statements

21 Defined benefit obligations (continued)

Analysis of the amount recognised in the statement of comprehensive income in respect of the plan are as follows:

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	2,504	2,915
Past service cost	90	26
Curtailments	-	19
Administration expenses	36	37
Total	<u>2,630</u>	<u>2,997</u>
Amounts included in interest and other finance costs		
Net interest cost	482	612
Total	<u>482</u>	<u>612</u>
Amount recognised in other comprehensive income		
Return on pension plan assets	3,049	2,347
Changes in assumptions underlying the present value of plan liabilities	<u>(17,375)</u>	<u>6,445</u>
Amount recognised in other comprehensive income	<u>(14,326)</u>	<u>8,792</u>
	2019 £'000	2018 £'000
Movement in defined benefit liability during year		
Net defined benefit liability in scheme at 1 August	(17,627)	(24,292)
Movement in year:		
Current service charge	(2,504)	(2,915)
Employer contributions	1,877	1,482
Past service cost	(90)	(26)
Curtailments	-	(19)
Net interest on the defined liability	(482)	(612)
Administration expenses	(36)	(37)
Actuarial gain	<u>(14,326)</u>	<u>8,792</u>
Net defined benefit liability in scheme at 31 July	<u>(33,188)</u>	<u>(17,627)</u>
Changes in the present value of defined benefit obligations		
Defined benefit obligations at 1 August	79,034	81,822
Current service charge	2,504	2,915
Interest cost	2,270	2,109
Employee contributions	552	578
Changes in financial assumptions	17,375	(6,445)
Benefits paid	(1,917)	(1,990)
Past service cost	90	26
Curtailments	-	19
Defined benefit obligations at 31 July	<u>99,908</u>	<u>79,034</u>

Notes to the financial statements

21 Defined benefit obligations (continued)

	2019	2018
	£'000	£'000
Changes in fair value of plan assets		
Fair value of plan assets at 1 August	61,407	57,530
Interest on plan assets	1,788	1,497
Expected return on assets	3,049	2,347
Employer contributions	1,877	1,482
Contributions by scheme participants	552	578
Estimated benefits paid	(1,917)	(1,990)
Administration expenses	(36)	(37)
Fair value of plan assets at 31 July	<u>66,720</u>	<u>61,407</u>

The value of employer contributions for the year ended 31 July 2019 is £1,877,000 (2018: £1,482,000).

These accounts show a past service cost of £nil 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. The calculation of adjustment to past service costs, £nil, arising from the outcome of the Court of Appeal judgment 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 assumption

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 judgment, 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 would increase the estimated cost by 65%.

22 Group and College Capital commitments

Commitments contracted for at 31 July 2019 totalled £521,000 (2018: £187,000).

23 Group and College Lease obligations

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

	2019		2018	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Future minimum lease payments due				
No later than one year	84	125	139	79
Later than one year and not later than five years	260	292	291	115
Later than five years	13	97	75	143
	<u>357</u>	<u>514</u>	<u>505</u>	<u>337</u>

Notes to the financial statements

24 Contingent liability

The Group had no contingent liabilities as at 31 July 2019 (2018: £nil).

The College has received grant income over many years. The funding bodies have claw back arrangements in place for many of the grants and the College may have to pay monies back in the event of an unsatisfactory audit.

25 Related party disclosures

Due 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 organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the Group's financial regulations and normal procurement procedures.

Transactions with the funding bodies and OfS are detailed in note 3.

The total expenses paid to or on behalf of the Governors during the year was £4,427 to 4 Governors (2018: £3,794, 5 Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2018: None).

During the year, the College paid £39,600 (2018: Nil) for Advisory Services by FSB Partnership Ltd which A Stott, the Chairman, is sole director. Authorisation for this payment was given by the Board of Governors, the Chair was absent in the decision making process.

The College has taken advantage of the exemption in FRS 102 of disclosing transactions with its wholly owned subsidiaries.

26 Amounts disbursed as agent

	2019 £'000	2018 £'000
Funding body grants – bursary support	488	520
Funding body grants – discretionary learner support	-	-
Other funding bodies grants	833	1,055
Interest earned	-	-
	<u>1,321</u>	<u>1,575</u>
Disbursed to students	(1,608)	(1,245)
Administration costs	(40)	(44)
Balance unspent at 31 July, included in creditors	<u>(327)</u>	<u>286</u>

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 have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure itself.

The income and expenditure consolidated in the College's financial statements relates to the purchase of nursery placements and tuition fees by the College on the students' behalf.

Prior year funds carried forward are not included in the above note.

Notes to the financial statements

27 Surestart

The College acted as lead body for the Nottinghamshire Children and Families Partnership (NCFP), along with the Nottinghamshire Healthcare NHS Trust and Family Action, which runs 58 Children's Centres under a contract with Nottinghamshire County Council. The College recognised £3,005,991 of income (2018: £3,132,688) and £2,649,668 (2018: £2,902,926) expenditure relating to its own Surestart expenditure in the year. All funds are maintained in a bank account separate to the College.

None (2018: £nil) of the Bassetlaw Area Support Group (BASG) funding has been spent during the year. No further income was received during the year. The College holds £10,545 (2018: £10,545) of the groups funds as at 31 July 2019. No further diploma courses have been delivered by the College and no fee income has been received (2018: £nil).

28 Exceptional items

Following the transfer of the assets and liabilities of Create Skills Limited and Charnwood Training Group Limited the College recognised a loss in the year on intercompany loans of £1,337,000. The net effect to the overall Group position was £nil.

29 Post balance sheet event

In December 2019, the Group approved a revised Loan Facility with Lloyds Bank. This included an updated agreed list of covenants to be measured on a quarterly basis, along with extending the current Loan arrangements to January 2025.