RNN Group

Annual Report and Financial statements
For the year ended 31 July 2021

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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 2020/21:

Jason Austin, Principal and CEO; Accounting Officer
Tracey Mace-Akroyd, Deputy Principal and CEO
Kate Noble, Executive Director of Finance (left July 2021) *
Gavin Teasdale, Interim 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
Lisa Wilson, Director of Apprenticeships (left March 2021)*
Rebecca Blackburn, Director of Apprenticeships (from April 2021)
Sally Steadman, Director of Marketing and Learner Recruitment
Daniel Stanbra, Director of Adult Education

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

Board of Governors:

A full list of Governors is on pages 16-17 of these financial statements.

Details of people acting as Clerk to the Corporation throughout the period are on page 17.

Bankers:

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

Lloyds Bank
1 High Street
SHEFFIELD
S1 2GA

Key Management Personnel, Board of governors and professional advisors

Solicitors:	Eversheds Sutherland Bridgewater Place Water Lane LEEDS LS11 5DR
	Fisher German LLP 40 High Street Market Harborough Leicestershire LE16 7NX
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 2021.

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 1st March 2019. The subsidiary companies ceased trading on 28th February 2019.

As at 31 July 2021, the Group had two trading subsidiaries, National Fluid Power Centre Limited and Rotherham Education Services Limited. The National Fluid Power Centre Limited is a provider of training for Integrated Systems Engineering and Rotherham Education 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.

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 vision, mission and values:

RNN Group Vision:

'Leading Innovation and Skills in our Local Communities'

RNN Group Mission:

Through our strategic relationships with all the communities we serve, our education and training will provide exceptional opportunities for people throughout their lives. Our centres of excellence will be inspirational and sustainable, remaining agile to the needs of our students, staff, employers, stakeholders, schools and the community.

The Group Values are:

We are Inclusive

We have Integrity

We are One Team

We Deliver

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

We will achieve our Vision and Mission by:

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

Public Benefit

The RNN Group is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on page 16-17.

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

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

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

Implementation of Strategic Plan

In 2021, RNN Group reviewed its strategic aims and clearly defined its purpose and direction with the newly formed Board of Governors. The strategic review established four core values which set the tone for how the Group will behave and define what it wants to achieve, these being Inclusion, Integrity, Being One Team and Delivering. The reshaping of the Group has been influenced by revised strategies for Curriculum, Marketing, Estates, HR and Finance 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 to make a difference to its students and communities, and to do that to the best of the Group’s abilities. The Group’s vision is to become a Leader in innovation and skills in our local 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.

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

Financial Health Targets	KPI	2020/21	2021/22
Operating surplus/deficit (as a % of adjusted income)	> 0%	-9.9%	-5.0%
EBITDA / Cash Bash Operating Surplus (as a % of adjusted income)	> 9%	8.2%	3.7%
Gearing ratio	< 25%	11.4%	9.4%
Adjusted current ratio	> 1	1.06	0.96
Staff cost as % of adjusted income (excl. franchised Income)	< 65%	66.7%	69.8%
Cash days in hand	> 30	74.0	51.0
Financial Health Grade	≥ Good	Good	RI
Financial Health Grade (self assessment)	≥ Good	Good	RI

The Group considers that the FY2021 has been a year of continued recovery. The Financial Health Grade is calculated to be ‘Good’ for FY2021. However, the automatically calculated health grade for FY2022 dips to ‘Requires Improvement’, thereafter our forecasts show an improvement in the following years.

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 had interrupted trading and this caused a loss of £150,000 for the year to 31 July 2021 in NFPC, 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 was considered to be an acceptable outcome given the changes made in the previous two years. With the results now shown in these accounts, the College has an automatically calculated financial health score of Good for FY2021.

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

Financial position

Financial Results

The Group generated a deficit for the year of £3,453,000 (2019/20: £7,458,000 deficit) after tax and disposal of fixed assets.

Reconciliation of operating deficit to underlying surplus

	2021	2020
	£'000	£'000
Deficit for the year after taxation	**(3,453)**	(7,458)
Restructuring costs	**120**	576
FRS 102 section 28 pension scheme related charges	**3,625**	3,605
Impairment of fixed assets	**-**	3,420
Underlying surplus	**292**	143

The Group has negative Income and Expenditure Account reserves (including pension reserves) of £12,915,000 (2019/20 restated: £14,331,000) and cash and cash equivalents balances of £6,540,000 (2019/20: £1.390,000).

Tangible fixed asset additions during the year amounted to £2,406,000. This was split between equipment purchased of £836,000, assets under construction of £703,000 and £867,000 freehold buildings.

The Group has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2020/21, the ESFA provide 81% of the Group's total income (2019/20: 72%).

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 decreased to £38,961,000 (2019/20: £39,355,000).

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 £176,000. This was mitigated by the use of the Governments Job Retention Scheme and staff in those areas were furloughed during this time. Overall, due to the funding support from the ESFA and the Job retention Scheme there has not been a significant net impact from COVID-19 on the financial result in FY2021. In August 2020, NFPC drew down a Coronavirus Business Interruption Scheme Loan (CBILS) of £500,000 to support the working capital of the company. Repayments of the loan are over 5 years and commenced in September 2021.

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.

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Cash flows

Net cash inflow from operating activities was £5,819,000 (2019/20: £457,000 net outflow). The improvement in the year was due reduced staff costs along with an increase in creditors at year end.

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 £12,915,000 (2019/20 restated: £14,331,000). The income and expenditure reserve is stated net of the defined pension liability £38,961,000 (2019/20: £39,355,000). 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. This was also the financial health score for FY2020. The ESFA financial health assessment is based on three criteria, which are evaluated by the submission of a three-year financial plan. The operating surplus (EBITDA) is the first measure, and is the most negative aspect of the Group's assessment, with a deficit exacerbated by merger activities and costs. Borrowing levels are relatively low and therefore strengthen the financial assessment. The balance sheet (measured using an adjusted current ratio) is also a strong financial measure for the Group.

The Group performed strongly in FY2021 and returned a financial health score of 'Good'. The Group submitted a two-year financial plan to the ESFA in July 2021 which predicts that the organisation will have a "Requires Improvement" financial health in 2021/22 and 'Good' in 2022/23.

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 has 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 be monitored on a regular basis by the Board and Executive team to ensure the plans are delivered, particularly over the next 12 months. The 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 2020/21 the Group has delivered activity that has produced £29,323,000 in funding bodies' main allocation funding. The Group had approximately 8,124 grant funded and 804 non-grant funded students.

The volume of students in the 16-19 age group in 2020/21 for which funding was received from the ESFA equated to 98% of learner number allocation. For the AEB funding, the value of activity equated to 75% of funding allocation. At present, the ESFA plans to clawback £1.5m of this funding which is included in these financial statements. A business case has been put to the ESFA to restrict the level of clawback and the outcome of this is not certain at the time of writing. At present, a worst case scenario has been included in the accounts. Employer Responsive activity equated to 85% of the latest forecast.

Curriculum developments

During the year, 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 plans have been developed for substantial investment to expand the curriculum provision at campuses across the Group. 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

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Valley campus, and this year a FLEX provision was opened at Rotherham College. Depending on the 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 construction (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.

The College continues to offer Foundation Degree and BA programmes which enhance the College's higher education portfolio and follow on from the Gold rating achieved 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 31% of invoices in the year to 31 July 2021 in less than 30 days. 86% of invoices were paid within 60 days.

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.

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
- Retford Post 16 Centre (Leased)
- Idle Valley Nature Reserve Centre

Financial

At 31 July 2021 the Group had a cash balance of £6,540,000 (2019/20: £1,390,000).

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The Group has £7,455,000 of net liabilities (2019/20: £7,350,000) after deducting £38,691,000 (2019/20: £39,355,000) pension liability.

People
The Group employed 743 people (614 full time equivalents) during the year, of whom 275 are teaching staff (234 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.

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	£13,855
Total pay bill	£20,913,000
Percentage of total bill spent on facility time	0.07%

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.

It was felt that improvements to our risk management frame work could be made to ensure that the group has an insight on the most important risks. The risk management approach would be consistently applied and is seen as a particularly important aspect of college management.

Risk training and the review and reporting of risk registers is now dynamic and the new system aims to make better use of the risk register at manager level. Mangers are able to use their risk register as part of their day to day activities and therefore be able to identify key risks faced.

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Prior to this change, there was no integrated risk management information system and instead a series of spread sheets was used to drive the recording collation and reporting of risks.

The college have therefore partnered with their Internal Auditors, RSM to review and redesign the group risk management framework.

Working in 4 key areas there is a new focus on key risks. These areas are

- HR, Marking and Recruitment
- Finance MIS and Business Intelligence
- Corporate services IT and Estates
- Curriculum safeguarding and Student Support.

The college now has access to a cloud-based risk management information system called 4risk. This will provide a complete picture of risk, controls and assurances across the college group. This has resulted in a revision of the groups risk management framework, policy and strategy.

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, for example, strict cost control, oversized estates and quality of teaching and learning.

1 Government funding

The College has considerable reliance on continued government funding through the ESFA and Office for Students (OfS). In 2020/21, 81% 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 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 16-19 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 16-19 year-old market
- The pressure on enrolment numbers for apprenticeships given the COVID-19 situation.

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.
- Continue to 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.

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- 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 needs 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
- 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.

All of the above risks have been identified as strategic risks, both in the strategic plan and the risk management register.

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.

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Equality, Diversity and Inclusion (EDI)

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

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

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

Going concern

During 2020/21 the Group has made plans to significantly rationalise its surplus estate capacity, reduce staff costs and introduce of new steps to analyse and address quality issues on apprenticeships provision have further strengthened the colleges position.

The Group has been working closely with the FE Commissioner since July 2019 and has taken decisive action to improve financial health, governance and curriculum quality. The appointment of several new governors with strong financial credentials have enhanced the Governing body.

The Board and Executive/SLT team have to ensure 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 year-end accounts see the Group returning to ‘Good’ financial health in 2020/21 with a cash flow that will grow in strength over the forecast period.

The ESFA/FEC continue to hold monthly meetings with the Group and a representative attends the monthly Board meetings. Current issues and updates have been openly shared to enable the ESFA/FEC to draw assurance in relation to progress.

The summary financial health table is shown below:

	2020/21	**2020/21**	**21/22**
	Budget	**Actuals**	**Plan**
Adjusted current ratio	0.45	1.06	0.93
EBITDA as a % of income	6.41%	8.20%	3.65%
Borrowing as a % of income	8.70%	11.37%	9.61%
Financial Health Score	150	210	160
Financial Health Grade	**Requires Improvement**	**Good**	**Requires Improvement**

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As in previous forecasts, Income growth included within the plan is prudent and our overall position following a full review with budget holders in early 2021/22 is in line with this forecast, the Group will dip to Requires Improvement financial health in 2021/22 mainly due to a £1.3m reduction in 16-18 income and £300k reduction in apprenticeship income although it's cashflow and borrowings remain Good and it's EBITDA remain positive. The immediate risks to achieving the current forecast and therefore the financial health and cashflow, are:

- The ability to deliver the AEB allocations within the year
- Devolution for the SCR in 2021/22
- Apprenticeships enrolments in year
- Further effects on the Commercial areas due to COVID-19
- HE enrolments in 2021/22.

The forecasts that have been prepared for the periods to 31 July 2023 highlight that these risks could impact on covenant compliance in the forecast period rather than a risk of cash resources not being sufficient. The cash flow forecast shows a low point of £3.4m in March 2023. The forecasts, including under a sensitised model, demonstrate that the Group has sufficient cash resources to meet its liabilities and cover it's covenant compliance requirements with adequate headroom in cash resources to mitigate the risks considered above. The sensitivities applied in the going concern assessment include reductions in revenue from AEB and apprenticeships.

The Group has net current liabilities of £0.8m at 31 July 2021 (net current liabilities of £3.3m at 31 July 2020) and net liabilities of £7.5m (2020: net liabilities of £7.4m) net of the defined benefit pension liability. The Group has net assets of £31.5m excluding the defined benefit pension liability at 31 July 2021 (2020: net assets of £32m).

The Group now has a revised structure that includes the appointment of a new Director of Adult Education and Contracts to look after the £7m Adult Education budget and ensure enrolment numbers are maintained throughout 2021/22 and into 2022/23. A new marketing plan has been developed and is targeting areas for growth which will only improve the current forecast position.

The Group has released a number of assets for sale, which has improved the cash position to enable the Group to invest in the right areas to benefit the learners.

The financial plans for the years 2021/22 and 2022/23 show the college moving forward with increasing financial strength, particularly with regard to cash balances and borrowings.

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 2023. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Events after the balance sheet date

There are no post balance sheet events to report.

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

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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 27/1/2022 and signed on its behalf on 27/1/2022 by:

Janet Pryke
Chair of the Corporation

Statement of Corporate Governance and Internal Control

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

The Group endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);

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 2021. 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 signature of this report were as follows:

Name	Date of appointment /reappointment	Current term of office	Date of resignation	Committees served	Status of appointment	Attendance
Jason Austin	09/05/2019	When ceases to be Principal		Search & Governance Finance Quality & Standards	CEO/Principal	100%
Catherine Burn (Chair until 31.7.2021)	18/12/2019	2 year	31.7.2021	Search & Governance (Chair) Quality & Standards	External	100%
Janet Pryke (Vice Chair until 31.7.2021) (Chair from 31.7.2021)	18/12/2019	4 years		Finance (Chair) Search & Governance	External	100%
Nigel Ruff	18/12/2019	1 year	January 2021	Finance (Chair until January 2021)	External	100%
Angela Philips	10/05/2018	1 years (plus 1-3 years)	March 2021	Audit (Chair until March 2021)	External	90%
Catherine Witherington	18/12/2019	3 years	December 2020	Quality &Standards (Chair until December 2020)	External	100%
Veronica de Bruce McCoy	18/12/2019	4 years		Quality & Standards	External	90%
Mirella Palazzo (formerly Barnes)	18/12/2019	3 years		Q&S	External	90%
Stephen Bulley	18/12/2019	3 years		Audit & Risk (Chair from April 2021) Search & Governance	External	100%
Gareth Owen	28/01/2020	3 years	20.10.2021	Audit	External	80%
Monika Rodzos	25/03/2020	4 years		Finance	External	100%
Joanna White	21/09/2020	4 years		Audit & Risk	External	80%
Heather Barnett	23/11/2020	4 years		Quality & Standards	External	80%
Jennifer Worsdale	23/11/2020	4 years		Quality & Standards (Chair	External	100%

Statement of Corporate Governance and Internal Control

(Vice Chair from 31/7/2021)				from January 2021) Finance Search & Governance		
Rob Lawson	14/7/2021	4 years		Finance	External	N/A
Owen Hamilton - Davies	14/7/2021	1 full academic year to 31/8/2022		None	Student	N/A
Keane Ward	20/10/2021	1 academic year to 31/8/2022		None	Student	N/A
Shirley Collier	31/8/2021	4 years		Quality & Standards	External	N/A
Margaret Cobb	20/10/2021	4 years		Finance	External	N/A
Donna Clifford	20/10/2021	4 years		Quality & Standards	External	N/A
Sharron Blackburn	20/10/2021	4 years		Audit & Risk	External	N/A
Carol Stanfield	20/10/2021	4 years		Quality & Standards	External	N/A
Lindsey Littlewood	01/09/2019	2 years	31.7.2021	Quality & Standards	Staff	100%
Katie Curtis	29/04/2020	4 years		Quality & Standards	Staff	90%
Katie Asgari	20/10/2021	4 years		Quality & Standards	Staff	N/A
Ian Sackree	14/7/2021	1 academic year		Finance	Co-optee	N/A
Roopa Patel-Harji	31/8/2021	1 academic year		Audit & Risk	Co-optee	N/A
Tracy Jackson	28/01/2020	18 months	31.7.2021	Finance	Co-optee	N/A
Una Jennings	28/01/2020	1 year	29.09.2020	None	External	N/A

Virginia Parkes acted as Director of Governance of RNN Group from 1 September 2020 to 31 March 2021, Maxine Bagshaw acted as Interim Director of Governance of RNN Group from 1 January 2020 to 31 August 2020 and 1 April 2021 to 31 July 2021.

Since the year ended 31 July 2021, there have been Governance changes to the Corporation. As noted in the table above a new Chair was appointed on 31 July 2021 (formerly the Vice Chair) along with a number of new Governors throughout 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

Statement of Corporate Governance and Internal Control

- Audit & Risk Committee
- Quality and Standards Group
- Search & Governance
- Apprenticeship Delivery Task and Finish Group

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 Director of Governance 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 Director of Governance, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Director of Governance are matters for the Corporation as a whole.

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

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal of the Group are separate.

Appointments to the Corporation

Any new appointments to the Corporation 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 31 July 2021 and graded Leadership and Management as “Good” on the Ofsted scale.

Audit & Risk Committee

The Audit Committee comprises up to four members of the Corporation (who exclude the Accounting Officer and Chair). This can include co-optees who are not governors but who have the skills required to support the committee. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on at least 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.

Statement of Corporate Governance and Internal Control

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 & Risk 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 2021 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the Group is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the Group's significant risks that has been in place for the period ending 31 July 2021 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.

Statement of Corporate Governance and Internal Control

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 in the year ending 31 July 2020 highlighted that the Groups Risk Management process needs to be updated. In the year ending 31 July 2021, the Group has responded to this by working with the internal auditors to develop and implement a new Risk Register. Training has been provided for the governing body and the Exec Team. This was paired with installing a Risk Management system and training across the College Management Team to allow the creation of department risk registers.

Review of effectiveness

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

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

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

The Senior Leadership Team receives reports setting out key performance indicators and considers possible control issues brought to their attention. The Senior Leadership Team and Audit & Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit & Risk 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 & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2021 meeting, the Corporation will carry out the annual assessment for the year ended 31 July 2021 by considering documentation from the Audit & Risk Committee, and taking account of events since 31 July 2021.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the 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 27/1/2022 and signed on its behalf on 27/1/2022 by:

Jason Austin

Janet Pryke
Chair of the Corporation

Jason Austin
Principal

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

The Corporation has considered its responsibilities to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's 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

Janet Pryke
Chair of the Corporation

Jason Austin
Principal

Date: 27/1/2022

Statement of the responsibilities of the members of the Corporation

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

Within the terms and conditions of the 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 27/1/2022 and signed on its behalf on 27/1/2022 by:

Janet Pryke
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 corporation') and its subsidiaries (the 'group') for the year ended 31 July 2021, which comprise the Consolidated and College Statement of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheets, 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 corporation's affairs as at 31 July 2021 and of the group's deficit of income over expenditure and of the parent corporation'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 as issued in October 2018 and any subsequent amendments.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporation's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent corporation to cease to continue as a going concern.

In our evaluation of the Corporation's conclusions, we considered the inherent risks associated with the group's and the parent corporation's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the Corporation and the related disclosures and analysed how those risks might affect the group's and the parent corporation's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the Corporation with respect to going concern are described in the 'Responsibilities of the Members of the Corporation for the financial statements' section of this report.

Independent auditor's report to the Corporation of RNN Group

Other information

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

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

We have nothing to report in this regard.

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 & Skills Funding Agency and the Department for 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 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 2020 to 2021 issued by the Education & 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.

Responsibilities of the Corporation for the financial statements

As explained more fully in the statement of responsibilities of the Members of the Corporation set out on page 22, the Members of the Corporation are 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 Members of 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 Members of the Corporation are responsible for assessing the group's and parent corporation'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 Members of the Corporation either intends to liquidate the group or parent corporation or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report to the Corporation of RNN Group

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent corporation, and the sector in which it operates. We determined that the following laws and regulations were most significant;
  - financial reporting legislation (FEHE SORP 2019, United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102, the Colleges accounts direction 2020 to 2021 and the OfS Accounts Direction (October 2019));
  - regulatory environment (including the ESFA funding rules 2020 to 2021 and the OfS; framework and relevant OfS regulatory notices)
  - Further and Higher Education Act 1992; and
  - The Code of Good Governance for English Colleges.

  The engagement team remained alert to any indications of fraud and non-compliance with laws and regulations throughout the audit;
- We understood how the group and parent corporation is complying with these legal and regulatory frameworks by making inquiries of management, internal audit, and those charged with governance. We enquired of management and those charged with governance whether there were any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of board minutes and papers provided to the Audit Committee, and through our legal and professional expenses review;
- To assess the potential risks of material misstatement, including how a fraud might occur, we obtained an understanding of:
  - The group and parent corporation’s operations, including the nature of its sources of income, expected financial statement disclosures and risks that may result in risk of material misstatement; and
  - The group and parent corporation’s control environment including the adequacy of procedures for authorisation of transactions
- We assessed the susceptibility of the group and parent corporation’s financial statements to material misstatement, including how fraud might occur. Audit procedures perform by the engagement team included:
  - Evaluating the processes and controls established to address the risks related to irregularities and fraud;
  - Testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
  - Challenging assumptions and judgements made by management in its significant accounting estimates;
  - Identifying and testing related party transactions; and

Independent auditor's report to the Corporation of RNN Group

    - Completion of audit procedures to conclude on the compliance of disclosures in the financial statements with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- We assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's knowledge and understanding of the industry in which the group and parent corporation operates in, its understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud, or non-compliance with laws and regulations throughout the audit.

Use of our report

This report is made solely to the Members of the Corporation, as a body, in accordance with the terms of our engagement letter dated 6 October 2021. Our audit work has been undertaken so that we might state to the Members of the 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 corporation and the Members of the 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: 27/1/2022

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 6 October 2021 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 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice ('the Code') issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the 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 are 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 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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;

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)

- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the Regularity self-assessment questionnaire (RSAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the RSAQ.

Conclusion

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

Use of our report

This report is made solely to the corporation of RNN Group and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of RNN Group and the 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 the 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: 27/1/2022

Consolidated Statements of Comprehensive Income and Expenditure

	Note	**Group 2021 £'000**	Group 2020 £'000	**College 2021 £'000**	College 2020 £'000
Income					
Funding body grants	2	**29,323**	27,204	**29,321**	27,204
Tuition fees and education contracts	3	**5,380**	6,739	**4,922**	6,172
Other income	4	**1,355**	3,948	**2,096**	4,640
Investment income	5	**-**	1	**11**	12
Gift Aid		**-**	-	**-**	-
Total income		**36,058**	37,892	**36,350**	38,028
Expenditure					
Staff costs	6	**24,399**	27,189	**24,323**	26,880
Other operating expenses	8	**10,328**	11,107	**10,564**	11,379
Depreciation	12	**2,788**	2,978	**2,706**	2,885
Interest and other finance costs	9	**718**	836	**718**	836
Total expenditure		**38,233**	42,110	**38,311**	41,980
Deficit before other gains and losses		**(2,175)**	(4,218)	**(1,961)**	(3,952)
Gain/(loss) on disposal of assets	12	**(1,039)**	209	**(1,039)**	204
Dividend Payment		**(266)**	-		
Impairment of fixed assets		**-**	(3,420)	**-**	(3,420)
Deficit before tax		**(3,480)**	(7,429)	**(3,000)**	(7,168)
Taxation	10	**27**	(29)	**-**	-
Deficit after tax		**(3,453)**	(7,458)	**(3,000)**	(7,168)
Other comprehensive income					
Actuarial gain/(loss) in respect of pension scheme	19	**3,146**	(4,342)	**3,146**	(4,342)
Total comprehensive income for the year		**(307)**	(11,800)	**146**	(11,510)

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 2019 (restated)	(3,536)	7,986	4,450
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 (restated)	1,005	(1,005)	-
Balance at 31 July 2020 (restated)	(14,331)	6,981	(7,350)
Deficit from the income and expenditure account	(3,453)		(3,453)
Other comprehensive income	3,146		3,146
Total comprehensive income for the year	(307)	-	(307)
Transfers between revaluation and income and expenditure reserves	1,521	(1,521)	-
Sale of Subsidiary	202		202
Balance at 31 July 2021	**(12,915)**	**5,460**	**(7,455)**

College

	Income and expenditure reserve £'000	Revaluation reserve £'000	Total £'000
Balance at 31 July 2019 (restated)	(3,984)	7,986	4,002
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 (restated)	1,005	(1,005)	-
Balance at 31 July 2020 (restated)	(14,489)	6,981	(7,508)
Deficit from the income and expenditure account	(3,000)	-	(3,000)
Other comprehensive income	3,146	-	3,146
Total comprehensive income for the year	146	-	146
Transfers between revaluation and income and expenditure reserves	1,521	(1,521)	-
Balance at 31 July 2021	**(12,822)**	**5,460**	**(7,362)**

Balance Sheets

	Note	Group 2021 £'000	Restated Group 2020 £'000	College 2021 £'000	Restated College 2020 £'000
Non-current assets					
Fixed asset investments	11	**-**	-	**-**	350
Tangible assets	12	**45,710**	48,948	**44,711**	47,823
Intangible assets	13	**-**	-	**-**	-
		45,710	48,948	**44,711**	48,173
Current assets					
Stocks		**16**	16	**15**	15
Trade and other receivables: amounts due after more than one year	14	**-**	-	**723**	723
Trade and other receivables: amounts due within one year	14	**1,816**	2,135	**1,955**	2,469
Cash and cash equivalents	20	**6,540**	1,390	**6,285**	1,028
		8,372	3,541	**8,978**	4,235
Creditors: amounts falling due within one year	15	**(9,122)**	(6,848)	**(9,110)**	(7,004)
Net current liabilities		**(750)**	(3,307)	**(132)**	(2,769)
Total assets less current liabilities		**44,959**	45,641	**44,579**	45,404
Creditors: amounts falling due after one year	16	**(10,118)**	(10,171)	**(9,645)**	(10,092)
		34,841	35,470	**34,934**	35,312
Provisions					
Other provisions	19	**(3,335)**	(3,465)	**(3,335)**	(3,465)
Defined benefit obligations	19	**(38,961)**	(39,355)	**(38,961)**	(39,355)
		(42,296)	(42,820)	**(42,296)**	(42,820)
Total net liabilities		**(7,455)**	(7,350)	**(7,362)**	(7,508)
Reserves					
Income and expenditure account		**(12,915)**	(14,331)	**(12,822)**	(14,489)
Revaluation reserve		**5,460**	6,981	**5,460**	6,981
Total		**(7,455)**	(7,350)	**(7,362)**	(7,508)

The financial statements on pages 29 to 56 were approved by the Corporation on 27/1/2022 and were signed on its behalf on 27/1/2022 by:

Jason Austin

Janet Pryke
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	2021 £'000	2020 £'000
Cash flows from operating activities			
Deficit for the year		**(3,453)**	(7,458)
Adjustment for non-cash items			
Depreciation		**2,788**	2,978
Decrease/(Increase) in debtors		**320**	(22)
Decrease/(Increase) in stocks		**-**	(4)
Increase/(Decrease) in creditors due within one year		**3,166**	(1,055)
Decrease in other provisions		**(211)**	(267)
Impairment review of assets held for sale		**-**	3,420
Release of deferred capital grants		**(986)**	(207)
Pension costs	22	**3,621**	3,372
Contributions payable		**(1,450)**	(1,840)
Adjustment for investing or financing activities and taxation			
Investment income		**-**	(1)
Interest payable		**718**	836
Gain/(loss) on sale of fixed assets		**1,039**	(209)
Dividend payment		**266**	-
Net cash inflow/(outflow) from operating activities		**5,819**	(457)
Cash flows from investing activities			
Payments made to acquire tangible fixed assets		**(2,406)**	(1,138)
Investment income		**-**	1
Dividend payment		**(266)**	-
Disposal of subsidiary		**202**	-
Cash received from deferred capital grants		**1,459**	-
Proceeds from sale of fixed assets		**1,818**	392
		807	(745)
Cash flows from financing activities			
Interest paid		**(57)**	(96)
New secured loans		**500**	1,000
Capital elements of finance lease rental payments		**(272)**	(175)
Repayments of amounts borrowed		**(1,647)**	(229)
		(1,476)	500
Increase/(Decrease) in cash and cash equivalents in the year		**5,150**	(702)
Cash and cash equivalents beginning of the year	20	**1,390**	2,092
Cash and cash equivalents at end of the year	20	**6,540**	1,390

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 2020 to 2021 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 2020/21 the Group has made plans to significantly rationalise its surplus estate capacity, reduce staff costs and introduce of new steps to analyse and address quality issues on apprenticeships provision have further strengthened the colleges position.

The Group has been working closely with the FE Commissioner since July 2019 and has taken decisive action to improve financial health, governance and curriculum quality. The appointment of several new governors with strong financial credentials have enhanced the Governing body.

The Board and Executive/SLT team have to ensure 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 year-end accounts see the Group returning to 'Good' financial health in 2020/21 with a cash flow that will grow in strength over the forecast period.

The ESFA/FEC continue to hold monthly meetings with the Group and a representative attends the monthly Board meetings. Current issues and updates have been openly shared to enable the ESFA/FEC to draw assurance in relation to progress.

The summary financial health table is shown below:

	2020/21	2020/21	21/22
	Budget	**Actuals**	**Plan**
Adjusted current ratio	0.45	1.06	0.93
EBITDA as a % of income	6.41%	8.20%	3.65%
Borrowing as a % of income	8.70%	11.37%	9.61%
Financial Health Score	150	210	160
Financial Health Grade	**Requires Improvement**	**Good**	**Requires Improvement**

As in previous forecasts, Income growth included within the plan is prudent and our overall position following a full review with budget holders in early 2021/22 is in line with this forecast.The Group will dip to Requires Improvement financial health in 2021/22 mainly due to a £1.3m reduction in 16-18 income and £300k reduction in

Notes to the financial statements

apprenticeship income, although it's cashflow and borrowings remain Good and it's EBITDA remain positive. The immediate risks to achieving the current forecast and therefore the financial health and cashflow, are:

- The ability to deliver the AEB allocations within the year
- Devolution for the SCR in 2021/22
- Apprenticeships enrolments in year
- Further effects on the Commercial areas due to COVID-19
- HE enrolments in 2021/22.

The forecasts that have been prepared for the periods to 31 July 2023 highlight that these risks could impact on covenant compliance in the forecast period rather than a risk of cash resources not being sufficient. The cash flow forecast shows a low point of £3.4m in March 2023. The forecasts, including under a sensitised model, demonstrate that the Group has sufficient cash resources to meet its liabilities and cover it's covenant compliance requirements with adequate headroom in cash resources to mitigate the risks considered above. The sensitivities applied in the going concern assessment include reductions in revenue from AEB and apprenticeships.

The Group has net current liabilities of £0.8m at 31 July 2021 (net current liabilities of £3.3m at 31 July 2020) and net liabilities of £7.5m (2020: net liabilities of £7.4m) net of the defined benefit pension liability. The Group has net assets of £31.5m excluding the defined benefit pension liability at 31 July 2021 (2020: net assets of £32m).

The Group now has a revised structure that includes the appointment of a new Director of Adult Education and Contracts to look after the £7m Adult Education budget and ensure enrolment numbers are maintained throughout 2021/22 and into 2022/23. A new marketing plan has been developed and is targeting areas for growth which will only improve the current forecast position.

The Group has released a number of assets for sale, which has improved the cash position to enable the Group to invest in the right areas to benefit the learners.

The financial plans for the years 2021/22 and 2022/23 show the college moving forward with increasing financial strength, particularly with regard to cash balances and borrowings.

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 2023. 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 and National Fluid Power Centre Limited controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the Consolidated Income and Expenditure Account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2021.

Notes to the financial statements

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.

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 28).

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.

Notes to the financial statements

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.

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 22.

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the Income and Expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Non-current assets - tangible fixed assets

Land and buildings

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

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

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

Notes to the financial statements

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.

Inventories

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

Foreign currency translation

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

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

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

Liquid resources

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

Provisions

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

Cash and cash equivalents

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

Notes to the financial statements

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 28 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.

Other key sources of estimation uncertainty:

- Tangible fixed assets
  Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposed values. In preparing these statements, management have used the transitional fair value as deemed cost provisions of FRS 102 to revise the valuation of fixed assets in respect of the land and RNN Group's properties.

- Local Government Pension Scheme
  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22 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 2021. 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 22, 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 2021 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.

Notes to the financial statements

2 Funding body grants

	Group 2021 £'000	Group 2020 £'000	**College 2021 £'000**	College 2020 £'000
Recurrent grants				
Education and Skills Funding Agency – Adult and Apprenticeship	**8,728**	10,402	**8,726**	10,402
Education and Skills Funding Agency – 16-18	**18,170**	15,541	**18,170**	15,541
Office for Students	**314**	394	**314**	394
Non-recurrent grants				
Education and Skills Funding Agency – Teachers pension grant	**866**	351	**866**	351
Education and Skills Funding Agency – provider relief scheme	**(12)**	40	**(12)**	40
Education and Skills Funding Agency – Covid Testing Grant	**13**	-	**13**	-
Other funding body grants	**312**	323	**312**	323
Releases of Government deferred capital grants	**932**	153	**932**	153
	29,323	27,204	**29,321**	27,204

Under the provider relief scheme, the corporation had £12,000 clawed back from the ESFA (2019/20: £40,000 received).

	Group 2021 £'000	Group 2020 £'000	**College 2021 £'000**	College 2020 £'000
Income relating to Office for Students				
Grant Income from Office for Students	**314**	394	**314**	394
Fee income for taught awards	**2,766**	2,858	**2,766**	2,858
	3,080	3,252	**3,080**	3,252

3 Tuition fees and education contracts

	Group 2021 £'000	Group 2020 £'000	**College 2021 £'000**	College 2020 £'000
Adult education fees	**146**	195	**146**	195
Fees for FE loan supported courses	**940**	1,165	**940**	1,165
Fees for HE loan supported courses	**2,766**	2,858	**2,766**	2,858
Other fees	**847**	944	**389**	377
Total tuition fees	**4,699**	5,162	**4,241**	4,595
Education contracts	**681**	1,577	**681**	1,577
Total	**5,380**	6,739	**4,922**	6,172

Notes to the financial statements

4 Other income

	Group 2021 £'000	Group 2020 £'000	College 2021 £'000	College 2020 £'000
Exams	**(1)**	2	**(1)**	2
Income generating activities	**709**	3,377	**702**	3,336
Intercompany recharge	**-**	-	**791**	765
Release from other deferred capital grants	**54**	54	**37**	37
Other grants	**319**	380	**318**	378
Coronavirus Job Retention Scheme Grant	**274**	135	**249**	122
	1,355	3,948	**2,096**	4,640

The corporation furloughed staff within its commercial areas under the government's Coronavirus Job Retention Scheme. The funding received of £274,000 (2019/20: £135,000) relates to staff costs which are included within the staff costs note below as appropriate.

5 Investment income

	Group 2021 £'000	Group 2020 £'000	College 2021 £'000	College 2020 £'000
Other interest receivable	**-**	1	**-**	1
Intercompany interest (NFPC)	**-**	-	**11**	11
	-	1	**11**	12

6 Staff costs – Group

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

	2021 Number	2020 Number
Teaching staff	**275**	294
Non-teaching staff	**468**	565
	743	859

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

	2021 Number	2020 Number
Teaching staff	**234**	249
Non-teaching staff	**380**	460
	614	709

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

Notes to the financial statements

Staff costs – Group (continued)

Staff costs for the above persons were as follows:

	2021	2020
	£'000	£'000
Wages and salaries	**16,027**	18,000
Social security costs	**1,372**	1,590
Other pension costs	**2,794**	3,327
Defined benefit charge to income statement less cash contributions	**2,171**	1,532
Payroll sub total	**22,364**	24,449
Contracted out lecturing services	**947**	975
Contracted out other staffing services	**968**	1,190
	24,279	26,614
Restructuring costs	**120**	575
	24,399	27,189

7 Key Management Personnel Emoluments

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, Director of Adult Education and Contracts three Assistant Principals, Director of Marketing and Learner Recruitment.

	2021	2020
	Number	Number
The number of Key Management Personnel including the Accounting Officer was	**13**	10

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:

	2021 Number of senior post-holders	**2021 Number of Other Staff**	2020 Number of senior post-holders	2020 Number of Other Staff
£1 to £10,000	**-**	**-**	-	-
£10,001 to £20,000	**1**	**1**	-	-
£20,001 to £30,000	**-**	**-**	-	1
£30,001 to £40,000	**-**	**-**	-	-
£40,001 to £50,000	**-**	**1**	-	-
£50,001 to £60,000	**-**	**1**	-	1
£60,001 to £70,000	**1**	**4**	-	3
£70,001 to £80,000	**1**	**-**	2	-
£80,001 to £90,000	**-**	**-**	1	-
£90,001 to £100,000	**2**	**-**	1	-
£100,001 to £110,000	**-**	**-**	-	-
£110,001 to £120,000	**-**	**-**	-	-

Notes to the financial statements

£120,001 to £130,000	-	-	-	-
£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.

	2021 Number	2020 Number
The number of senior post-holders including the Principal was:	**6**	5

Key Management Personnel emoluments are made up as follows:

	2021 £'000	2020 £'000
Emoluments	**845**	712
Employer's National Insurance	**101**	87
Pensions costs	**167**	137
	1,113	936

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:

	2021 £'000	2020 £'000
Emoluments – current Principal/CEO	**140**	140
Pensions costs – current Principal/CEO	**33**	32
	173	172

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. During the year, there were no severance payments or compensation for loss of office.

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:

	2021	2020
Current Principal basic salary of the median of all staff	**5.4**	5.5
Current Principal total remuneration as a multiple of the median of all staff	**5.0**	5.0

Notes to the financial statements

8 Other operating expenses

	Group 2021 £'000	Group 2020 £'000	**College 2021 £'000**	College 2020 £'000
Teaching costs	**4,623**	5,488	**4,608**	5,757
Non-teaching costs	**3,113**	3,342	**3,415**	3,418
Premises costs	**2,592**	2,277	**2,541**	2,204
	10,328	11,107	**10,564**	11,379

	2021 £'000	2020 £'000
Other operating expenses include:		
External Auditors' remuneration		
Financial statements audit	**85**	72
Other services provided by the financial statement auditor:		
Corporation tax return	**12**	12
TPS audit	**3**	3
VAT advisory	**3**	2
Tax advisory fees	**16**	-
Internal Auditors' remuneration		
Internal audit	**26**	30
Risk workshop	**-**	3
Hire of plant and machinery – operating leases	**132**	130
Hire of other assets – operating leases	**95**	67
	372	319

9 Interest and other finance costs – Group and College

	Group 2021 £'000	Group 2020 £'000	**College 2021 £'000**	College 2020 £'000
On bank loans, overdrafts and other loans:				
Repayable wholly or partly in more than five years	**57**	96	**57**	96
Pension finance costs	**661**	740	**661**	740
	718	836	**718**	836

Pension finance cost includes amounts relating to Enhanced Pension Provision of £43,394 (2019/20: £68,345).

Notes to the financial statements

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:

	2021 £'000	2020 £'000
Deficit on ordinary activities before tax	**(3,480)**	(7,429)
Tax on deficit on ordinary activities at standard corporation tax rate of 19% (2020: 19%)	(661)	(1,412)
Effect of:		
Fixed asset difference	5	5
Amounts in College not deductible	629	1,362
Adjustment to deferred tax rates	(184)	(16)
Losses carried back	13	43
Adjustments in respect of previous periods	(13)	(378)
Deferred tax not recognised	184	425
Total tax charge for the year	**(27)**	29

11 Fixed asset investments

The College

	Shares in subsidiary undertakings £'000
Cost	
At 1 August 2020	619
Disposals	(350)
At 31 July 2021	269
Provisions	
At 1 August 2020 and at 31 July 2021	269
Net book value at 31 July 2021	-
Net book value at 31 July 2020	350

At 31 July 2021, 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**
National Fluid Power Centre Limited	England and Wales	N/A	N/A	Provider of education and training
Rotherham Education Services Limited	England and Wales	Ordinary	100%	Provider of agency staff to the Group

National Fluid Power Centre Ltd (previously North Notts Create Limited), a company limited by guarantee and without any share capital, is treated as a subsidiary as it is indirectly controlled by the Corporation and its activities are conducted for the benefit of the College. Aston Recruitment & Training Limited was disposed of on 30 September 2020 to Bedford College Group. This has resulted in a loss on disposal of £88k.

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 2020 (restated)	66,894	25,547	645	93,086
Transfers	645	-	(645)	-
Additions	867	836	703	2,406
Disposals	(10,738)	(3,118)	-	(13,856)
At 31 July 2021	57,668	23,265	703	81,636
Depreciation				
At 1 August 2020	22,798	21,340	-	44,138
Charge for the year	1,701	1,087	-	2,788
Eliminated in respect of disposals	(8,015)	(2,985)	-	(11,000)
At 31 July 2021	16,484	19,442	-	35,926
Net book amount at 31 July 2021	**41,184**	**3,823**	**703**	**45,710**
Net book amount at 31 July 2020 (restated)	44,096	4,207	645	48,948

The College

	Freehold land and buildings £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 August 2020 (restated)	65,500	24,297	645	90,442
Transfers	645	-	(645)	-
Additions	867	833	703	2,403
Disposals	(10,738)	(2,808)	-	(13,546)
At 31 July 2021	56,274	22,322	703	79,299
Depreciation				
At 1 August 2020	22,231	20,388	-	42,619
Charge for the year	1,673	1,033	-	2,706
Eliminated in respect of disposals	(8,015)	(2,722)	-	(10,737)
At 31 July 2021	15,889	18,699	-	34,588
Net book amount at 31 July 2021	**40,385**	**3,623**	**703**	**44,711**
Net book amount at 31 July 2020 (restated)	43,269	3,909	645	47,823

Land and buildings with a net book value of £6,598,000 (2019/20: 6,789,000) 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 £407,680 (2019/20: £416,173) 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 £1,358,690 (2019/20: £6,865,000). An impairment review was carried out on the carrying value of these assets and it was determined that no adjustment was required as the valuation/sale price expected is higher than NBV in all cases (2019/20: £3,420,000 impairment adjustment).

13 Intangible Assets

Group

	Course Development £'000	**Negative Goodwill £'000**	**Total £'000**
Cost			
At 1 August 2020	60	(1,751)	(1,691)
Movement in year	-	-	-
At 31 July 2021	60	(1,751)	(1,691
Amortisation			
At 1 August 2020	60	(1,751)	(1,691)
Amortised in the year	-	-	-
At 31 July 2021	60	(1,751)	(1,691)
Net book value at 31 July 2021	-	-	-
Net book value at 31 July 2020	-	-	-

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.

Notes to the financial statements

14 Debtors

	Group 2021 £'000	Group 2020 £'000	College 2021 £'000	College 2020 £'000
Amounts falling due within one year:				
Trade receivables	**392**	378	**307**	326
Amounts owed by group undertaking	**-**	-	**239**	398
Other debtors	**540**	295	**527**	293
Amounts owed by the ESFA	**326**	796	**326**	796
Prepayments and accrued income	**557**	666	**556**	656
	1,816	2,135	**1,955**	2,469
Amounts falling due after more than one year:				
Amounts owed by group undertaking	**-**	-	**723**	723
	1,816	2,135	**2,678**	3,192

15 Creditors: amounts falling due within one year

	Group 2021 £'000	Group 2020 £'000	College 2021 £'000	College 2020 £'000
Trade payables	**1,310**	970	**1,264**	957
Amounts owed to subsidiary undertakings	**-**	-	**327**	458
Other taxation and social security	**356**	443	**325**	389
Accruals and deferred income	**3,082**	2,533	**2,928**	2,327
Other amounts owed to the ESFA	**3,318**	1,148	**3,318**	1,148
Bank loans (note 17)	**392**	1,300	**300**	1,300
Corporation tax	**-**	13	**-**	-
Deferred income: government capital grants	**318**	269	**302**	253
Finance lease	**346**	172	**346**	172
	9,122	6,848	**9,110**	7,004

16 Creditors: amounts falling due after one year

	Group 2021 £'000	Group 2020 £'000	College 2021 £'000	College 2020 £'000
Bank loan (note 17)	**3,179**	3,418	**2,770**	3,418
Deferred income: government capital grants	**6,867**	6,581	**6,804**	6,502
Finance lease	**72**	172	**72**	172
	10,118	10,171	**9,646**	10,092

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 2021 £'000	Group 2020 £'000	**College 2021 £'000**	College 2020 £'000
Loans are repayable as follows:				
In one year or less	**392**	1,300	**300**	1,300
Between one and two years	**400**	300	**300**	300
Between two and 5 years	**2,762**	3,118	**2,470**	3,118
In five years or more	**17**	-	**-**	-
	3,571	4,718	**3,070**	4,718

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 had a further RCF facility with Lloyds Bank for £1,000,000 which was drawn down in November 2019 and was secured on the freehold land and buildings of the University Centre Rotherham at Doncaster Gate. The RCF is renewed on a quarterly basis and was repaid in January 2021.

In August 2020, NFPC 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 company until the business has recovered from the effects of lockdown in 2020. Repayments for the loan are monthly over 5 years and commenced 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.

18 Finance Leases

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

	Group 2021 £'000	Group 2020 £'000	**College 2021 £'000**	College 2020 £'000
In one year or less	**346**	172	**346**	172
Between one and two years	**72**	172	**72**	172
Between two and 5 years	**-**	-	**-**	-
In five years or more	**-**	-	**-**	-
	418	344	**418**	344

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

Notes to the financial statements

19 Provisions for liabilities

Group

	Defined benefit obligations £'000	Enhanced pensions £'000	Other Provisions £'000	Total £'000
At 1 August 2020	39,355	3,338	127	42,820
Payments in the period	(1,450)	(237)	-	(1,687)
Income and expenditure account	3,621	-	-	3,621
Interest	618	43	-	661
Actuarial gain	(3,183)	37	-	(3,146)
Transfers	-	-	27	27
At 31 July 2021	**38,961**	**3,181**	**154**	**42,296**

College

	Defined benefit obligations £'000	Enhanced pensions £'000	Other Provisions £'000	Total £'000
At 1 August 2020	39,355	3,338	127	42,820
Payments in the period	(1,450)	(237)	-	(1,687)
Income and expenditure account	3,621	-	-	3,621
Interest	618	43	-	661
Actuarial gain	(3,183)	37	-	(3,146)
Transfers	-	-	27	27
At 31 July 2021	**38,961**	**3,181**	**154**	**42,296**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in note 22.

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

	2021	2020
Price inflation	**2.6%**	2.2%
Discount rate	**1.6%**	1.6%

Other Provisions of £154,000 (2020: £127,000) relate to a liability for European funds and grants that may have to be repaid.

20 Cash and cash equivalents

Group

	At 1 August 2020 £'000	Cash flows £'000	Other charges £'000	At 31 July 2021 £'000
Cash at bank	1,390	**5,150**	**-**	**6,540**

College

	At 1 August 2020 £'000	Cash flows £'000	Other charges £'000	At 31 July 2021 £'000
Cash at bank	1,028	**5,257**	**-**	**6,285**

Notes to the financial statements

21 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	1,390	5,150	-	-	6,540
Loans falling due within one year	(1,300)	908	-	-	(392)
Loans falling due after one year	(3,418)	239	-	-	(3,179)
Finance lease obligations	(344)	273	(347)	-	(418)
Total	**(3,672)**	**6,570**	**(347)**	**-**	**2,551**

22 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:

	2021 £'000	2020 £'000
Teachers' pension scheme contributions	**1,354**	1,357
Local Government Pension Scheme:		
Current service cost	**3,460**	3,078
Past service cost	**-**	125
Curtailments	**118**	126
Administration expenses	**43**	43
Surestart pension scheme	**-**	216
Subsidiary pension schemes	**2**	15
Charge to the statement of comprehensive income	**3,623**	3,603
Enhanced pension charge to the statement of comprehensive income	**-**	-
Total pension cost for year within staff costs	**4,977**	4,960

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 2019 and of the LGPS 31 March 2019.

Contributions amounting to £333,276 (2020: £349,863) 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 March 2019). The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019/20 and 2020/21 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 £1,354,000 (2020: £1,357,000).

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 2021 were £1,815,000 of which employer's contributions totalled £1,296,000 and employees' contributions totalled £519,000. The agreed contribution rates for future years are 15.2% 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 2021 %**	RNN At 31 July 2020 %
Inflation (CPI)	**2.6**	2.3
Rate of increase in salaries	**3.9**	2.3
Rate of increase in pensions	**2.7**	2.4
Discount rate for liabilities	**1.6**	1.6

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 2021	RNN At 31 July 2020
Retiring today		
Males	**22.5**	22.4
Females	**25.3**	25.2
Retiring in 20 years		
Males	**24.0**	23.9
Females	**27.2**	27.1

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 2021 %	**RNN Fair Value at 31 July 2021 £'000**	RNN % of total plan assets at 31 July 2020 %	RNN Fair Value at 31 July 2020 £'000
Equities	**46.2**	**37,583**	46.2	31,304
Bonds	**24.5**	**16,911**	24.5	16,601
Property	**8.9**	**6,890**	8.4	5,692
Cash	**4.1**	**1,409**	4.1	2,778
Other	**16.8**	**15,502**	16.8	11,384
Total fair value of plan assets		**78,295**		67,759

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

	2021 £'000	2020 £'000
Fair value of plan assets	**78,295**	67,759
Present value of plan liabilities	**(117,041)**	(106,888)
Present value of unfunded liabilities	**(215)**	(226)
Net pension liability	**(38,961)**	(39,355)

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

	2021 £'000	2020 £'000
Amounts included in staff costs		
Current service cost	**3,460**	3,078
Past service cost	**-**	125
Curtailments	**118**	126
Administration expenses	**43**	43
Total	**3,621**	3,372
Amounts included in interest and other finance costs		
Net interest cost	**618**	677
Total	**618**	677
Amount recognised in other comprehensive income		
Return on pension plan assets	**9,867**	(73)
Changes in assumptions underlying the present value of plan liabilities	**(6,684)**	(3,885)
Amount recognised in other comprehensive income	**3,183**	(3,958)

Notes to the financial statements

	2021	2020
	£'000	£'000
Movement in defined benefit liability during year		
Net defined benefit liability in scheme at 1 August	**(39,355)**	(33,188)
Movement in year:		
Current service charge	**(3,460)**	(3,078)
Employer contributions	**1,450**	1,840
Past service cost	**-**	(125)
Curtailments	**(118)**	(126)
Net interest on the defined liability	**(618)**	(677)
Administration expenses	**(43)**	(43)
Actuarial gain	**3,183**	(3,958)
Net defined benefit liability in scheme at 31 July	**(38,961)**	(39,355)
Changes in the present value of defined benefit obligations		
Defined benefit obligations at 1 August	**107,114**	99,908
Current service charge	**3,460**	3,078
Interest cost	**1,699**	2,076
Employee contributions	**520**	521
Changes in financial assumptions	**6,684**	3,885
Benefits paid	**(2,339)**	(2,605)
Past service cost	**-**	125
Curtailments	**118**	126
Defined benefit obligations at 31 July	**117,256**	107,114

	2021	2020
	£'000	£'000
Changes in fair value of plan assets		
Fair value of plan assets at 1 August	**67,759**	66,720
Interest on plan assets	**1,081**	1,399
Expected return on assets	**9,867**	(73)
Employer contributions	**1,450**	1,840
Contributions by scheme participants	**520**	521
Estimated benefits paid	**(2,339)**	(2,605)
Administration expenses	**(43)**	(43)
Fair value of plan assets at 31 July	**78,295**	67,759

The value of employer contributions for the year ended 31 July 2021 is £1,450,000 (2020: £1,840,000).

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 adjustment to 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 not expected to be material and has therefore not been included in the pension liability.

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 behavioral 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%.

Following a recent Employment Tribunal ruling that a female member in an opposite sex marriage is treated less favorably than a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on the grounds of sexual orientation, the government announced in July 2020 that it believed changes would be required to all public sector schemes with similar arrangements. For the College, this will increase the liability in respect of the South Yorkshire Pension Fund, but no allowance has been made in the accounting figures as it is expected that the impact on the liabilities will be immaterial and there is currently insufficient data available to estimate a cost.

23 Access and participation spending

	2021	2020
	£'000	£'000
Access investment	**227**	219
Financial support to students	**31**	15
Disability support	**37**	37
Research and evaluation	**12**	12
	307	283

£276k (2020: £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 on the RNN Group website. The spend is lower than originally planned in both years due to the plan being based on predictions of recruitment at the UCR prior to it's opening. All financial commitments articulated in the Access and Participation plan were met and all students requiring financial support were approved.

24 Group and College Capital commitments

Commitments contracted for at 31 July 2021 totaled £483,000 (2020: £57,000).

25 Group and College Lease obligations

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

	2021		2020	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Future minimum lease payments due				
No later than one year	**67**	**127**	67	130
Later than one year and not later than five years	**195**	**101**	195	183
Later than five years	**13**	**117**	13	117
	275	**345**	275	430

In November 2020, the Group entered into a further 2-year finance lease agreement for 600 laptops at a total cost of £347k.

Notes to the financial statements

26 Contingent liability

The Group had no contingent liabilities as at 31 July 2021 (2020: £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.

27 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 £815 to 4 Governors (2020: £1,584, 1 Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2020: None).

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

28 Amounts disbursed as agent

	2021 **£'000**	2020 £'000
Funding body grants – bursary support	**443**	408
Funding body grants – discretionary learner support	**-**	-
Other funding bodies grants	**846**	987
Interest earned	**-**	-
	1,289	1,395
Disbursed to students	**(773)**	(920)
Administration costs	**(49)**	(54)
Balance unspent at 31 July, included in creditors	**467**	421

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

29 Surestart

Previously, 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. This partnership ceased on 31 May 2020. All funds were maintained in a bank account separate to the College.

The College recognised £433,171 income (2020: £2,653,247) and £nil (2020: £2,194,366) expenditure in the year. £343,171 of the income relates to a reconciliation of the bank account including prior year gainshare due to RNN Group and the remaining £90,000 relates to a release of a historic provision which is no longer required.

30 Prior year adjustments

The prior year financial statements have been restated to incorporate land valued at £345,000 which was not previously included in the accounts along with a restatement of the prior year impairment adjustment. Previously, the impairment adjustment of £3,420,000 was deducted entirely from the revaluation reserve. However, it has now come to light that only £798,000 of this related to assets which had previously been revalued. The impact of this is an increase of £2,621,000 to the revaluation reserve and an equivalent reduction to the income and expenditure reserve.

	As previously reported at 31 July 2020 £'000	Adjustments £'000	**As restated at 31 July 2020 £'000**
Group			
Changes to the Balance Sheet			
Non-current assets – Tangible assets	**48,603**	345	**48,948**
Total Net Liabilities	**(7,695)**	345	**(7,350)**
Reserves - Income and Expenditure account	**(11,710)**	(2,621)	**(14,331)**
Reserves – Revaluation reserve	**4,015**	2,966	**6,981**
Changes to Reserves			
Income and expenditure account	**(11,710)**	(2,621)	**(14,331)**
Revaluation reserve	**4,015**	2,966	**6,981**
College			
Changes to the Balance Sheet			
Non-current assets – Tangible assets	**47,478**	345	**47,823**
Total Net Liabilities	**(7,853)**	345	**(7,508)**
Reserves - Income and Expenditure account	**(11,868)**	(2,621)	**(14,489)**
Reserves – Revaluation reserve	**4,015**	2,966	**6,981**
Changes to Reserves			
Income and expenditure account	**(11,868)**	(2,621)	**(14,489)**
Revaluation reserve	**4,015**	2,966	**6,981**