RNN Group

Annual Report and Financial statements
For the year ended 31 July 2020

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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 2019/20:

Jason Austin, Principal and CEO; Accounting Officer
Tracey Mace-Akroyd, Deputy Principal and CEO (*from October 2019*)
Kate Noble, Executive Director of Finance
Jane Hartog, Executive Director of Human Resources and Marketing
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* (left 31 August 2019)
Natalie James, Director of Funding & Contracts* (left 31 August 2019)
Lisa Wilson, Director of Apprenticeships
Sally Steadman, Director of Marketing and Learner Recruitment (started 6 April 2020)

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

Board of Governors:

A full list of Governors is on pages 15-16 of these financial statements.

Details of people acting as Clerk to the Corporation throughout the period are on page 16.

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 Cornmarket
DERBY
DE1 2DG

Key Management Personnel, Board of governors and professional advisors

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

Lloyds Bank
1 High Street
SHEFFIELD
S1 2GA

Solicitors:

Eversheds Sutherland
Bridgewater Place
Water Lane
LEEDS
LS11 5DR

Fisher German LLP
40 High Street
Market Harborough
Leicestershire
LE16 7NX

Gordons LLP
Riverside West
Whitehall
LEEDS
LS1 4AW

Internal auditors:

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
No 1 Whitehall Riverside
LEEDS
LS1 4BN

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 2020.

Legal status

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

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 in the financial year 2018/19, it was decided to close Create Skills Limited and Charnwood Training Group Limited and bring their trading, assets and liabilities into the Group from 1 st March 2019. The subsidiary companies ceased trading on 28th February 2019.

As at 31st July 2020, the Group had three trading subsidiaries, Aston Recruitment & Training Limited, National Fluid Power Centre Limited and Rotherham Educational Services Limited. The National Fluid Power Centre Limited is a provider of training for Integrated Systems Engineering, Rotherham Educational Services Limited supplies agency workers to the Group.The Group sold its subsidiary Aston Recruitment and Training Limited on 30 September 2020 to Bedford College, further disclosure is shown in note 30, Post Balance Sheet Events

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 is 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 supportof our local communities

Public Benefit

The RNN Group is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on page 15-16.

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.

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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).

Implementation of Strategic Plan

In 2019, RNN Group, reviewed its strategic aims and embarked upon a recovery plan for the Group. 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 reshaping of the Group has been influenced by revised strategies for Curriculum, Marketing, Estates, HR and Finance to create this recovery plan which demonstrated how the RNN Group would achieve a good financial health rating and meet the needs of our local communities, employers and stakeholders, providing excellent technical and professional education across the region.

The purpose of the Group will be to continue to work collectively 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 key performance indicators established by the senior leadership team based on the ESFA benchmarks, 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.

The Group is aiming for the 7 indicative KPIs held by the ESFA for finance these are shown below:

Financial Health Targets	KPI	2019/20
Operating surplus/deficit (as a % of adjusted income)	> 0%	-8.7%
EBITDA / Cash Bash Operating Surplus (as a % of adjusted income)	>9%	3.4%
Gearing ratio	<25%	12.9%
Adjusted current ratio	> 1	0.57
Staff cost as % of adjusted income (excl. franchised Income)	<65%	72.0%
Cash days in hand	>30	13.3
Financial Health Grade	≥ Good	I
Financial Health Grade (self-assessment)	≥ Good	RI

The Group considers FY2020 to have been a recovery year with the changes that have been put into place. Although the Financial Health Grade is calculated to be Inadequate, however without the negative effects of the commercial income losses due to COVID-19, the Financial Health Grade would have been Requires Improvement.

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COVID-19 Update

The UK went into a National lockdown for COVID-19 on 23 March 2020, this saw the closure of the College Campuses apart from to learners of who were vulnerable or children key workers. This was only required for a few weeks and then sites were fully closed. Learning moved on-line learning through a Google platform and this allowed learner to remain engaged and continue with their studies. The commercial entities of the Group ceased trading and this caused a net negative effect of £321,000 on the financial position of the group, with earnings lost mitigated through the use of the Governments Job Retention Scheme.

Following the lockdown in March 2020 the RNN Group produced a road map which provided a response and recovery plan to the impact of COVID-19. The plan identified 5 key stages on the road to recovery and growth: Crisis, Pre-Recovery, Recovery, Stability and Growth / Innovation. This plan was considered in parallel with the Group Strategic Plan 2019/22 and the Group KPI's.

Post September 2020, with new cohorts of learners and continuing learners, the Group has continued to deliver Quality Education to all of our client groups. The world of education is starkly different, and will be for some time to come, and we fully appreciate that any plans made will be subject to the Government's public health guidance. Any Group decisions are based on the safety of our staff and students. The Group has implemented phased return and transition plans underpinned by a blended learning strategy that builds on the transition we were making before COVID-19 to implement Google G suite for learning across our Colleges.

The Group has demonstrated strong leadership and taken decisive action 'at pace' and has made significant progress despite COVID-19 in many areas and particularly in supporting our staff and students. Leaders, managers and staff have made significant progress through their swift decisions and actions which ensures the Group is best placed to provide education and training for learners in this academic year that is flexible and meets fluctuating government guidelines.

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 was assessed by the ESFA as having "Requires Improvement" financial health grading in October 2019, 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 £4,011,000 (2018/19: £4,042,000) after tax and disposal of fixed assets.

Reconciliation of operating deficit to underlying (deficit)/surplus

	2020	2019
	£'000	£'000
Deficit for the year after taxation	**(4,011)**	(4,042)
Restructuring costs	**576**	729
FRS 102 section 28 pension scheme related charges	**3,605**	2,897
Underlying (deficit)/surplus	**170**	(416)

The Group has negative Income and Expenditure Account reserves (including pension reserves) of £11,710,000 (2018/19: £3,536,000) and cash and cash equivalents balances of £1,390,000 (2018/19: £2,092,000). 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 £6,167,000, recognised in other comprehensive income.

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Tangible fixed asset additions during the year amounted to £1,656,000. This was split between equipmentpurchased of £1,011,000 and assets under construction of £645,000.

The Group has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2019/20, the ESFA provided 72% of the Group's total income (2018/19: 71%).

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 £39,355,000 (2018/19: £33,188,000).

The Group was affected by the loss of income across commercials areas during the lockdown for COVID-19, resulting in an increased operating loss of £321,000. This was mitigated by the use of the Governments Job Retention Scheme and staff in those areas were furloughed during this time. The Group also received funding in the year of £40,000 from the ESFA for the loss of apprenticeship income due to COVID-19 which was awarded through the Provider Relief Scheme. Overall, due to the funding support from the ESFA and the Job retention Scheme there has not been a significant net impact from COID-19 on the financial result in FY2020.

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 £457,000 (2018/19: £1,496,000). The improvement in the year was due to the reduced costs from restructuring within the Group.

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 £11,710,000 (2019: £3,536,000). The income and expenditure reserve is stated net of the defined pension liability £39,355,000 (2019: £41,333,000). 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

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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 plan to the ESFA in July 2020 and a revised financial forecast in November 2020 which predicts that the organisation will have a "Requires Improvement" financial health in 2020/21.

The Group is going through a phase of realigning the size of its estate to the required size for delivery, this along with the curriculum delivery plans will lead the Group to "Good" financial health in 2021/22. 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 monitored on a regular basis by the Board and Executive team to ensure the plans are delivered, particularly over the next 12 months. The 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 2019/20 the Group has delivered activity that has produced £27,204,000 in funding bodies' main allocation funding. The Group had approximately 10,530 grant funded and 1,308 non-grant funded students.

The volume of students in the 16-18 age group in 2019/20 for which funding was received from the ESFA equated to 96% of learner number allocation. For the 19+ age group, the value of activity equated to 81% of funding allocation. Employer Responsive activity equated to 93% of the funding allocation.

Curriculum developments

In 2019/20, the College continued to refine 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. Leaders completed a thorough review of the Group's property strategy, and have made substantial investment to expand the curriculum provision at campuses across the Group, particularly to develop the curriculum at the Dearne Valley campus so that it provides unique and interrelated provision to meet local needs. At the end of 2019/2020, the specialist Flexible Learning Experience (FLEX) provision for learners who have special education needs and the specialist land-based provision was moved from the Dinnington campus and relocated to the Dearne Valley campus. The provision provides learners with a broad range of training programmes and outdoor educational experiences, such as conservation, arboriculture, countryside and environment management, a forestry school, organic horticulture, sports and outdoor adventure and the care of small animals. In addition, investment has been made to improve the quality of learning experience and specialist resources through the relocation of the cons truction (plumbing) provision from the Rawmarsh Road site to the Rotherham campus and the plumbing and electrical provision from the Shireoaks site to new facilities at the North Notts campus. In addition, significant investment in the specialist resources of AM2 have been completed ensuring training continues to be offered that meets COVID regulations.

The College continues to offer Foundation Degree and BA programmes which enhance the College's higher education portfolio and in 2018/19 the College achieved a Gold rating for HE under the Teaching Excellence 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 paid 32% of invoices in FY2020 in less than 30 days, this figure was partly affected by the lockdown situation. 84% of invoices were paid within 60 days.

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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 Group, with the support of the Governing Board, are re-evaluating the Vision, Mission and Values and the strategic direction for the curriculum it offers. This will ensure it has a sustainable future, with a clearly identified strong core provision at entry level to level three coupled with unique specialisms at higher levels of study.

The curriculum for 2021/22 and beyond will be well placed to respond to the communities we serve and the emergent political landscape, such as AEB devolution, Colleges of the Future and FE White Paper. It will set the direction of travel and identify what can be delivered locally of a high-quality that cannot be delivered nationally for our residents and as such provide the skills acquisitions they need to overcome disadvantages and lead prosperous lives. Initial plans for further estate improvements, notably at Rotherham campus include, improving the accessibility of the Eastwood building, development of a specialist SEND centre, health care suite and employment/work skills business centre. The relocation of the construction centre from Rawmarsh Road to a suitable alternative on the Rotherham Town centre campus is a priority.

In line with the strategic plan to release assets across the Estate, since the FY2020 year end the Group have sold the nursery on the Dinnington Campus, the Highfield/Mount on the Worksop Campus and a property at 185 Carlton Road, Worksop. Realising £1,165,000 of working capital for future investment in the Group.

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 - ended July 2020)
- Dinnington Campus
- Manvers Campus in Swinton
- Rockingham Centre (sold August 2019).
- Retford Post 16 Centre (Leased)
- Idle Valley Nature Reserve Centre

Financial

At 31 July 2020 the Group had a cash balance of £1,390,000 (2019: £2,092,000), with an unused overdraft facility at the time of £400,000.

The Group has £4,275,000 of net liabilities (after deducting £39,355,000 pension liability).

People

The Group employed 859 people (809 full time equivalents) during the year, of whom 294 are teaching staff (269 full time equivalents).

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.

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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	£13,485
Total pay bill	£22,917,000
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%

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.

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 governmentfunding through the ESFA and Office for Students (OfS). In 2019/20, 72% of the Group's revenue was ultimately public funded and this level of requirement is expected to continue. Up until 2020/21, there had been no increase in the funding rate for 16-19 year old learners for some time, in 2020/21 the rate increased by £188 per learner and there can be no assurance that government

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policy or practice will increase this further in the future 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 pressure on enrolment numbers for apprenticeships given the COVID-19 situation.
- The change of AEB income in FY21 due to the devolution of the Sheffield City Region (SCR).

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.
- Working with colleagues within the SCR to ensure that the AEB funding is in line with current levels and developing opportunities to grow the adult education budget.
- Endeavouring to identify compensatory income improvements and cost reductions to mitigate the net impact on the College.

2 Higher Education Enrolments

The Group's HE provision has been relatively stable, however the risk to the income is a decline in enrolments to courses and therefore loan income declines.

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.
- Ensuring that the HE provision is marketed adequately locally, targeting learners within the Groups region.
- Ensuring that learners are progressing onto HE courses where suitable along with external recruitment

3 Cash reserves

The Group need to manage the cash reserves to ensure they are adequate throughout the financial year despite the fluctuation in payments through the year from the ESFA.

This risk has been mitigated by:

- Ensuring the cashflow forecast is closely monitored throughout the year
- Managing the non-pay budgets early in the financial year by limiting expenditure to 50% in the first 6 months of the year

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- Monitoring the requests for capital expenditure to ensure that budgets are adhered to
- Reducing the size for the Groups estate through asset sales and realising working capital for reinvestment.

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 commi tted 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 environmentfor all.

Going concern

During 2019/20 the Group has made some significant changes and, as a result of the actions taken, we have seen stronger governance, progress with financial recovery and quality improvement, rationalisation of surplus estate capacity, reduced staff costs and the introduction of new steps to analyse and address quality issues on apprenticeships provision. Actions taken include a comprehensive refresh of the governing body including the appointment of several new governors with strong financial credentials. A new chair is in place, an independent director of governance is now in post. The Group has undertaken a reorganisation and have closed a college site (Dinnington Campus).

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The Board and Executive/SLT team have ensured that the financial stability of the Group is maintained and strengthened through a number of changes and mitigations during a difficult year, notwithstanding the impact of COVID-19. The updated forecast sees the Group returning to ‘Good’ financial health in 2021/22 from a forecast position of strong ‘requires improvement’ in 2020/21 with a cash flow that is forecast to grow in strength over the recovery period.

The risks identified that could have an impact on forecast financial performance include:

- Adult education budgets with devolution for the SCR in FY21
- Apprenticeships enrolments in year
- Further effects on the Commercial areas due to COVID-19
- HE enrolments in FY21
- 16-19 enrolments in FY21 with impact on revenue in FY22

The forecasts that have been prepared for the periods to 31 July 2022 highlight that these risks could impact on covenant compliance in the forecast period rather than a risk of cash resources not being sufficient. The forecasts, including under a sensitised model, demonstrate that the Group has sufficient cash resources to meet its liabilities with adequate headroom in cash resources to mitigate the risks considered above.

The Group has net current liabilities of £3.3m at 31 July 2020 (net current liabilities of £2.5m at 31 July 2019) and net liabilities of £7.7m (2019: net assets of £4.1m) net of the defined benefit pension liability. The Group has net assets of £31.2m excluding the defined benefit pension liability at 31 July 2020 (2019: net assets of £37.3m). The reduction in net assets excluding the pension liability in the year ended 31 July 2020 has been impacted by the £3.4m impairment charge recognised in the year. The Group continue to generate positive cash flow from its operating activities and need to ensure this continues along with to return to a net current asset position.

In order to assess the potential impact of the risks to the future forecasts highlighted above, sensitivity analysis has been performed to assess the impact on both cash flows and covenantcompliance from changes in key assumptions in the following areas of risk:

- Core 16-19 funding reduced FY21
- Reduced AEB budget
- Decline in apprenticeship income
- Reduced HE enrolment numbers
- Overspend on capital projects
- Capital receipts from asset sales

The application of these sensitivities to the forecasts highlights a potential risk around future covenant compliance with margin headroom on the cash flow cover covenants in particular. However, these sensitivities have been applied in combination and do not consider the impact of mitigating action that will be taken if these sensitivities occur.

A number of mitigations have been considered to ensure that these risks do not occur and also do not have a material effect on the finances. These include reduction of future subcontracting cost, enhancing AEB delivery within the Group through increased focus on adult education, extensive work with local stakeholders to grow the apprenticeship budget in the future. Capital expenditure will be controlled through careful project management. Ensuring that planned asset sales take place in a timely manner

The Group has a strong working relationship with its lenders, this has been shown through agreements on covenants in the past and support in early discussions on the risk to the covenants should the sensitives mentioned occur in the future. The Group therefore is comfortable that support will continue as long as the Group keep the lenders informed at an early stage of any potential breaches so they can be managed.

After making appropriate enquiries, the Corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future, which has been assessed as the period up to 31 July 2022. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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Events after the balance sheet date

The Groups strategic plan set out a number of steps to ensure the financial stability of the Group and allow form future investment in the remaining estate. Therefore, since the balance sheet date the Group has sold the following assets:

- Nursery on the Dinnington Campus (25 September 2020)
- Aston Recruitment & Training Limited 30 September 2020)
- The Highfield/Mount on the Worksop Campus (30 November 2020)
- 185 Carlton Road, Worksop (30 November 2020)

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 27/1/2021 and signed on its behalf on 27/1/2021 by:

Catherine Burn
Chair of the Corporation

Statement of Corporate Governance and Internal Control

The following statementis 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 2019 to 31 July 2020 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 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 2020. 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 Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015.

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 s ignature 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%
Catherine Burn (Chair)	18/12/2019	2 year		Search Remuneration	External	100%
Catherine Burn	01/09/2016	2 year		Search Remuneration	External	100%
Janet Pryke (Vice Chair)	18/12/2019	2 years		Finance	External	100%
Nigel Ruff	18/12/2019	1 year		Finance (Chair)	External	100%
Angela Philips	10/05/2018	1 years (plus 1-3 years)		Audit (Chair)	External	90%
Catherine Witherington	18/12/2019	3 years		Q&S (Chair)	External	100%
Veronica de Bruce McCoy	18/12/2019	2 years		Q&S	External	100%
Mirella Barnes	18/12/2019	3 years		Q&S	External	100%
Stephen Bulley	18/12/2019	3 years		Audit	External	100%
Gareth Owen	28/01/2020	3 years		Audit	External	90%
Monika Rodzos	25/03/2020	4 years		Finance	External	100%
Jo White	21/09/2020	4 years		TBC	External	N/A
Lindsey Littlewood	01/09/2019	2 years		Q&S	Staff	100%
Katie Curtis	29/04/2020	4 years		Q&S	Staff	100%
Tracy Jackson	28/01/2020	18 months		Finance	Co-optee	80%
Una Jennings	28/01/2020	1 year	29/09/2020	N/A	External	60%
Atholl Stott (Chair)	01/09/2016	2 year	20/11/2019	Search Remuneration	External	N/A
Stephen Smith (Vice Chair)	01/09/2016	2 year	06/11/2019	Search & Gov Remuneration	External	N/A
Darren Buxton	01/02/2017	18 months	07/10/2019	Audit Committee	External	N/A
Ian Knowles	01/09/2016	2 years	28/01/2020	Audit Committee	External	N/A

Statement of Corporate Governance and Internal Control

Anne Nortcliffe	01/02/2017	18 months	06/11/2019	Strategic Quality Group	External	N/A
Kathy Wood	01/09/2016	1 year	07/10/2019	Strategic Quality Group	External	N/A
Gill Scott	08/03/2019	1 year	06/11/2019	Strategic Quality Group	External	N/A

Tony De'Ath acted as Clerk to the Corporation of RNN Group from 1 August 2019 to 31 December 2019, Maxine Bagshaw acted as Interim Clerk to the Corporation of RNN Group from 1 January 2020 to 31 July 2020.
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 Chair was appointed on 18 December 2019 along with 10 new Governors through the year.

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 conducts its business through the following committees:

- Finance Committee
- Audit Committee
- Quality and Standards Group
- Search Remuneration

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.

Statement of Corporate Governance and Internal Control

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee 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 2020 and graded itself as "Requires Improvement" on the Ofsted scale.

Audit Committee

The Audit Committee comprises up to three members of the Corporation (who exclude the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the Group's internal and financial statement auditors, reporting accountants and financial statements 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 reporting accountants 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 Funding Agreement 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 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 2020 and up to the date of approval of the annual report and financial statements.

Statement of Corporate Governance and Internal Control

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 2020 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 governing body.
- Regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against budgets.
- 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 (HIA) annually provides the Corporation with a report on internal audit activity in the Group. The report includes the HIA's independent opinion on the adequacy and effectiveness of the Group's system of risk management, controls and governance processes.

Control weaknesses identified

The internal auditors have highlighted that the Groups Risk Management process needs to be updated. The Group are responding to this by working with the internal auditors to develop a new Risk Register and implement training for the governing body and the Exec Team. This will be paired with installing a Risk Management system and training across the College Management Team to allow department risk registers to be developed and monitored.

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 con trol 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 2020 by considering documentation from the Audit Committee, and taking account of events since 31 July 2020.

Statement of Corporate Governance and Internal Control

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".

Approved by order of the members of the Corporation on 27/1/2021 and signed on its behalf on 27/1/2021 by:

Jason Austin

Catherine Burn	Jason Austin
Chair of the Corporation	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 grant funding agreements and contracts with the ESFA. As part of its consideration we have had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

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

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

Jason Austin

Catherine Burn
Chair of the Corporation

Jason Austin
Principal

Date: 27/1/2021

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 and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice which give a true and fair view of the state of affairs of the Group and its surplus/deficit of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the 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 including the Further and Higher Education Act 1992 and Charities Act 2011, and other 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 Group is responsible for the maintenance and integrity of its website; 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 and any other public funds are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any other public funder. Members of the Corporation must ensure that there are appropriate financial and management controls in place 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 and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 27/1/2021 and signed on its behalf on 27/1/2021 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 2020 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 2020 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 October 2018 and any subsequent amendments.

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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the governing body and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and parent corporation's future prospects and performance.

Covid-19 and Brexit are one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and parent corporation's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group or parent corporation associated with a course of action such as Brexit.

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 corporation'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.

Grant Thornton

Independent auditor's report to the Corporation of RNN Group

In our evaluation of the Corporation's conclusions, we considered the risks associated with the group's and parent corporation's business, including effects arising from Covid-19 and Brexit, and analysed how those risks might affect the group's and parent corporation's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group and parent corporation will continue in operation.

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. 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.

Opinion on other matters prescribed by the Office for Student's ('OfS') accounts direction (issued October 2019)

In our opinion, in all material respects:

- funds from whatever source administered by the parent corporation for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by the OfS, the Education and Skills Funding Agency and the Department of Education have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them, and
- the requirements of the OfS's accounts direction (issued October 2019) have been met.

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 2019 to 2020 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- the parent corporation has not kept adequate accounting records; or
- the group and parent corporation's 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.

We have nothing to report in respect of the following matters where the OfS accounts direction (issued October 2019) requires us to report to you where:

- the group and parent corporation's grant and fee income, as disclosed in the note to the accounts, has been materially misstated; or
- the group and parent corporation's expenditure on access and participation activities for the financial year, as disclosed in the note to the accounts, has been materially misstated.

Grant Thornton

Independent auditor's report to the Corporation of RNN Group

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 16, 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 the terms of engagement letter. 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

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
Date: 27/1/2021

Grant Thornton

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 22 October 2020 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, 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 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice ('the Code') issued by ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which ESFA or devolved authority 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 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

Grant Thornton

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 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
Date: 27/1/2021

Consolidated and College statement of changes in reserves

	Note	**Group 2020 £'000**	Group 2019 £'000	**College 2020 £'000**	College 2019 £'000
Income					
Funding body grants	2	**27,204**	29,986	**27,204**	29,986
Tuition fees and education contracts	3	**6,739**	7,398	**6,172**	6,219
Other income	4	**3,948**	4,685	**4,640**	5,361
Investment income	5	**1**	6	**12**	20
Gift Aid		**-**	-	**-**	221
Total income		**37,892**	42,075	**38,028**	41,807
Expenditure					
Staff costs	6	**27,189**	30,165	**26,880**	29,132
Other operating expenses	8	**11,107**	12,335	**11,379**	11,911
Depreciation	12	**2,978**	2,965	**2,885**	2,868
Exceptional items	29	**-**	-	**-**	1,337
Interest and other finance costs	9	**836**	640	**836**	640
Total expenditure		**42,110**	46,105	**41,980**	45,888
Deficit before other gains and losses		**(4,218)**	(4,030)	**(3,952)**	(4,081)
Gain/(loss) on disposal of assets	12	**209**	(12)	**204**	(12)
Impairment of fixed assets	12	**(3,420)**	-	**(3,420)**	-
Deficit before tax		**(7,429)**	(4,042)	**(7,168)**	(4,093)
Taxation	10	**(29)**	-	**-**	-
Deficit after tax		**(7,458)**	(4,042)	**(7,168)**	(4,093)
Other comprehensive income					
Actuarial (loss)/gain in respect of pension scheme	18	**(4,342)**	(14,649)	**(4,342)**	(14,649)
Total comprehensive income for the year		**(11,800)**	(18,691)	**(11,510)**	(18,742)

The above activities relate to continuing operations.

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

Consolidated and College statement of changes in reserves

Group

	Income and expenditure reserve £'000	Revaluation Reserve £'000	Total £'000
Balance at 31 July 2018	14,949	7,847	22,796
Deficit from the income and expenditure account	(4,042)	-	(4,042)
Other comprehensive income	(14,649)	-	(14,649)
Total comprehensive income for the year	(18,691)	-	(18,691)
Transfers between revaluation and income and expenditure reserves	206	(206)	-
Balance at 31 July 2019	(3,536)	7,641	4,105
Deficit from the income and expenditure account	(7,458)	-	(7,458)
Other comprehensive income	(4,342)	-	(4,342)
Total comprehensive income for the year	(11,800)	-	(11,800)
Transfers between revaluation and income and expenditure reserves	3,626	(3,626)	-
Balance at 31 July 2020	**(11,710)**	**4,015**	**(7,695)**

College

	Income and expenditure reserve £'000	Revaluation reserve £'000	Total £'000
Balance at 31 July 2018	14,552	7,847	22,399
Deficit from the income and expenditure account	(4,093)	-	(4,093)
Other comprehensive income	(14,649)	-	(14,649)
Total comprehensive income for the year	(18,742)	-	(18,742)
Transfers between revaluation and income and expenditure reserves	206	(206)	-
Balance at 31 July 2019	(3,984)	7,641	3,657
Deficit from the income and expenditure account	(7,168)	-	(7,168)
Other comprehensive income	(4,342)	-	(4,342)
Total comprehensive income for the year	(11,510)	-	(11,510)
Transfers between revaluation and income and expenditure reserves	3,626	(3,626)	-
Balance at 31 July 2020	**(11,868)**	**4,015**	**(7,853)**

Balance Sheets

	Note	Group 2020 £'000	Group 2019 £'000	College 2020 £'000	College 2019 £'000
Non-current assets					
Fixed asset investments	11	**-**	-	**350**	350
Tangible assets	12	**48,603**	53,525	**47,478**	52,370
Intangible assets	13	**-**	-	**-**	-
		48,603	53,525	**47,828**	52,720
Current assets					
Stocks		**16**	12	**15**	10
Trade and other receivables: amounts due after more than one year	14	**-**	-	**723**	723
Trade and other receivables: amounts due within one year	14	**2,135**	2,113	**2,469**	2,123
Cash and cash equivalents	19	**1,390**	2,092	**1,028**	1,631
		3,541	4,217	**4,235**	4,487
Creditors: amounts falling due within one year	15	**(6,848)**	(6,708)	**(7,004)**	(6,715)
Net current liabilities		**(3,307)**	(2,491)	**(2,769)**	(2,228)
Total assets less current liabilities		**45,296**	51,034	**45,059**	50,492
Creditors: amounts falling due after one year	16	**(10,171)**	(10,456)	**(10,092)**	(10,362)
		35,125	40,578	**34,967**	40,130
Provisions					
Other provisions	18	**(3,465)**	(3,285)	**(3,465)**	(3,285)
Defined benefit obligations	18	**(39,355)**	(33,188)	**(39,355)**	(33,188)
		(42,820)	(36,473)	**(42,820)**	(36,473)
Total net (liabilities)/assets		**(7,695)**	4,105	**(7,853)**	3,657
Reserves					
Income and expenditure account		**(11,710)**	(3,536)	**(11,868)**	(3,984)
Revaluation reserve		**4,015**	7,641	**4,015**	7,641
Total		**(7,695)**	4,105	**(7,853)**	3,657

The financial statements on pages 27 to 54 were approved by the Corporation on 27/1/2021 and were signed on its behalf on 27/1/2021 by:

Jason Austin

Catherine Burn
Chair of the Corporation

Jason Austin
Principal

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

Consolidated Statement of Cash Flows

	Note	2020 £'000	2019 £'000
Cash inflow from operating activities			
Deficit for the year		**(7,458)**	(4,042)
Adjustment for non-cash items			
Depreciation		**2,978**	2,965
Decrease in debtors		**(22)**	624
(Increase)/decrease in stocks		**(4)**	-
Decrease in creditors due within one year		**(1,055)**	(2,089)
Decrease in other provisions		**(267)**	(107)
Transfers in fixed assets		**-**	4
Impairment review of assets held for sale		**3,420**	-
Release of deferred capital grants		**(207)**	(261)
Pension costs	21	**3,372**	2,630
Contributions payable		**(1,840)**	(1,877)
Adjustment for investing or financing activities and taxation			
Investment income		**(1)**	(6)
Interest payable		**836**	640
Gain/(loss) on sale of fixed assets		**(209)**	14
Cash received from deferred capital grants		**-**	9
Net cash inflow from operatingactivities		**(457)**	(1,496)
Cash flows from investing activities			
Payments made to acquire tangible fixed assets		**(1,138)**	(1,062)
Investment income		**1**	6
Proceeds from sale of fixed assets		**392**	59
		(745)	(997)
Cash flows from financing activities			
Interest paid		**(96)**	(90)
New secured loans		**1,000**	-
Capital elements of finance lease rental payments		**(175)**	-
Repayments of amounts borrowed		**(229)**	(253)
		500	(343)
Decrease in cash and cash equivalents in the year		**(702)**	(2,836)
Cash and cash equivalents beginning of the year	19	**2,092**	4,928
Cash and cash equivalents at end of the year	19	**1,390**	2,092

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 2019 (the 2019 FE HE SORP), The College Accounts Direction for 2018 to 2019 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 financial statements are presented in Sterling (£'000).

Going concern

During 2019/20 the Group has made some significant changes and, as a result of the actions taken, we have seen stronger governance, progress with financial recovery and quality improvement, rationalisation of surplus estate capacity, reduced staff costs and the introduction of new steps to analyse and address quality issues on apprenticeships provision. Actions taken include a comprehensive refresh of the governing body including the appointment of several new governors with strong financial credentials. A new chair is in place, an independent director of governance is now in post. The Group has undertaken a reorganisation and have closed a college site (Dinnington Campus).

The Board and Executive/SLT team have ensured that the financial stability of the Group is maintained and strengthened through a number of changes and mitigations during a difficult year, notwithstanding the impact of COVID-19. The updated forecast sees the Group returning to 'Good' financial health in 2021/22 from a forecast position of strong 'requires improvement' in 2020/21 with a cash flow that is forecast to grow in strength over the recovery period.

The risks identified that could have an impact on forecast financial performance include:

- Adult education budgets with devolution for the SCR in FY21
- Apprenticeships enrolments in year
- Further effects on the Commercial areas due to COVID-19
- HE enrolments in FY21
- 16-19 enrolments in FY21 with impact on revenue in FY22

The forecasts that have been prepared for the periods to 31 July 2022 highlight that these risks could impact on covenant compliance in the forecast period rather than a risk of cash resources not being sufficient. The forecasts, including under a sensitised model, demonstrate that the Group has sufficient cash resources to meet its liabilities with adequate headroom in cash resources to mitigate the risks considered above.

The Group has net current liabilities of £3.3m at 31 July 2020 (net current liabilities of £2.5m at 31 July 2019) and net liabilities of £7.7m (2019: net assets of £4.1m) net of the defined benefit pension liability. The Group has net assets of £31.2m excluding the defined benefit pension liability at 31 July 2020 (2019: net assets of £37.3m). The reduction in net assets excluding the pension liability in the year ended 31 July 2020 has been impacted by the £3. 4m impairment charge recognised in the year. The Group continue to generate positive cash flow from its operating activities and need to ensure this continues along with to return to a net current asset position.

Notes to the financial statements

In order to assess the potential impact of the risks to the future forecasts highlighted above, sensitivity analysis has been performed to assess the impact on both cash flows and covenantcompliance from changes in key assumptions in the following areas of risk:

- Core 16-19 funding reduced FY21
- Reduced AEB budget
- Decline in apprenticeship income
- Reduced HE enrolment numbers
- Overspend on capital projects
- Capital receipts from asset sales

The application of these sensitivities to the forecasts highlights a potential risk around future covenant compliance with margin headroom on the cash flow cover covenants in particular. However, these sensitivities have been applied in combination and do not consider the impact of mitigating action that will be taken if these sensitivities occur.

A number of mitigations have been considered to ensure that these risks do not occur and also do not have a material effect on the finances. These include reduction of future subcontracting cost, enhancing AEB delivery within the Group through increased focus on adult education, extensive work with local stakehold ers to grow the apprenticeship budget in the future. Capital expenditure will be controlled through careful project management. Ensuring that planned asset sales take place in a timely manner

The Group has a strong working relationship with its lenders, this has been shown through agreements on covenants in the past and support in early discussions on the risk to the covenants should the sensitives mentioned occur in the future. The Group therefore is comfortable that support will continue as long as the Group keep the lenders informed at an early stage of any potential breaches so they can be managed.

After making appropriate enquiries, the Corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future, which has been assessed as the period up to 31 July 2022. For this reason, they continue to adopt the going concern basis in preparing 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, Charnwood 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, excluding Aston Recruitment and Training Limited are made up to 31 July 2020, however the 12 months to 31 July 2020 have been included in the consolidated accounts.

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.

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.

Notes to the financial statements

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by 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 27).

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.

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.

Notes to the financial statements

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 s taff 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.

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.

Notes to the financial statements

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.

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 27 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.

Notes to the financial statements

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 discountrate. 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 2020. 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.

- Uncertainty in valuation of property assets held by pension scheme:
  Within the South Yorkshire Pension Fund details for which are set out in note 21, the valuers have reported the property fund's valuation as subject to 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation of property funds than would normally be the case. The Group has concluded that, on the basis that the value of pension assets held in property at 31 July 2020 is not material in the context of overall pension assets and after considering that pension assets, including property, are invested for long -term gains, the uncertainty reported by property valuers does not have a material impact on these financial statements.

2 Funding body grants

	Group 2020 £'000	Group 2019 £'000	**College 2020 £'000**	College 2019 £'000
Recurrent grants				
Education and Skills Funding Agency – Adult and Apprenticeship	**10,402**	11,518	**10,402**	11,518
Education and Skills Funding Agency – 16-18	**15,541**	17,388	**15,541**	17,388
Office for Students	**394**	424	**394**	424
Non-recurrent grants				
Education and Skills Funding Agency – Teachers pension grant	**351**	-	**351**	-
Education and Skills Funding Agency – provider relief scheme	**40**	-	**40**	
Other funding body grants	**323**	449	**323**	449
Co-financed ESF	**-**	2	**-**	2
Releases of Government deferred capital grants	**153**	205	**153**	205
	27,204	29,986	**27,204**	29,986

Notes to the financial statements

Under the provider relief scheme, the corporation received funding of £40,000 from the EFSA. This amount was fully spent in the year.

	Group 2020 £'000	Group 2019 £'000	**College 2020 £'000**	College 2019 £'000
Income relating to Office for Students				
Grant Income from Office for Students	**394**	424	**394**	424
Fee income for taught awards	**2,858**	3,046	**2,858**	3,046
	3,252	3,470	**3,252**	3,470

3 Tuition fees and education contracts

	Group 2020 £'000	Group 2019 £'000	**College 2020 £'000**	College 2019 £'000
Adult education fees	**195**	347	**195**	347
Fee for FE loan supported courses	**1,165**	900	**1,165**	900
Fees for HE loan supported courses	**2,858**	3,046	**2,858**	3,046
Other fees	**944**	1,631	**377**	452
Total tuition fees	**5,162**	5,923	**4,595**	4,744
Education contracts	**1,577**	1,475	**1,577**	1,475
Total	**6,739**	7,398	**6,172**	6,219

4 Other income

	Group 2020 £'000	Group 2019 £'000	**College 2020 £'000**	College 2019 £'000
Catering, residence and conferences	**-**	1	**-**	1
Exams	**2**	3	**2**	3
Income generating activities	**3,377**	3,897	**3,336**	3,904
Intercompany recharge	**-**	-	**765**	824
Release from other deferred capital grants	**54**	56	**37**	37
Other grants	**380**	728	**378**	592
Coronavirus Job Retention Scheme Grant	**135**	-	**122**	-
	3,948	4,685	**4,640**	5,361

The corporation furloughed staff within its commercial areas under the government's Coronavirus Job Retention Scheme. The funding received of £135,000 relates to staff costs which are included within the staff costs note below as appropriate.

Notes to the financial statements

5 Investment income

	Group 2020 £'000	Group 2019 £'000	College 2020 £'000	College 2019 £'000
Other interest receivable	**1**	6	**1**	5
Intercompany interest (NFPC)	**-**	-	**11**	15
	1	6	**12**	20

6 Staff costs – Group

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

	2020 Number	2019 Number
Teaching staff	**294**	358
Non-teaching staff	**565**	657
	859	1,015

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

	2020 Number	2019 Number
Teaching staff	**249**	302
Non-teaching staff	**460**	539
	709	841

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:

	2020 £'000	2019 £'000
Wages and salaries	**18,000**	20,767
Social security costs	**1,590**	1,878
Other pension costs	**3,327**	3,329
Defined benefit charge to income statement less cash contributions	**1,532**	753
Payroll sub total	**24,449**	26,727
Contracted out lecturing services	**975**	1,320
Contracted out other staffing services	**1,190**	1,389
	26,614	29,436
Restructuring costs	**575**	729
	27,189	30,165

Notes to the financial statements

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 CEO/Principal, Deputy CEO/Principal, Executive Director of Finance, Executive Director of Corporate Services, Executive Director of HR and Marketing, Director of Apprenticeships, three Assistant Principals, Director of Marketing and Learner Recruitment.

	2020 Number	2019 Number
The number of Key Management Personnel including the Accounting Officer was	**10**	13

7 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:

	2020 Number of senior post-holders	**2020 Number of Other Staff**	2019 Number of senior post-holders	2019 Number of Other Staff
£1 to £10,000	**-**	**-**	1	-
£10,001 to £20,000	**-**	**-**	-	-
£20,001 to £30,000	**-**	**1**	-	-
£30,001 to £40,000	**-**	**-**	-	1
£40,001 to £50,000	**-**	**-**	-	2
£50,001 to £60,000	**-**	**1**	1	3
£60,001 to £70,000	**-**	**3**	1	-
£70,001 to £80,000	**2**	**-**	-	-
£80,001 to £90,000	**1**	**-**	1	-
£90,001 to £100,000	**1**	**-**	1	-
£100,001 to £110,000	**-**	**-**	-	-
£110,001 to £120,000	**-**	**-**	-	-
£120,001 to £130,000	**-**	**-**	1	-
£130,001 to £140,000	**1**	**-**	1	-
£140,001 to £150,000	**-**	**-**	-	-
£150,001 to £160,000	**-**	**-**	-	-
£160,001 to £170,000	**-**	**-**	-	-
£170,001 to £180,000	**-**	**-**	-	-

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

	2020 Number	2019 Number
The number of senior post-holders including the Principal was:	**5**	7

Key Management Personnel emoluments are made up as follows:

	2020 £'000	2019 £'000
Emoluments	**712**	899
Employer's National Insurance	**87**	92
Pensions costs	**137**	100
	936	1,091

Notes to the financial statements

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:

	2020 **£'000**	2019 £'000
Emoluments – outgoing Principal/CEO	**-**	132
Pension costs – outgoing Principal/CEO	**-**	5
Emoluments – current Principal/CEO	**140**	83
Pensions costs – current Principal/CEO	**32**	14
	172	234

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:

	2020	2019
Current Principal basic salary of the median of all staff	**5.5**	4.0
Current Principal total remuneration as a multiple of the median of all staff	**5.0**	3.8
Outgoing Principal basic salary of the median of all staff	**-**	6.3
Outgoing Principal total remuneration as a multiple of the median of all staff	**-**	5.4

8 Other operating expenses

	Group 2020 £'000	Group 2019 £'000	**College 2020 £'000**	College 2019 £'000
Teaching costs	**5,488**	6,302	**5,757**	6,949
Non-teaching costs	**3,342**	3,282	**3,418**	2,318
Premises costs	**2,277**	2,751	**2,204**	2,644
	11,107	12,335	**11,379**	11,911

Notes to the financial statements

	2020 £'000	2019 £'000
Other operating expenses include:		
External Auditors' remuneration		
Financial statements audit	**78**	58
Other services provided by the financial statement auditor:		
Corporation tax return	**1**	-
TPS audit	**9**	9
VAT advisory	**2**	-
Tax advisory fees	**-**	4
Internal Auditors' remuneration		
Internal audit	**30**	1
Risk workshop	**3**	-
Hire of plant and machinery – operating leases	**130**	125
Hire of other assets – operating leases	**67**	146
	320	343

RSM were appointed in May 2019 with initial audits starting in summer 2019.

9 Interest and other finance costs – Group and College

	Group 2020 £'000	Group 2019 £'000	College 2020 £'000	College 2019 £'000
On bank loans, overdrafts and other loans:				
Repayable wholly or partly in more than five years	**96**	90	**96**	90
Pension finance costs	**740**	550	**740**	550
	836	640	**836**	640

Pension finance cost includes amounts relating to Enhanced Pension Provision of £68,345 (2018/19: £68,000).

10 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:

	2020 £'000	2019 £'000
Deficit on ordinary activities before tax	**(7,429)**	(4,042)
Tax on deficit on ordinary activities at standard corporation tax rate of 19% (2019: 19%)	**(1,412)**	(768)
Effect of:		
Fixed asset difference	**5**	11
Amounts in College not deductible	**1,362**	644
Adjustment to deferred tax rates	**(16)**	-
Losses carried back	**43**	
Adjustments in respect of previous periods	**(378)**	-
Deferred tax not recognised	**425**	113
Total tax charge for the year	**29**	-

Notes to the financial statements

11 Fixed asset investments

The College

	Shares in subsidiary undertakings £'000
Cost	
At 1 August 2019 and at 31 July 2020	619
Provisions	
At 1 August 2019 and at 31 July 2020	269
Net book value at 31 July 2020	**350**
Net book value at 31 July 2019	350

At 31 July 2020, 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%	Dormant
Charnwood Training Group Limited	England and Wales	Ordinary	100%	Dormant 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 it s activities are conducted for the benefit of the College.

Notes to the financial statements

12 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 2019	67,291	24,620	-	91,911
Additions	-	1,012	645	1,657
Disposals	(192)	(85)	-	(277)
At 31 July 2020	**67,099**	**25,547**	**645**	**93,291**
Depreciation				
At 1 August 2019	18,215	20,171	-	38,386
Charge for the year	1,749	1,229	-	2,978
Impairment of assets held for sale	3,420	-	-	3,420
Eliminated in respect of disposals	(36)	(60)	-	(96)
At 31 July 2020	**23,348**	**21,340**	**-**	**44,688**
Net book amount at 31 July 2020	**43,751**	**4,207**	**645**	**48,603**
Net book amount at 31 July 2019	49,076	4,449	-	53,525

The College

	Freehold land and buildings £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 August 2019	65,897	23,411	-	89,308
Additions	-	941	645	1,586
Disposals	(192)	(55)	-	(247)
At 31 July 2020	**65,705**	**24,297**	**645**	**90,647**
Depreciation				
At 1 August 2019	17,676	19,262	-	36,938
Charge for the year	1,721	1,164	-	2,885
Impairment of assets held for sale	3,420	-	-	3,420
Eliminated in respect of disposals	(36)	(38)	-	(74)
At 31 July 2020	**22,781**	**20,388**	**-**	**43,169**
Net book amount at 31 July 2020	**42,924**	**3,909**	**645**	**47,478**
Net book amount at 31 July 2019	48,221	4,149	-	52,370

Land and buildings with a net book value of £6,789,000 (2018/19: £7,491,000) 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.

Notes to the financial statements

A building with a net book value of £416,173 (2018/19: £433,160) 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.

Assets held for sale at the year-end had a NBV of £6,865,000, an impairment review was carried out on the carrying value of these assets and it was determined that an adjustment of £3,420,000 was required to bring the NBV in line with the current value.

13 Intangible Assets

Group

	Goodwill £'000	Course Development £'000	Subtotal – Goodwill & Course Development £'000	Negative Goodwill £'000	Total £'000
Cost					
As stated at 1 August 2019	525	60	585	(1,751)	(1,166)
Restatement	(525)	-	(525)	-	(525)
Restated at 1 August 2019	-	60	60	(1,751)	(1,691)
Movement in year	-	-	-	-	-
At 31 July 2020	-	60	60	(1,751)	(1,691)
Amortisation					
As stated at 1 August 2019	525	60	585	(1,751)	(1,166)
Restatement	(525)	-	(525)	-	(525)
Restated at 1 August 2019	-	60	60	(1,751)	(1,691)
Amortised in the year	-	-	-	-	-
At 31 July 2020	-	60	60	(1,751)	(1,691)
Net book value at 31 July 2020	-	-	-	-	-
Net book value at 31 July 2019	-	-	-	-	-

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. The goodwill was restated in FY19 due to Charnwood Training Group Limited ceasing trading on 28 February 2019.

Notes to the financial statements

14 Debtors

	Group 2020 £'000	Group 2019 £'000	**College 2020 £'000**	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	**378**	421	**326**	272
Amounts owed by group undertaking	**-**	-	**398**	181
Other debtors	**295**	367	**293**	366
Amounts owed by the ESFA	**796**	698	**796**	698
Prepayments and accrued income	**666**	627	**656**	606
	2,135	2,113	**2,469**	2,123
Amounts falling due after more than one year:				
Amounts owed by group undertaking	**-**	-	**723**	723
	2,135	2,113	**3,192**	2,847

15 Creditors: amounts falling due within one year

	Group 2020 £'000	Group 2019 £'000	**College 2020 £'000**	College 2019 £'000
Trade payables	**970**	1,689	**957**	1,670
Amounts owed to subsidiary undertakings	**-**	-	**458**	371
Other taxation and social security	**443**	581	**389**	459
Accruals and deferred income	**2,533**	3,457	**2,327**	3,252
Other amounts owed to the ESFA	**1,148**	435	**1,148**	435
Bank loans (note 17)	**1,300**	263	**1,300**	263
Corporation tax	**13**	-	**-**	-
Other loans (note 17)	**-**	22	**-**	22
Deferred income: government capital grants	**269**	261	**253**	243
Finance lease	**172**	-	**172**	-
	6,848	6,708	**7,004**	6,715

16 Creditors: amounts falling due after one year

	Group 2020 £'000	Group 2019 £'000	**College 2020 £'000**	College 2019 £'000
Bank loan (note 17)	**3,418**	3,661	**3,418**	3,661
Deferred income: government capital grants	**6,581**	6,795	**6,502**	6,701
Finance lease	**172**	-	**172**	-
	10,171	10,456	**10,092**	10,362

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

Notes to the financial statements

17 Maturity of debt

Bank Loans and overdrafts

	Group 2020 £'000	Group 2019 £'000	**College 2020 £'000**	College 2019 £'000
Loans are repayable as follows:				
In one year or less	**1,300**	285	**1,300**	285
Between one and two years	**300**	300	**300**	300
Between two and 5 years	**3,118**	900	**3,118**	900
In five years or more	**-**	2,461	**-**	2,461
	4,718	3,946	**4,718**	3,946

In December 2019, the Group agreed a renewed debt facility with Lloyds Bank. The loan facility is up to £3,850,000, and is secured on the freehold land and buildings of the Dinnington Campus and the UCR Building at the Rotherham 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. The RCF is renewed on a quarterly basis and is due for repayment on 9 March 2021.

In September 2020, the Group also drew down a Coronavirus Business Interruption Scheme loan of £500,000 from the NatWest bank, this was to support the working capital of the NFPC Ltd until the business has recovered from the effects of lockdown in 2020. Repayments for the loan are monthly over 5 years, commencing in September 2021. The loan will help to ensure that the Group are not using Public funds to support the business, it is secured on the property owned by NFPC Ltd in Worksop, Nottinghamshire.

Finance Leases

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

	Group 2020 £'000	Group 2019 £'000	**College 2020 £'000**	College 2019 £'000
In one year or less	**172**	-	**172**	-
Between one and two years	**172**	-	**172**	-
Between two and 5 years	**-**	-	**-**	-
In five years or more	**-**	-	**-**	-
	344	-	**344**	-

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

Notes to the financial statements

18 Provisions for liabilities

Group

	Defined benefit obligations £'000	Enhanced pensions £'000	Other Provisions £'000	Total £'000
At 1 August 2019	33,188	3,128	157	36,473
Payments in the period	(1,840)	(237)	-	(2,077)
Income and expenditure account	3,372	-	(30)	3,342
Interest	677	63	-	740
Actuarial gain	3,958	384	-	4,342
At 31 July 2020	**39,355**	**3,338**	**127**	**42,820**

College

	Defined benefit obligations £'000	Enhanced pensions £'000	Other Provisions £'000	Total £'000
At 1 August 2019	33,188	3,128	157	36,473
Payments in the period	(1,840)	(327)	-	(2,077)
Income and expenditure account	3,372	-	(30)	3,342
Interest	677	63	-	740
Actuarial gain	3,958	384	-	4,342
At 31 July 2020	**39,355**	**3,338**	**127**	**42,820**

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:

	2020	2019
Price inflation	**2.3%**	2.2%
Discount rate	**1.6%**	2.0%

Other Provisions of £127,000 (2019: £157,000) relate to a liability for European funds that may have to be repaid.

19 Cash and cash equivalents

Group

	At 1 August 2019 £'000	Cash flows £'000	Other charges £'000	At 31 July 2020 £'000
Cash at bank	2,092	**(702)**	-	**1,390**

College

	At 1 August 2019 £'000	Cash flows £'000	Other charges £'000	At 31 July 2020 £'000
Cash at bank	1,631	**(603)**	-	**1,028**

Notes to the financial statements

20 Analysis of changes in net debt

	At start of year £'000	Cashflows £'000	New finance Leases £'000	Other non-cash changes £'000	At the end of the year £'000
Cash	2,092	(702)	-	-	1,390
Loans falling due within one year	(263)	-	-	(1,037)	(1,300)
Loans falling due after one year	(3,661)	263	-	(20)	(3,418)
Finance lease obligations	-	-	(344)	-	(344)
Total	**(1,832)**	**(439)**	**(344)**	**(1,057)**	**(3,672)**

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:

	2020 £'000	2019 £'000
Teachers' pension scheme contributions	**1,357**	1,162
Local Government Pension Scheme:		
Current service cost	**3,078**	2,504
Past service cost	**125**	-
Curtailments	**126**	90
Administration expenses	**43**	36
Surestart pension scheme	**216**	264
Subsidiary pension schemes	**15**	3
Charge to the statement of comprehensive income	**3,603**	2,897
Enhanced pension charge to the statement of comprehensive income	**-**	-
Total pension cost for year within staff costs	**4,960**	2,897

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 2016 and of the LGPS 31 March 2016.

Contributions amounting to £349,863 (2019: £359,015) 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.

Notes to the financial statements

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £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 £1,357,000 (2019: £1,162,000).

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 2020 were £2,361,000, of which employer's contributions totalled £1,840,000 and employees' contributions totalled £521,000. 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.

Principal actuarial assumptions	**RNN At 31 July 2020 %**	RNN At 31 July 2019 %
Inflation (CPI)	**2.3**	2.2
Rate of increase in salaries	**2.3**	2.2
Rate of increase in pensions	**2.4**	2.3
Discount rate for liabilities	**1.6**	2.1

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 2020	RNN At 31 July 2019
Retiring today		
Males	**22.4**	23.1
Females	**25.2**	25.9
Retiring in 20 years		
Males	**23.9**	25.3
Females	**27.1**	28.3

Notes to the financial statements

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

	RNN % of total plan assets at 31 July 2020 %	RNN Fair Value at 31 July 2020 £'000	NN % of total plan assets at 31 July 2019 %	RNN Fair Value at 31 July 2019 £'000
Equities	**46.2**	**31,304**	52.3	34,894
Bonds	**24.5**	**16,601**	21.6	14,412
Property	**8.4**	**5,692**	8.7	5,805
Cash	**4.1**	**2,778**	3.2	2,135
Other	**16.8**	**11,384**	14.2	9,474
Total fair value of plan assets		**67,759**		66,720

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

	2020 £'000	2019 £'000
Fair value of plan assets	**67,759**	66,720
Present value of plan liabilities	**(106,888)**	(99,653)
Present value of unfunded liabilities	**(226)**	(255)
Net pension liability	**(39,355)**	(33,188)

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	**3,078**	2,504
Past service cost	**125**	90
Curtailments	**126**	-
Administration expenses	**43**	36
Total	**3,372**	2,630
Amounts included in interest and other finance costs		
Net interest cost	**677**	482
Total	**677**	482
Amount recognised in other comprehensive income		
Return on pension plan assets	**(73)**	3,049
Changes in assumptions underlying the present value of plan liabilities	**(3,885)**	(17,375)
Amount recognised in other comprehensive income	**(3,958)**	(14,326)

Notes to the financial statements

	2020 £'000	2019 £'000
Movement in defined benefit liability during year		
Net defined benefit liability in scheme at 1 August	**(33,188)**	(17,627)
Movement in year:		
Current service charge	**(3,078)**	(2,504)
Employer contributions	**1,840**	1,877
Past service cost	**(125)**	-
Curtailments	**(126)**	(90)
Net interest on the defined liability	**(677)**	(482)
Administration expenses	**(43)**	(36)
Actuarial gain	**(3,958)**	(14,326)
Net defined benefit liability in scheme at 31 July	**(39,355)**	(33,188)
Changes in the present value of defined benefit obligations		
Defined benefit obligations at 1 August	**99,908**	79,034
Current service charge	**3,078**	2,504
Interest cost	**2,076**	2,270
Employee contributions	**521**	552
Changes in financial assumptions	**3,885**	17,375
Benefits paid	**(2,605)**	(1,917)
Past service cost	**125**	-
Curtailments	**126**	90
Defined benefit obligations at 31 July	**107,114**	99,908

	2020 £'000	2019 £'000
Changes in fair value of plan assets		
Fair value of plan assets at 1 August	**66,720**	61,407
Interest on plan assets	**1,399**	1,788
Expected return on assets	**(73)**	3,049
Employer contributions	**1,840**	1,877
Contributions by scheme participants	**521**	552
Estimated benefits paid	**(2,605)**	(1,917)
Administration expenses	**(43)**	(36)
Fair value of plan assets at 31 July	**67,759**	66,720

The value of employer contributions for the year ended 31 July 2010 is £1,840,000 (2019: £1,877,000).

These accounts show a past service cost of £nil in respect of the McCloud / Sergeant judgement which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. The calculation of adjustmentto past service costs, £nil, arising from the outcome of the Court of Appeal judgement is based on a number of key assumptions including:

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

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.

Notes to the financial statements

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgement, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long-term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pa increase would increase the estimated cost by 65%.

22 Access and participation spending

	£'000
Access investment	219
Financial support to students	15
Disability support	37
Research and evaluation	12
	283

£268k of these costs are already included in the overall staff costs figure in note 6.

The Group's published access and participation plan can be found here:
https://www.rotherham.ac.uk/app/uploads/sites/9/2020/01/Access-Agreement-RNN-Group-2019-20.pdf

23 Group and College Capital commitments

Commitments contracted for at 31 July 2020 totalled £57,000 (2019: £521,000).

24 Group and College Lease obligations

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

	2020		2019	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Future minimum lease payments due				
No later than one year	67	130	84	125
Later than one year and not later than five years	195	183	260	292
Later than five years	13	117	13	97
	275	430	357	514

In November 2020, the Group entered into a further 2 year finance lease agreement for 600 laptops at a total cost of £320k

Notes to the financial statements

25 Contingent liability

The Group had no contingent liabilities as at 31 July 2020 (2019: £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.

26 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 2.

The total expenses paid to or on behalf of the Governors during the year was £1,584 to 1 Governor (2019: £4,427, 4 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 (2019: None).

During the year, the College paid £nil (2019: 39,600) 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.

27 Amounts disbursed as agent

	2020	2019
	£'000	£'000
Funding body grants – bursary support	**408**	488
Funding body grants – discretionary learner support	**-**	-
Other funding bodies grants	**987**	833
Interest earned	**-**	-
	1,395	1,321
Disbursed to students	**(920)**	(1,608)
Administration costs	**(54)**	(40)
Balance unspent at 31 July, included in creditors	**421**	(327)

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

28 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 £2,653,247of income (2019: £3,005,991) and £2,194, 366 (2019: £2,649,668) expenditure relating to its own Surestart expenditure in the year. All funds are maintained in a bank account separate to the College. This partnership ceased on 31st May 2020.

None (2019: £nil) of the Bassetlaw Area Support Group (BASG) funding has been spentduring the year. No further income was received during the year. The College holds £nil (2019: £10,545) of the groups funds as at 31 July 2020. No further diploma courses have been delivered by the College and no fee income has been received (2019: £nil).

29 Exceptional items

Following the transfer of the assets and liabilities of Create Skills Limited and Charnwood Training Group Limited the Group recognised a loss in the in FY19 on intercompany loans of £1,337,000. The net effect to the overall Group position was £nil.

30 Post Balance Sheet Events

The Group is focusing its delivery on the community local to the Group sites in the SCR and D2N2 regions. The Groups subsidiary, Aston Recruitment and Training Limited, is based in Northampton and therefore outside of the Groups local region. Following agreement by the corporation, the Group sold Aston Recruitment and Training Limited on 30 September 2020 to Bedford College.

Since the balance sheet date the Group has completed the sale of following assets:

- Nursery on the Dinnington Campus (25 September 2020)
- Aston Recruitment & Training Limited (30 September 2020)
- The Highfield/Mount on the Worksop Campus (2 December 2020)
- 185 Carlton Road, Worksop (30 November 2020)

The Groups strategic plan set out a number of steps to ensure the financial stability of the Group and allow from future investment in the remaining estate, therefore the working capital released from these sales will be reinvested for the benefit of the Groups learners in the future.