

**RNN Group**  
**Annual Report and Financial Statements**  
**Year ended 31 July 2022**

## **RNN Group**

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## **RNN Group**

### **Reference and Administrative Details**

**Key management personnel:** Key management personnel are defined as members of the Group Leadership Team and were represented by the following in 2021/22:

Jason Austin, Principal and CEO; Accounting Officer

Tracey Mace-Akroyd, Deputy Principal and CEO

Gavin Teasdale, Interim Executive Director of Finance  
(Resigned 31 December 2021)

Phil Curtis, Executive Director of Finance (Appointed 04  
January 2022)

Jane Hartog, Executive Director of Human Resources and  
Marketing

Tony De'Ath, Executive Director of Corporate Services  
(Resigned 31 August 2022)

Cheryl Martin, Assistant Principal

Claire Godfrey, Assistant Principal

Angela Bates, Assistant Principal (Resigned 30 November  
2022)

Rebecca Blackburn, Director of Apprenticeships  
(Resigned 30 April 2022)

Sally Steadman, Director of Marketing and Learner  
Recruitment (Resigned 31 January 2022)

Lucy Barnwell, Director of Marketing and Learner  
Recruitment (Appointed 12 March 2022)

Daniel Stanbra, Director of Adult Education

Keith Sanderson, Interim Campus Manager (Appointed  
01 April 2022)

David Smith, Interim Campus Manager (Appointed 01  
April 2022)

Mel Smith, Interim Director of Programmes for Young  
People and NEETS (Appointed 01 April 2022)

Kelly Beighton, Interim Director of Higher Level Skills  
and Innovation (Appointed 01 April 2022)

<b>Board of Governors:</b>	<p>A full list of Governors is on pages 20-21 of these financial statements.</p> <p>Details of people acting as Director of Governance throughout the period are on page 21.</p>
<b>Bankers:</b>	<p>National Westminster Bank Plc, 69 Bridge Street, Worksop, Nottinghamshire, S80 1DJ</p> <p>Lloyds Bank, 1 High Street, Sheffield, S1 2GA</p>
<b>Solicitors:</b>	<p>Eversheds Sutherland, Bridgewater Place, Water Lane, Leeds, LS11 5DR</p> <p>Fisher German LLP, 40 High Street, Market Harborough, Leicestershire, LE16 7NX</p>
<b>Internal auditors:</b>	<p>RSM Risk Assurance Services LLP, Central Square, 29 Wellington Street, Leeds, LS1 4DL</p>
<b>Financial statements and regularity auditor:</b>	<p>Cavanagh Kelly, Chartered Accountants and Statutory Auditors, 36-38 Northland Row, Dungannon, Co. Tyrone, BT71 6AP</p>

## **RNN Group**

### **Strategic report**

#### **OBJECTIVES AND STRATEGY**

The governing body present their annual report together with the financial statements and auditor's report for RNN Group for the year ended 31 July 2022.

#### **Legal status**

The corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting RNN Group. The Group 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 2022, the Group had two trading subsidiaries, National Fluid Power Centre Ltd and Rotherham Education Services Limited. The National Fluid Power Centre Ltd 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.

#### **Mission, Vision, Strategy and Objectives**

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

**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

**Resources**

The group employs 729 people (608 full time equivalents), of whom 264 (228 full time equivalents) are teaching staff.

The Group enrolled approximately 11,100 students. The Group's student population includes 2,825 16-to-18-year-old students, 1,214 apprentices, 486 higher education students, and 6,420 adult learners.

During the year the Group received income of £25.5 million (2021: £26.7 million) in Government funding and Office for Students funding.

The group has £28.1 million of net assets (2021: (£7.5 million net liabilities)) including £2.7 million pension liability (2021: £38.9 million) and long-term debt of £9.7 million (2021: £10.1 million).

At 31 July 2022 the net book value of fixed assets was £44.5 million of which included the Group's properties at £40.5 million.

RNN Group was delighted to be announced as a Beacon Commended College in the award category of Mental Health and Wellbeing as part of the Association of Colleges Annual Awards.

The Group has received this commendation for the creation of the RNN Inspire programme which focused on supporting learners with their mental health and anxiety following the global pandemic. The programme was created to bring about a shift in learners' growth mindset with the aim of supporting them to develop a 'can do' approach.

## **Stakeholders**

The Group has many stakeholders including:

- its current, future and past students;
- its staff and their trade unions. The senior management team are named on page 3. The trade unions of which RNN Group staff are members are the University and College Union, National Education Union and Unison.
- the employers it works with. The key stakeholders are AES Seals; Equans; RMBC; Bassetlaw District
- Council; Woodhead Construction and Nexus Multi Academy Trust.
- its feeder schools and partner universities.
- the wider Group community;
- its local borough council, combined authority and Local Enterprise Partnership.

## **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 pages 20 and 21.

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 Group 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).

## **DEVELOPMENT AND PERFORMANCE**

### **Financial Results**

The Group generated a deficit from operations of £1,064,000 (2021: surplus of £623,000). The Group received 80% of its total income for 2021/22 as grants from funding bodies, most notably from the Education and Skills Funding Agency for 16-18 provision. The decline in performance from the prior year was largely due to a decrease in funding from the ESFA in relation to 16 -18 budget from £18.2m in 2020/21 to £17.6m in 2021/22 due to reduced learner numbers.

The actuarial gain on the pension scheme balance have resulted in a total comprehensive gain for the year of £35.6 million (2021: loss £0.3 million).

The Group has a loan balance of £3.2 million due to be repaid in 2025 or sooner depending on the sale of land at our Dinnington Campus. At the balance sheet date, the group held net current liabilities of £1.3 million and net assets of £28.1 million which includes a defined benefit pension liability of £2.7 million.

### **Cash flows and liquidity**

At £4,973,000 (2021: £6,540,000), net cash flow from operating activities was reasonably strong at £444,000. The increase from the prior year is due to an improvement in operating performance before depreciation and capital expenses.

During the year the Group repaid capital on secured loans of £392,000. The balance of the £3,178,000 is due to be repaid in 2025 the Group has no plans to seek further borrowing.

The size of the Group's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this cushion was sizeable; the interest paid of £65,000 was clearly exceeded comfortably by the operating cashflow of £400,000.

### **Reserves**

The Group has accumulated reserves of £28 million with cash balances of £5 million. The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund to meet future capital requirements.

### **Sources of income**

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2021/22, ESFA provided 53% of the Group's total income.

### **Group companies**

The Group has two subsidiary companies, Rotherham Education Services Limited and National Fluid Power Centre Ltd. The principal activity of Rotherham Education Services Limited is the provision of hourly paid workers to RNN Group and its subsidiaries, whilst National Fluid Power Centre Ltd provides consultancy, research, education, accreditation and training. Any surpluses generated by the subsidiaries are transferred to the Group



under deed of covenant. In the current year, Rotherham Education Services Limited generated a loss of £3.3k (2021: £6.4k profit) and National Fluid Power Centre Ltd generated a profit of £155k (2021: £150k loss).

## **FUTURE PROSPECTS**

### **Future developments**

#### **Financial plan**

The Group governors approved a financial plan in July 2022 which sets objectives for the period to 2023. The Group aims to maintain its health rating of requires improvement and achieve a small surplus in 2022/23. Included in our budget are the recommended pay increases from the association of colleges amounting to c£1 million.

Adult education budget and 16-19 funding decreased in the year to 31 July 2022.

The Group also plans to cut spending by £1.5m in 2022/23, due to a decrease in learner numbers and reduced reliance on sub-contracts to deliver curriculum activities. The Group is also accessing the DfE's Curriculum Efficiency and Financial Sustainability Support to ensure curriculum plans and staffing are match to learner numbers and needs.

#### **Treasury policies and objectives**

The Group has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities. Short term borrowing for temporary revenue purposes is authorised by the Principal/Chief Executive Officer. All other borrowing requires the authorisation of the corporation.

The Group has no plans to increase borrowings and is confident that the loan taken out in 2019 will be repaid ahead of the scheduled repayment plan.

### **Reserves**

The Group 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 Group's core activities. The Group has no restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £22.8m (2021: £12.9m deficit). The Income and Expenditure reserve is stated net of the defined pension liability £2.7m (2021: £39m). It is the corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

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.

Improvements to our risk management framework and risk register are on-going but are already demonstrating the Group has an insight on the most important risks, the controls currently in place and actions required to further manage our risks. The risk management approach is consistently applied and is seen as a particularly important aspect of college

management, with training and development being cascaded through all levels of the organisation. 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. Managers are able to use their risk register as part of their day to day activities and therefore be able to identify key risks faced.

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

The Group 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 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 Group has considerable reliance on continued government funding through the ESFA and Office for Students (OfS). In 2020/21, 80% 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 with a further £354 in 2022/23. 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

These risks are mitigated in a number of ways:

- By ensuring the Group 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 Group recruitment and income.
- Review of local demographics and the associated growth and retraction in learners entering the 16-19 age group and ensuring our planning reflects these trends.
- Remaining responsive to changing circumstances; maintaining staffing levels that match the number of learners and their needs.
- Ensuring the Group 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 SYMCA and D2N2 regions.
- Continue to develop the Higher Education and Skills offer, focussed on Higher Apprenticeships and other employer related skills needs.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
- Regular dialogue with the ESFA.
- Ongoing PIMS meetings.
- Working with colleagues within the SYMCA 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 Group.
- Reviewing the marketing strategy to ensure potential learners are able to access learning opportunities within the Group.

## 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.
- Remaining responsive to changing circumstances; maintaining staffing levels that match the number of learners and their needs.
- 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 to restore revenue reserves.
- All of the above risks have been identified as strategic risks, both in the strategic plan and the risk management register.

## KEY PERFORMANCE INDICATORS

The Groups key performance indicators, targets and results are set out below.

Key performance indicator	Measure/Target	Actual for 2021/2022
<b>Student number targets (16-18 learners)</b>	3215	2844
<b>Student achievement</b>	87%	84%
<b>Operating surplus/EBITDA as % of income</b>	3.65	3.71
<b>Financial Health</b>	Requires Improvement	Requires Improvement
<b>Ofsted rating</b>	Good	Requires Improvement

### Student achievements

Students continue to prosper at the Group. Achievement rates remained high in 2021/22, 95% of students moved into employment, further or higher education after they completed their course.

### Payment performance

The Group 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 Group will not pay even if the due date has passed. The Group paid 38% of invoices in the year to 31 July 2022 in less than 30 days. 87% of invoices were paid within 60 days.

## EQUALITY AND DIVERSITY

### Equality

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 Group's Single Equality Scheme, including its Race Relations and Transgender Policies, is published on the Group'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.

### Gender pay gap reporting

As an employer of 250+ employees, we are required to comply with Gender Pay Gap legislation and provide a yearly report. Aside from the legal requirement, fairness, inclusion and equal opportunity are at the heart of our values, so gathering and transparently reporting on gender pay gap information allows us to see where we are currently, and how to make positive changes in the future.

The timetable for publishing this information is within 12 months of the reporting period thus our latest available data is to 31<sup>st</sup> March 2021.

### Our Gender Pay Gap Data

On the snapshot date our workforce gender demographic consisted of 283 men and 565 women. No employees identified as non-binary.

	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Mean Gender Pay Gap</b>	16.6%	14.9%	13.8%	13.2%	<b>16.1%</b>
<b>Median Gender Pay Gap</b>	25.2%	27.1%	27.1%	26.5%	<b>22.7%</b>

The data shows our gender pay gap, based on mean (average) hourly salary, is **16.1% lower** for women, and the median hourly salary is **22.7% lower** for women across the organisation.

This is a 2.9% increase in our mean gender pay gap but a 3.8% decrease in our median gender pay gap compared to 2020-21.

The Group publishes its annual gender pay gap report on its website.

### **Disability statement**

The Group seeks to achieve the objectives set down in the Equality Act 2010:

- a) As part of its estates strategy the group is current reviewing the use and accessibility of its properties. Experts in this field will conducted a full access audit in 2023, and the results of this will form the basis of funding capital projects to continue to improve access.
- b) The Group has appointed staff, who provides information, advice and arranges support where necessary for students with disabilities.
- c) There is a list of specialist equipment, such as radio aids, which the Group can make available for use by students and a range of assistive technology is available in the learning centre.
- d) The admissions policy for all students and appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) The Group has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- f) Specialist programmes are described in the Groups prospectuses, and achievements and destinations are recorded and published in the standard Group format.
- g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

### Trade union facility time

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

Numbers of employees who were relevant period	FTE employee number
7	5.24

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

Total cost of facility time	£13,855
Total pay bill	£20,502,000
Percentage of total bill spent on facility time	0.07%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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### GOING CONCERN

After making appropriate enquiries, the corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

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 meeting its planned financial health score of requires improvement having made an unfinanced pay award during the year.

Pay continues to be an important factor in the success of the group in attracting and retaining key lecturing and teaching staff but also in rationalising staffing structures to reduce costs to be more in line with sector averages of 65% of income spent of staffing. Current forecasts for the 2022/23 year are close to 70% and senior leaders are taking steps to bring this down during the year, with a review of vacancies and non-staff costs. A

recent business review has identified c£1.5m of savings in the current year, which will return the group to the financial position originally budgeted for during summer 2022.

Governors have approved a new budget setting strategy for financial years 2023/24 to 2028/29 with clear expectations for the executive team to improve the financial health and control cost in line with sector benchmarking information on staffing and non-staffing costs.

The ESFA/FEC continue to hold regular 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:

	2021/22	2021/22	2022/23
	Budget	P13 Actuals	Plan
Adjusted current ratio	1.00	1.00	1.22
EBITDA as % of income	3.65%	3.71%	2.3
Borrowing as % of income	8.77%	8.78%	0.9
Financial Health Score	170	170	170
Financial Health Grade	Requires Improvement	Requires Improvement	Requires Improvement

As in previous forecasts, Income growth included within the plan was prudent and our overall position following a full review with budget holders in early 2022/23 is showing an adverse variance to the overall position. As mentioned above the senior leaders are taking steps to bring this back in line with the original forecast. The Group should maintain its Requires Improvement financial health in 2022/23 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 of the SYMCA allocation of AEB in 2021/22 and subsequent years
- Apprenticeships enrolments in year
- HE enrolments in 2022/23.
- The ability to make adequate cost savings during the year

The forecasts that have been prepared for the periods to 31 July 2023, 31 July 2024 and 31 July 2025 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, under the budget setting strategy, demonstrate that the Group has sufficient cash resources to meet its liabilities and cover its covenant compliance requirements with adequate headroom in cash resources to mitigate the risks considered above. The model automatically provides KPIs for expenditure when assessing sensitivities applied in the going concern assessment to include reductions in revenue from AEB and apprenticeships.



Additional FE capital funding for the 2022 to 2023 financial year has been announced in three separate grants.

- The first wave of allocated funding announced £346,304 to prioritise capital projects that improve energy efficiency.
- The second announcement £866,984 of capital funding for RNN that should be received April 2023 prioritising condition improvement.
- 28th March the ESFA announced the RNN Group has been allocated £4,432,281.33 of capital funding for the next two years:
  - £1,040,362.17 for 2023/24; and
  - £3,391,919.16 for 2024/25.

Expenditure from these sources will support the Group's IT and Estates Strategies in furtherance of its overall strategic objectives.

The Group has net current liabilities of £1.3m at 31 July 2022 (net current liabilities of £0.8m at 31 July 2021) and net assets of £28.1m (2021: net liabilities of £7.4m) net of the defined benefit pension liability. The Group has net assets of £30.8m excluding the defined benefit pension liability at 31 July 2022 (2021: £31.5m net assets).

The financial plans for the years 2023/24 and 2024/25 show the Group 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. The recent announcement by the office for national statistics, ONS, to reclassify colleges and college groups as public sector organisations does not appear to present the RNN Group with any material impact on its operational or financial plans. The Group will monitor and implement future guidance as published by its regulators.

## **EVENTS AFTER THE REPORTING PERIOD**

During the period 22nd to 25th November 2022 the Office for Standards in Education, Children's Services and Skills (Ofsted) inspected the Group and published its finding 28th December 2022. The Group was judged to be Good in all areas having previously been judged as Requires Improvement in March 2019.

As part of its plans to rationalise its surplus estate capacity the group agreed to sell land at Chapel Way, Kiveton park, Rotherham to Strata Homes Yorkshire Limited which completed April 2023. The Group owned an equal share of the land and received 50% of the disposal proceeds of £2.2m and intends to hold the cash receipt of £1.1m and allocate this to future capital investment in line with updated guidance from the ESFA following the ONS's reclassification. This guidance states the proceeds of disposal must be used for capital reinvestment in further fixed assets and/or to:

- repay loans, to DfE and to banks;
- repay any overpayments of ESFA/DfE grants, or satisfy grant conditions where a repayment to ESFA/DfE is due (for example overage);
- exceptionally, provide working capital for colleges to avoid the risk of insolvency.

In November 2022 the ESFA commissioned PwC to perform an assurance exercise on the funding the Group claimed from ESFA in the financial year 2021/22. The assurance engagement completed April 2023 and it was found that the Group had funding claim

errors amounting to £237,801 to be recovered by the ESFA. The weaknesses identified in the system of controls are included on page 31 together with the Group's actions to mitigate against further errors.

## **DISCLOSURE OF INFORMATION TO AUDITORS**

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

Approved by order of the members of the corporation on 5/15/2023 and signed on its behalf by:

DocuSigned by:  
  
2E85C8556834464...

Janet Pryke

Chair of the Corporation

## **RNN Group**

### **Statement of Corporate Governance and Internal Control**

#### **Governance Statement**

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 2021 to 31 July 2022 and up to the date of approval of the annual report and financial statements.

#### **GOVERNANCE CODE**

The Group endeavours to conduct its business:

1. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
2. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code")

In the opinion of the Governors, the Group complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2022. Internal auditors conducted testing of the 'musts' within the Code to ensure compliance during the year. All recommendations for improvement were accepted and have been addressed. 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 2015, which it formally adopted in March 2015 and is periodically updated thereafter.

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.

## THE CORPORATION

### Members of the corporation

The members who served on the corporation during the year and up to the date of signature of this report were as listed in the table below.

Name	Date of appointment / reappointment	Current term of office	Date of resignation	Committees served	Status of appointment	Board Attendance in 21/22
Jason Austin	09/05/2019	When ceases to be Principal		Search & Governance Finance Quality & Standards	CEO/Principal	100%
Janet Pryke (Chair)	18/12/2019	4 years		Finance (Chair) Search & Governance	External	80%
Veronica de Bruce McCoy	18/12/2019	4 years		Quality & Standards	External	40%
Stephen Bulley	18/12/2019	4 years		Audit & Risk (Chair) Search & Governance	External	100%
Gareth Owen	28/01/2020	3 years	20/10/2021	Audit	External	0%
Mirella Palazzo (formerly Barnes)	18/12/2019	3 years	01/03/2022	Quality & Standards	External	50%
Monika Rodzos	25/03/2020	4 years		Finance	External	80%
Joanna White	21/09/2020	4 years	14/09/2022	Audit & Risk	External	60%
Heather Barnett	23/11/2020	4 years		Quality & Standards	External	60%
Jennifer Worsdale (Vice Chair)	23/11/2020	4 years		Quality & Standards (Chair from January 2021) Finance Search & Governance	External	100%
Rob Lawson	14/07/2021	4 years	31/07/2022	Finance	External	100%
Owen Hamilton-Davies	14/07/2021	1 full academic year to 31/8/2022		None	Student	0%
Keane Ward	20/10/2021	1 academic year to 31/8/2022		None	Student	0%
Wade Makey	01/09/2022	1 academic year to 31/8/2023		None	Student	N/A

Chantelle Foster	01/09/2022	1 academic year to 31/8/2023		None	Student	N/A
Shirley Collier	31/08/2021	4 years		Quality & Standards	External	100%
Margaret Cobb	20/10/2021	4 years		Finance	External	100%
Donna Clifford	20/10/2021	4 years		Quality & Standards	External	100%
Sharron Blackburn	20/10/2021	4 years		Audit & Risk	External	100%
Carol Stanfield	20/10/2021	4 years		Quality & Standards	External	50%
Katie Curtis	29/04/2020	4 years		Quality & Standards	Staff	80%
Katie Asgari	20/10/2021	4 years		Quality & Standards	Staff	80%
Debbie Marshall	17/10/2022	4 Years		Finance & Resources	External	N/A
Ian Sackree	14/07/2021	3 academic years	07/10/2022	Finance	Co-optee	N/A
Roopa Patel-Harji	31/08/2021	3 academic years		Audit & Risk	Co-optee	N/A

Maxine Bagshaw acted as Director of Governance of RNN Group from 1 April 2021 and continues.

Since the year ended 31 July 2022, there have been Governance changes to the Corporation. As noted in the table above, with several new Governors joining throughout the year.

### **The governance framework**

It is the corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The corporation is provided with regular and timely information on the overall financial performance of the Group together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues.

The corporation conducts its business through the following committees:

- Finance & Resources Committee
- Audit & Risk Committee
- Quality and Standards Committee
- Search & Governance Committee
- Apprenticeship Delivery Task and Finish Group
- Pay and Reward 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 on the Group's website or from the Director of Governance at RNN Group, Eastwood Building, 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 and is provided on the Group website.

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 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 Accounting Officer/Principal are separate.

### **Appointments to the corporation**

Any new member appointments to the corporation are a matter for the consideration of the corporation as a whole. The corporation has a search and governance committee, consisting of up to six members of the corporation, which is responsible for the selection and nomination of any new member for the corporation's consideration. The corporation is responsible for ensuring that appropriate training is provided as required. Training completed by governors and the Director of Governance are set out below.

#### Director of Governance

<b>Date</b>	<b>Event title</b>
2021	The Technical Aspects of being a Governance Professional – Intermediate Level Programme (The Institute of Leadership and Management/ETF)
31/8/2021	Sexual Harassment update (linked to new KCSIE which comes into force on 1/9/2021) (4.30-5pm)
1/9/2021	Post Pandemic Clerking in the 21 <sup>st</sup> Century – Conference hosted by National Association of School and College Governors (9.30-1pm)
7/9/2021	RNN Governor Training (4-7pm): <ul style="list-style-type: none"> <li>- Diversification of the board (with a focus on race and age)</li> <li>- KCSIE update 2021</li> <li>- EIF Update</li> <li>- Risk Appetite</li> </ul>
8/9/2021	Midlands Clerks network meeting (11-1)
16/9/2021	Audit for Governors workshop – hosted by Yorkshire and Humber AOC (3-5pm)
20/9/2021	ETF – Effective on-boarding of new governors
21/9/2021	ETF – Hot topics in governance
21/9/2021	ETF – Engaging parent governors
23/9/2021	ETF – Position and own the value of your governance role
27/9/2021	Safeguarding in the FE and Training Sector (ETF)
6/10/2021	Yorkshire and Humber clerks network meeting

6/10/2021	WNC – safeguarding refresher training (11-12noon)
13/10/2021	Midlands Clerks network meeting
14/10/2021	SOTC Governor Training (4-7pm) - Risk Management - KCSIE/Safeguarding Update
3/11/2021	AOC (David Hughes) presentation to RNN Group governors – sector update/Skills Bill developments
10/11/2021	AOC Regional Clerks Network meeting - Midlands (11-12noon) Topics included use of the college seal and using Power of Attorney (Eversheds)
12/11/2021	AOC Northern Governance Conference Topics: <ul style="list-style-type: none"> <li>• Post Cop26 and our green Commitment (from HE &amp; FE Climate Change Commissioner)</li> <li>• College collaborations: the role of Governors and the Governance Professional (from Stone King solicitors)</li> <li>• What binds us Together (from AOC &amp; ETF Director of Diversity)</li> <li>• Supporting Student &amp; Staff Mental Health</li> <li>• Sector Update and Safeguarding</li> </ul>
1/12/2021	AOC Webinar – ‘Skills Bill – What next? – collaboration in the Midlands’
7/12/2021	Updates on the Ofsted framework following recent inspections – AAT
4 x 1hr sessions	ETF Coaching and Mentoring with Kay White
14/12/2021	NGA MAT Governance Network meeting (4-6pm)
2/2/2022	RNN Development session for Exec and Governors: <ul style="list-style-type: none"> <li>• Climate/Sustainability – Steve Frampton (AOC)</li> </ul>
10/2/2022	T Levels
7/3/2022	SOTC Development session <ul style="list-style-type: none"> <li>• Ofsted preparation for governors</li> <li>• Apprenticeships</li> </ul>
9/3/2022	AOC Midlands Clerks Conference
15/3/2022	Marketing and Learner Recruitment workshop
30/3/2022	NGA Governance Professionals Conference – Day 1 (10-12.30)
30/3/2022	Midlands and East Governance Conference (AOC/ETF 1.30-4.30) <ul style="list-style-type: none"> <li>- Governance through an Ofsted lens</li> <li>- External Board Reviews</li> <li>- Mental Health in FE</li> <li>- EDI</li> <li>- Sustainability</li> <li>- FEC presentation</li> </ul>
31/3/2022	NGA Governance Professionals Conference – Day 2 (10-12.30)
6/5/2022	Sector Update – AOC CEO David Hughes LSIPs – Chamber of Commerce
11/5/2022	RNNs 2022 Environmental Conference
16/5/2022	MAT Governance Forum (NGA) 4.30-6pm
18/5/2022	Cyber Security (Jisc training to RNN Governors) Approach to Risk Appetite
17/6/2022	Changes to Ofsted inspection for 2022/23 – AOC Midlands and East meeting
3/8/2022	Cyber Security for School Staff (National Cyber Security Centre)
15/8/2022	Online update modules (RNN Group): <ul style="list-style-type: none"> <li>- Phishing</li> <li>- ACT Awareness 2022 (e-learning) – Action Counters Terrorism</li> <li>- Fraud – card skimming and social engineering</li> <li>- Working with computers</li> <li>- Understanding H&amp;S</li> </ul>

Governors

	EVENTS HELD IN COLLEGE	GOVERNOR ATTENDANCE
<b>1</b>	7 <sup>th</sup> September 2021 <ul style="list-style-type: none"> <li>- Diversifying your board (NBGN)</li> <li>- KCSIE Update</li> <li>- Ofsted/EIF Update</li> <li>- Risk Management/Risk Appetite (ICCA)</li> </ul>	Janet Pryke, Jenny Worsdale, Jason Austin, Stephen Bulley, Rob Lawson, Shirley Collier, Heather Barnett, Jo White, Monika Rodzos, Roopa Patel-Harji
<b>2</b>	Induction for new governors – 18/10/21 <ul style="list-style-type: none"> <li>• Safeguarding, Prevent &amp; EDI</li> <li>• Governance</li> <li>• College context</li> <li>• Curriculum, Quality &amp; Ofsted</li> <li>• Finance and Risk</li> <li>• Google training</li> </ul>	Rob Lawson, Shirley Collier
<b>3</b>	AOC Sector Update – David Hughes – 3/11/2021	Jason Austin, Heather Barnett, Veronica De Bruce McCoy, Stephen Bulley, Janet Pryke, Katie Curtis, Katie Asgari, Monika Rodzos, Jo White, Jenny Worsdale, Rob Lawson, Shirley Collier, Donna Clifford, Margaret Cobb, Sharron Blackburn, Carol Stansfield
<b>5</b>	Environmental Sustainability and the Green/Climate agenda (Presented by Steve Frampton at AOC 2.2.2022)	Carol Stanfield, Jason Austin, Shirley Collier, Donna Clifford, Katie Asgari, Heather Barnett, Stephen Bulley, Jenny Worsdale, Janet Pryke, Jo White, Monika Rodzos, Roopa Patel-Harji
<b>6</b>	Induction for new governors – 2/12/21 <ul style="list-style-type: none"> <li>• Safeguarding, Prevent &amp; EDI</li> <li>• Governance</li> <li>• College context</li> <li>• Curriculum, Quality &amp; Ofsted</li> <li>• Finance and Risk</li> <li>• Google training</li> </ul>	Margaret Cobb, Carol Stanfield  (All sessions recorded and provided to Sharron Blackburn, Katie Asgari and Donna Clifford for independent access)
<b>7</b>	Marketing and Learner recruitment workshop (15.3.2022)	Jason Austin, Heather Barnett, Jenny Worsdale, Rob Lawson, Margaret Cobb, Sharron Blackburn, Carol Stanfield
<b>8</b>	3 x Campus Tours with the CEO (28.3.2022)	Margaret Cobb, Carol Stanfield, Donna Clifford
<b>9</b>	Cyber Security and Risk management/Appetite (18.5.2022)	Monika Rodzos, Heather Barnett, Katie Asgari, Jason Austin, Margaret Cobb, Donna Clifford, Sharron Blackburn, Carol Stanfield
	<b>EXTERNAL EVENTS</b>	<b>GOVERNOR ATTENDANCE</b>
<b>1</b>	FEC launch: Good Practice Guide for College Management Accounts (5.7.2021)	Monika Rodzos, Jason Austin, Mirella Palazzo
	Hopwood Hall College Governor Training: <ul style="list-style-type: none"> <li>- Ofsted Inspections including changes due to covid</li> </ul>	Jenny Worsdale



	<ul style="list-style-type: none"> <li>- Safeguarding issues facing colleges</li> <li>- Curriculum intent</li> </ul>	
<b>2</b>	ETF Chairs Leadership Programme 2021  (31 October – 2 November 2021)	Janet Pryke
<b>3</b>	AOC Annual Conference (17 <sup>th</sup> & 18 <sup>th</sup> November 2021)	Janet Pryke, Rob Lawson, Donna Clifford and Jason Austin
<b>4</b>	Designing a new approach to FEC intervention – ‘Active Support’ (I day workshop with FEC/DfE/ESFA on 21.1.2022)	Rob Lawson
<b>5</b>	Bringing out the best in you – promoting a safe and inclusive college community – including Trauma I Approach and Prevent duty (February 2022 at Hopwood Hall)	Jenny Worsdale
	<b>ONLINE COURSES/RESOURCES</b>	
<b>1</b>	Safeguarding Adults Level 3	Monika Rodzos
<b>2</b>	NASCC Conference: Post-Pandemic Clerking in the 21 <sup>st</sup> Century (3.9.2021)	Maxine Bagshaw
<b>3</b>	AOC Governor workshop – Audit Committee (16.9.2021)	Maxine Bagshaw
<b>4</b>	Building a whole college approach to Careers Education Advice and Guidance (AOC and Careers Enterprise Company)  (22.9.2021)	Veronica De Bruce McCoy
<b>5</b>	Data Protection – Handling Data (6.10.2021)  Setting Strong Passwords (6.10.2021)  DPA Accountability and Compliance (6.10.2021)	Shirley Collier
<b>6</b>	Blended Learning in HE Webinar (from the Blended Learning Consortium) – 13 <sup>th</sup> October 2021	Shirley Collier
<b>7</b>	Equality and Diversity Briefing course (internal) (19.10.2021)  Safeguarding Training (internal, online) (19.10.2021)	Shirley Collier
<b>8</b>	ETF Staff Governor Conference (3.12.2021)	Katie Asgari and Katie Curtis
<b>9</b>	AOC Regional Governance Conference (12.11.2021)	Shirley Collier AOC Northern Governance Conference

		Topics: <ul style="list-style-type: none"> <li>• Post Cop26 and our green Commitment (from HE &amp; FE Climate Change Commissioner)</li> <li>• College collaborations: the role of Governors and the Governance Professional (from Stone King solicitors)</li> </ul>
<b>10</b>	AOC Regional New Governor Induction (22.11.2021)	Sharron Blackburn, Carol Stanfield and Donna Clifford
<b>11</b>	Integrating Careers into the Curriculum (AOC & CEC) (24.11.2021)	Veronica De Bruce McCoy
<b>12</b>	AOC FE green thread webinar series – Where are we Post COP 26? Policy and action in the Climate Emergency & Sustainability (1.12.2021)	Donna Clifford
<b>13</b>	Safeguarding essentials (9.12.2021)	Carol Stanfield
<b>14</b>	New Governor HR modules and documents (via metacompliance)  Modules: <ul style="list-style-type: none"> <li>- Challenging Unconscious Bias</li> <li>- Understanding Health &amp; Safety</li> <li>- Tackling Modern Slavery</li> <li>- Antibribery &amp; Corruption</li> <li>- Data Protection – Handling Data</li> <li>- Essential Phishing awareness 2021</li> <li>- GDPR Awareness</li> <li>- Safeguarding Essentials</li> <li>- Equality and Diversity Briefing</li> <li>- Working with the Prevent Duty</li> </ul> Documents/Policies <ul style="list-style-type: none"> <li>- Group Data Protection Policy</li> <li>- Group Data Subject Access Request (DSAR) Policy</li> <li>- KCSIE 2021</li> <li>- Safeguarding for All Policy</li> <li>- Safeguarding – Sexual Violence and Sexual Assault</li> <li>- Peer on Peer Abuse Procedure</li> <li>- Group Staff AUP</li> <li>- Group Privacy Policy</li> </ul>	Margaret Cobb Carol Stanfield Donna Clifford Heather Barnett
<b>15</b>	AOC FE Green thread webinar series – Climate Change & Sustainability – Teaching the future and staff development (12.1.2022)	Donna Clifford
<b>16</b>	Data Protection – Training and Awareness	Katie Asgari
<b>17</b>	AOC new Governor Induction 17.1.2022	Margaret Cobb

<b>18</b>	Increasing Access and Uptake of Vocational and Technical education (AOC & CEC)  (26.1.2022)	Veronica De Bruce McCoy
<b>19</b>	AOC Regional Conference (Northern) – 4 Feb 2022	Katie Asgari, Janet Pryke, Sharron Blackburn, Carol Stanfield
<b>20</b>	AOC FE Green thread webinar series – Green skills and collaborative working	Donna Clifford
<b>21</b>	AOC Governors Conference (15/3/2022)	Donna Clifford
<b>22</b>	Cyber Security e-learning module (17/3/2022)	Katie Asgari
<b>23</b>	Creative ways to Engage and Work with Employers (AOC & CEC)  (16.3.2022)	Veronica De Bruce McCoy
<b>24</b>	Waste Management (11.5.2022)	Katie Asgari
<b>25</b>	Sustainability (11.5.2022)	Katie Asgari
<b>26</b>	Safeguarding and Prevent (25.5.2022)	Katie Asgari
<b>27</b>	ACT Training (30.5.2022)	Margaret Cobb
<b>28</b>	Environmental Awareness training (30.5.2022)	Margaret Cobb
<b>29</b>	T Levels (via ETF)	Margaret Cobb
<b>30</b>	Governance4FE/AOC webinar – Leadership of LSIPs (13.6.2022)	Donna Clifford and Carol Stanfield
<b>31</b>	AOC Regional briefing – Enhanced Inspection (15.6.2022)	Jenny Worsdale
<b>32</b>	RNN Compulsory Training Updates:  <ul style="list-style-type: none"> <li>- Disciplinary Policy and Procedures</li> <li>- Code of Conduct Policy</li> <li>- Capability Policy and Procedure</li> </ul>	Margaret Cobb (21.7.2022)

	<b>PUBLICATIONS</b>	<b>CIRCULATION DATE</b>
<b>1</b>	Sector Management Accounts guides and exemplars	5.7.2021
<b>2</b>	ETF Governance Development Programme	July – Sept 2021
<b>3</b>	ESFA ILR Data Integrity Guidance	27.7.2021 – to audit committee members To all board on 20.10.2021
<b>4</b>	ETF Safeguarding and Prevent Newsletter (September 2021)	29.9.2021 – to Monika Rodzos (Link Governor)
<b>5</b>	AOC Workshop slides – Audit for Governors (16.9.2021)	5.10.2021 – to audit committee members
<b>6</b>	AOC Code of Good Governance	20.10.2021
<b>7</b>	AOC Governance Briefing	15.10.2021
<b>8</b>	Careers Education – A guide for college governors (Careers Enterprise Company)	2.11.2021
<b>9</b>	DfE Draft guidance – Review how well the education or training provided meets local needs	3.11.2021 – discussion topic at Strategic Review day
<b>10</b>	AOC Green College Commitment	8.11.2021
<b>11</b>	AOC Governance Briefing	8.11.2021
<b>12</b>	AOC Special Governance Briefing	18.11.2021
<b>13</b>	DfE Guidance documents <ul style="list-style-type: none"> <li>- Skills for jobs white paper: interim guidance on strengthening governance</li> <li>- Guidance on external governance reviews</li> </ul>	7.12.2021 – Search and Governance committee members
<b>14</b>	ILR data Integrity Guidance for college corporations on maintaining complete and accurate ILR data	13.1.2022 – Finance committee members
<b>15</b>	Updated good practice guide on the scope of work of audit committees	13.1.2022 – Audit committee members
<b>16</b>	AOC Governance Briefing	26.1.2022
<b>17</b>	AOC Governance Briefing	30.3.2022
<b>18</b>	AOC Governance Briefing	27.4.2022
<b>19</b>	External Governance Reviews: Guide for FE Corporations (DfE)	20.5.2022 – S&G committee members
<b>20</b>	AOC Governance Briefing	25.5.2022
<b>21</b>	AOC Governance Briefing	27.7.2022
<b>22</b>	Letter to the sector from FE Commissioner	July 2022 – Janet Pryke and Jason Austin
	Eversheds briefing on governing bodies duty to review how well education meets local need	3.8.2022 – Jason Austin, Janet Pryke, Tracy Mace-Akroyd, Carol Stanfield
<b>23</b>	KCSIE – 2022 Update	8.8.2022

<b>24</b>	ONS letter to AOC re classification process	8.8.2022 – Jason Austin and Janet Pryke
<b>25</b>	College Oversight: Support and Intervention – updated guidance (July 2022)	9.8.2022
<b>26</b>	Annual Strategic Conversations Letter	August – Janet Pryke and Jason Austin

Members of the corporation are appointed for a term of office not exceeding four years and for a maximum of two terms of office.

### **Corporation performance**

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2022 and graded Leadership and Management as “Good”.

## **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.

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 annual 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 he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement between RNN Group and the funding bodies. He is also responsible for reporting to the corporation any material weaknesses or breakdowns in internal control.

### **The purpose of the system of internal control**

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Group policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in RNN Group for the year ended 31 July 2022 and up to the date of approval of the annual report and accounts.

### **Capacity to handle risk**

The corporation has reviewed the key risks to which the Group is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the Group's significant risks that has been in place

for the period ending 31 July 2022 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the corporation.

### **The risk and control framework**

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

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

The Group has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the Group is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the corporation on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body 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.

### **Risks faced by the corporation**

#### **Control weaknesses identified**

The internal auditors in the year ending 31 July 2022 highlighted that the Groups Cyber Security arrangements need to be updated. Whilst auditors found that there were some aspects of a control framework in place, there were actions required to address risks. The Group has worked to implement the four high, one medium and one low priority management action.

In November 2022 the ESFA commissioned PwC to perform an assurance exercise on the funding the Group claimed from ESFA in the financial year 2021/22. The assurance engagement completed April 2023 and it was found that the Group had funding claim errors amounting to £237,801 to be recovered by the ESFA.

There were a number of errors in our individual learner records (ILR) where the Group had:

- Incorrectly assessed learners requiring learner support and in some cases a lack of evidence on how funding claims were being used to support learners;
- Incorrectly assessed and enrolled learners onto courses at a lower level than the funding rules permitted; and
- Incorrectly enrolled learners on to short and flexible courses that were funded for more hours than were actually delivered.

There were also a number of errors in our ILR data that did not have impact on our funding claim. In response to these findings the Group has restructured its management information

system (MIS) department and created an audit function to review the information held in the ILR and reconcile this to evidence held by other departments in the Group where it has an impact on the accuracy of the ILR to ensure the likelihood of future funding claim errors is reduced.

Training will be provided to all staff who make assessments on learners' support needs to ensure the correct learner support is identified and fundable. Training will be provided to all staff who enrol learners onto courses to ensure learners are enrolled onto courses that are at an appropriate level for their assessed learning needs.

The MIS team will ensure systems are in place to correctly enrol learners onto the correct funding band for short and flexible courses and that systems are in place to adjust the funding claimed where learners join courses late or leave prior to completion.

The MIS audit function sample a number of ILR records per month and report their findings to the Executive team, the Audit and Risk Committee and Board. Where errors, including funding claim errors, are identified these will be corrected with training and support provided to staff completing assessments and enrolments.

### **Responsibilities under funding agreements**

The Group is responsible for ensuring compliance with the Funding Rules that form part of the terms and conditions of the funding agreement between the Education and Skills Funding Agency (ESFA) and the Group. The Group has in place a system of internal control and reporting through its committees and board.

### **Statement from the audit committee**

The audit committee has advised the board of governors that the corporation has an effective framework for governance and risk management in place. The audit committee believes the corporation has effective internal controls in place.

The specific areas of work undertaken by the audit committee in 2021/22 and up to the date of the approval of the financial statements are:

- Review and oversight on the Risk Registers
- Review the work of the Internal Audit including:
  - Cyber Security
  - ESFA Mock Funding Assurance
  - Subcontracting Controls
  - Estates Management
  - Procurement and Creditors; and
  - Stakeholder Management; as well as
  - Review items outstanding from prior years
- Review of OfS Audit
- Review of the Counter Fraud Policy

### **Review of effectiveness**

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

- the work of the internal auditors
- attendance at audit & risk committee meetings as an observer



- 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 reporting accountant for regularity assurance in their management letters and other reports.

The Accounting Officer 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 and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior leadership team and the 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 2022 meeting, the corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the Audit & Risk Committee and taking account of events since 31 July 2022.

Based on the advice of the Audit & Risk 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 5/15/2023 and signed on its behalf by:**

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Janet Pryke  
 Chair of the Corporation

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Jason Austin  
 Accounting Officer

## RNN Group

### Statement of Regularity, Propriety and Compliance

The corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the corporation's grant funding agreement and contracts with the ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

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

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

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*Jason Austin*  
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Jason Austin  
Accounting Officer

5/15/2023

[Date]

DocuSigned by:  
*Janet Pryke*  
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Janet Pryke  
Chair of the Corporation

5/15/2023

[Date]

## **RNN Group**

### **Statement of Responsibilities of the Members of the Corporation**

The members of the corporation, as charity trustees, are required to present audited financial statements for each financial year.

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

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the 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 information about the legal and administrative status of the corporation.

The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from 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 corporation'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 5/15/2023 and signed on its behalf by:

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Janet Pryke

Chair of the Corporation

## **RNN Group**

### **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 2022 which comprise the Consolidated and College Statement of Comprehensive Income, the Consolidated and College Balance Sheets, the Consolidated and College Statement of Changes in Reserves, the Consolidated Statement of Cash Flows and notes to the financial statements, including 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 parent corporation's affairs as at 31 July 2022, and of the group's and parent corporation's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with 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 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**

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.

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 or 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.

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

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The members of the corporation are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Independent auditor's report to the Corporation of RNN Group (continued)**

### **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 in relation to which the Post-16 Audit Code of Practice 2021 to 2022 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; or
- the group and parent corporation's expenditure on access and participation activities for the financial year, as disclosed in the note to the accounts, has been materially misstated.

### **Responsibilities of the Corporation for the financial statements**

As explained more fully in the statement of responsibilities of the members of the corporation as set out on page 35, the members of the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent corporation or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

## **Independent auditor's report to the Corporation of RNN Group (continued)**

### **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. The objectives of our audit in respect of fraud are to assess the risk of material misstatement due to fraud, design and implement appropriate responses to those assessed risks and to respond appropriately to instances of fraud or suspected fraud identified during the course of our audit. However, the primary responsibility for the prevention and detection of fraud rests with management and those charged with governance of the group.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- 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 have assessed the risk of material misstatement of the financial statements, including risk of material misstatement due to fraud and how it might occur by holding discussions with management and those charged with governance;
- We enquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations;
- Understanding the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations; and
- Discussions amongst the audit engagement team regarding how fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion we identified the following potential areas where fraud may occur:
  - timing of revenue recognition; and
  - management override of controls.

The audit response to risks identified included:

- Evaluating the processes and controls established to address the risks related to irregularities and fraud;
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments, assessing whether the judgements made in making accounting estimates are reasonable and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risk of material misstatement due to fraud;
- Review of any correspondence with principal funders, including the ESFA and the OfS, and considering the outcome of any ongoing assessments;
- Identifying and testing related party transactions; and
- Reviewing the financial statements disclosures and testing to supporting documentation to assess compliance with the relevant laws and regulations above.

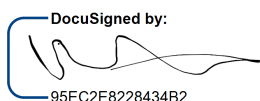
Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

### **Independent auditor's report to the Corporation of RNN Group (continued)**

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

### **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. 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 them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation and the members of the corporation as a body, for our audit work, for this report, or for the opinions we have formed.

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*For and on behalf of CavanaghKelly,  
Chartered Accountants and Statutory  
Auditors*

*36-38 Northland Row, Dungannon, Co.  
Tyrone, BT71 6AP*

*Date: 5/15/2023*



## **RNN Group**

### **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 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 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice ('the Code') issued by 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 2021 to 31 July 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Code issued by ESFA. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

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 Group's income and expenditure.

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

The work undertaken to draw our conclusion includes:

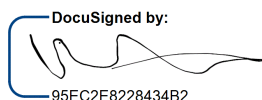
- an assessment of the risk of material irregularity and impropriety across the Group's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the 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 2021 to 31 July 2022 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.

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*For and on behalf of CavanaghKelly*

*Chartered Accountants and Statutory Auditors*

*36-38 Northland Row, Dungannon, Co. Tyrone, BT71 6AP*

*Date: 5/15/2023*

**RNN Group****Consolidated Statements of Comprehensive Income and Expenditure**

	Notes	Year ended 31 July 2022		Year ended 31 July 2021	
		Group £'000	College £'000	Restated Group £'000	Restated College £'000
<b>INCOME</b>					
Funding body grants	2	25,541	25,541	26,705	26,703
Tuition fees and education contracts	3	8,880	7,861	7,998	7,540
Other grants and contracts	4	1,443	1,426	450	406
Other income	5	685	1,631	905	1,690
Investment income	6	-	11	-	11
<b>Total income</b>		<b>36,549</b>	<b>36,470</b>	<b>36,058</b>	<b>36,350</b>
<b>EXPENDITURE</b>					
Staff costs	7	25,125	25,125	24,399	24,323
Other operating expenses	8	12,204	12,209	10,328	10,564
Depreciation	12	2,694	2,616	2,788	2,706
Interest and other finance costs	9	759	752	718	718
<b>Total expenditure</b>		<b>40,782</b>	<b>40,702</b>	<b>38,233</b>	<b>38,311</b>
<b>Deficit before other gains and losses</b>		<b>(4,233)</b>	<b>(4,232)</b>	<b>(2,175)</b>	<b>(1,961)</b>
Loss on disposal of assets		(1)	(1)	(1,039)	(1,039)
Dividend payment		-	-	(266)	-
<b>Deficit before tax</b>		<b>(4,234)</b>	<b>(4,233)</b>	<b>(3,480)</b>	<b>(3,000)</b>
Taxation	10	-	-	27	-
<b>Deficit surplus for the year</b>		<b>(4,234)</b>	<b>(4,233)</b>	<b>(3,453)</b>	<b>(3,000)</b>
Actuarial gain in respect of pensions schemes	18	39,804	39,804	3,146	3,146
<b>Total Comprehensive Income</b>		<b>35,570</b>	<b>35,571</b>	<b>(307)</b>	<b>146</b>

All items of income and expenditure relate to continuing activities.


**RNN Group****Consolidated and College Statement of Changes in Reserves**

	<b>Income and expenditure account</b>	<b>Revaluation reserve</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Group</b>			
<b>Balance at 1 August 2020</b>	(14,331)	6,981	(7,350)
Deficit from I&E account	(3,453)	-	(3,453)
Other comprehensive income	3,146	-	3,146
Transfers between revaluation and income and expenditure reserves	1,521	(1,521)	-
Sale of subsidiary	202	-	202
<b>Balance at 31 July 2021</b>	<b>(12,915)</b>	<b>5,460</b>	<b>(7,455)</b>
Deficit from the income and expenditure account	(4,234)	-	(4,234)
Other comprehensive income	39,804	-	39,804
Transfers between revaluation and income and expenditure reserves	157	(157)	-
<b>Total comprehensive income</b>	<b>35,727</b>	<b>(157)</b>	<b>35,570</b>
<b>Balance at 31 July 2022</b>	<b>22,812</b>	<b>5,303</b>	<b>28,115</b>
<b>College</b>			
<b>Balance at 1 August 2020</b>	(14,489)	6,981	(7,508)
Deficit from the income and expenditure account	(3,000)	-	(3,000)
Other comprehensive income	3,146	-	3,146
Transfers between revaluation and income and expenditure reserves	1,521	(1,521)	-
<b>Balance at 31 July 2021</b>	<b>(12,822)</b>	<b>5,460</b>	<b>(7,362)</b>
Deficit from the income and expenditure account	(4,233)	-	(4,233)
Other comprehensive income	39,804	-	39,804
Transfers between revaluation and income and expenditure reserves	157	(157)	-
<b>Total comprehensive income</b>	<b>35,728</b>	<b>(157)</b>	<b>35,571</b>
<b>Balance at 31 July 2022</b>	<b>22,906</b>	<b>5,303</b>	<b>28,209</b>

**RNN Group****Balance sheets as at 31 July 2022**


	<b>Notes</b>	<b>Group 2022 £'000</b>	<b>College 2022 £'000</b>	<b>Group 2021 £'000</b>	<b>College 2021 £'000</b>
<b>Non-current assets</b>					
Fixed asset investments	11	-	-	-	-
Tangible fixed assets	12	44,522	43,599	45,710	44,711
Intangible assets	13	-	-	-	-
		<b>44,522</b>	<b>43,599</b>	<b>45,710</b>	<b>44,711</b>
<b>Current assets</b>					
Stocks		26	26	16	15
Trade and other receivables: due after more than one year	14	-	723	-	723
Trade and other receivables: due within one year	14	2,134	2,271	1,815	1,955
Cash and cash equivalents	19	4,973	4,531	6,540	6,285
		<b>7,133</b>	<b>7,551</b>	<b>8,371</b>	<b>8,978</b>
<b>Creditors – amounts falling due within one year</b>	15	(8,402)	(8,157)	(9,122)	(9,110)
<b>Net current assets/(liabilities)</b>		<b>(1,269)</b>	<b>(606)</b>	<b>(751)</b>	<b>(132)</b>
<b>Total assets less current liabilities</b>		<b>43,253</b>	<b>42,993</b>	<b>44,959</b>	<b>44,579</b>
Creditors – amounts falling due after more than one year	16	(9,661)	(9,307)	(10,118)	(9,645)
<b>Provisions</b>					
Defined benefit obligations	18	(2,697)	(2,697)	(38,961)	(38,961)
Other provisions	18	(2,780)	(2,780)	(3,335)	(3,335)
<b>Total net assets/(liabilities)</b>		<b>28,115</b>	<b>28,209</b>	<b>(7,455)</b>	<b>(7,362)</b>
<b>Reserves</b>					
Income and expenditure account		22,812	22,906	(12,915)	(12,822)
Revaluation reserve		5,303	5,303	5,460	5,460
<b>Total reserves</b>		<b>28,115</b>	<b>28,209</b>	<b>(7,455)</b>	<b>(7,362)</b>

The financial statements on pages 43 to 78 were approved and authorised for issue by the corporation on 5/15/2023 and were signed on its behalf on that date by:

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Janet Pryke

Chair of the Corporation

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Jason Austin

Accounting Officer/Principal

**RNN Group****Consolidated Statement of Cash Flows**

	<b>Notes</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
<b>Cash flow from operating activities</b>			
Deficit for the year		(4,234)	(3,453)
<b>Adjustment for non-cash items</b>			
Depreciation		2,694	2,788
Increase in stocks		(10)	-
(Increase)/decrease in debtors		(318)	321
Increase/(decrease) in creditors due within one year		(335)	3,166
Increase/(decrease) in creditors due after one year		-	-
Increase/(decrease) in provisions		(235)	(211)
Pensions costs less contributions payable		2,526	2,171
Release of deferred capital grants		(404)	(986)
<b>Adjustment for investing or financing activities</b>			
Interest payable		759	718
Gain on sale of fixed assets		1	1,039
Dividend payment		-	266
<b>Net cash flow from operating activities</b>		<u>444</u>	<u>5,819</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		1	1,818
Dividend payment		-	(266)
Investment income		-	-
Disposal of subsidiary		-	202
Capital grants received		298	1,459
Payments made to acquire fixed assets		(1,507)	(2,406)
		<u>(1,208)</u>	<u>807</u>
<b>Cash flows from financing activities</b>			
Interest paid		(65)	(57)
New secured loans		-	500
Repayments of amounts borrowed		(392)	(1,647)
Capital element of finance lease rental payments		(346)	(272)
		<u>(803)</u>	<u>(1,476)</u>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>		<u><b>(1,567)</b></u>	<u><b>5,150</b></u>
Cash and cash equivalents at beginning of the year	19	6,540	1,390
Cash and cash equivalents at end of the year	19	4,973	6,540

**RNN Group****Notes to the Accounts****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 have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2021/22 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The Group 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.

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention.

**Basis of consolidation**

The consolidated financial statements include the college and its subsidiaries, National Fluid Power Centre Ltd and Rotherham Education Services 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 Group does not control those activities.

**Going concern**

After making appropriate enquiries, the corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

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 meeting its planned financial health score of requires improvement having made an unfinanced pay award during the year.

Pay continues to be an important factor in the success of the group in attracting and retaining key lecturing and teaching staff but also in rationalising staffing structures to reduce costs to be more in line with sector averages of 65% of income spent on staffing. Current forecasts for the 2022/23 year are close to 70% and senior leaders are taking steps to bring this down during the year, with a review of vacancies and non-staff costs. A recent business review has identified c£1.5m of savings in the current year, which will return the group to the financial position originally budgeted for during summer 2022.

Governors have approved a new budget setting strategy for financial years 2023/24 to 2028/29 with clear expectations for the executive team to improve the financial health and control cost in line with sector benchmarking information on staffing and non-staffing costs.

The ESFA/FEC continue to hold regular 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:

	2021/22	2021/22	2022/23
	Budget	P13 Actuals	Plan
Adjusted current ratio	1.00	1.00	1.22
EBITDA as % of income	3.65%	3.71%	2.3
Borrowing as % of income	8.77%	8.78%	0.9
Financial Health Score	170	170	170
Financial Health Grade	Requires Improvement	Requires Improvement	Requires Improvement

As in previous forecasts, Income growth included within the plan was prudent and our overall position following a full review with budget holders in early 2022/23 is showing an adverse variance to the overall position. As mentioned above the senior leaders are taking steps to bring this back in line with the original forecast. The Group should maintain its Requires Improvement financial health in 2022/23 although its cashflow and borrowings remain Good and its 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 of the SYMCA allocation of AEB in 2021/22 and subsequent years
- Apprenticeships enrolments in year
- HE enrolments in 2022/23.
- The ability to make adequate cost savings during the year

The forecasts that have been prepared for the periods to 31 July 2023, 31 July 2024 and 31 July 2025 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, under the budget setting strategy, demonstrate that the Group has sufficient cash resources to meet its liabilities and cover its covenant compliance requirements with adequate headroom in cash



resources to mitigate the risks considered above. The model automatically provides KPIs for expenditure when assessing sensitivities applied in the going concern assessment to include reductions in revenue from AEB and apprenticeships.

Additional FE capital funding for the 2022 to 2023 financial year has been announced in three separate grants.

- The first wave of allocated funding announced £346,304 to prioritise capital projects that improve energy efficiency.
- The second announcement £866,984 of capital funding for RNN that should be received April 2023 prioritising condition improvement.
- 28th March the ESFA announced the RNN Group has been allocated £4,432,281.33 of capital funding for the next two years:
  - £1,040,362.17 for 2023/24; and
  - £3,391,919.16 for 2024/25.

Expenditure from these sources will support the Group's IT and Estates Strategies in furtherance of its overall strategic objectives.

The Group has net current liabilities of £1.3m at 31 July 2022 (net current liabilities of £0.8m at 31 July 2021) and net assets of £28.1m (2021: net liabilities of £7.4m) net of the defined benefit pension liability. The Group has net assets of £30.8m excluding the defined benefit pension liability at 31 July 2022 (2021: £31.5m net assets).

The financial plans for the years 2023/24 and 2024/25 show the Group 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. The recent announcement by the office for national statistics, ONS, to reclassify colleges and college groups as public sector organisations does not appear to present the RNN Group with any material impact on its operational or financial plans. The Group will monitor and implement future guidance as published by its regulators.

## **Recognition of income**

### *Revenue grant funding*

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.

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 Group is entitled to the income and performance related conditions have been

met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

*Capital grant funding*

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

*Fee income*

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.

*Investment income*

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

**Agency arrangements**

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

**Accounting for post-employment benefits**

Post-employment benefits to employees of the college are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

*Teachers' Pension Scheme (TPS)*

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the Group 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 valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

*South Yorkshire Pensions Authority Local Government Pension Scheme (LGPS)*

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

### **Short term Employment benefits**

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

### **Enhanced Pensions**

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the Group annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the Group's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet.

### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

#### *Land and buildings*

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 available. Land and buildings acquired since incorporation are included in the Balance sheet at cost.

Freehold buildings are depreciated over their expected useful economic life of up to 60 years. The Group has a policy of depreciating major adaptations to buildings over the remaining period of their useful economic life of the 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.

Freehold land is not depreciated as it is considered to have an infinite useful life.

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

#### *Assets under construction*

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

#### *Equipment*

Equipment costing £1,000 or more per individual item, and all IT equipment is capitalised at cost. All other equipment is recognised as expenditure in the period of acquisition.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- Motor vehicles 6 years
- Computer equipment 3 and 6 years

- General equipment 8 and 15 years
- Education, office and catering equipment 3 years
- Furniture 10 years
- Fixtures and fittings 10 years

Depreciation will not apply in the month of acquisition. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

### **Borrowing costs**

Borrowing costs are recognised as expenditure in the period in which they are incurred.

### **Leased assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term.

Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

### **Investments**

#### *Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

### **Inventories**

Inventories are stated at the lower of their cost (using the first in first out method) and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

### **Cash and cash equivalents**

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

### **Financial liabilities and equity**

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

All loans, investments and short-term deposits held by the group are classified as basic financial instruments in accordance with 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 cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

### **Foreign currency 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 period with all resulting exchange differences being taken to income in the period in which they arise.

### **Taxation**

The Group is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Group is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The Group is partially exempt in respect of Value Added Tax, so that it can only recover around 5% of the 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 Group's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

### **Provisions and contingent liabilities**

Provisions are recognised when

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

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

A contingent liability arises from a past event that gives the Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

## **Judgements in applying accounting policies and key sources of estimation uncertainty**

### *Judgements in applying accounting policies*

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

- Determine whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets. 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, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- 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 23 will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to value the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.
- Uncertainty in valuation of property assets held by pension scheme. Within the South Yorkshire Pension Fund details for which are set out in note 23, 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 2022 is not material in the context of overall pension assets and after considering that pension assets, including property, are invested for long-term gains, the uncertainty reported by property valuers does not have a material impact on these financial statements.

**2 Funding body grants**

	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>Group</b>	<b>College</b>	<b>Restated Group</b>	<b>Restated College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Recurrent grants</b>				
ESFA – 16-18	17,618	17,618	18,170	18,171
ESFA – adult education budget	1,139	1,139	5,554	5,551
ESFA – adult education budget bursary	134	134	339	339
SYMCA – adult education budget	4,331	4,331	-	-
SYMCA – adult education budget bursary	476	476	-	-
Office for students	280	280	314	314
<b>Specific grants</b>				
ESFA - Teacher Pension Scheme contribution grant	522	522	866	866
ESFA - Covid provider relief scheme	-	-	(12)	(12)
ESFA - Covid testing grant	9	9	13	13
ESFA – Prior year	92	92	217	217
ESFA – Skills Accelerator Development Fund	153	153	-	-
Other funding body grants	437	437	312	312
Releases of government capital	350	350	932	932
<b>Total</b>	<b>25,541</b>	<b>25,541</b>	<b>26,705</b>	<b>26,703</b>

	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income relating to Office for Students</b>				
Grant income from Office for Students	280	280	314	314
Fee income for taught awards	2,578	2,578	2,766	2,766
	<b>2,858</b>	<b>2,858</b>	<b>3,080</b>	<b>3,080</b>



### 3 Tuition fees and education contracts

	2022	2022	2021	2021
	Group	College	Restated Group	Restated College
	£'000	£'000	£'000	£'000
Adult education fees	249	249	146	146
Apprenticeship contracts	2,623	2,623	2,619	2,619
Fees for FE loan supported courses	972	972	940	940
Fees for HE loan supported courses	2,578	2,578	2,766	2,766
Other fees	1,443	424	846	388
<b>Total tuition fees</b>	<b>7,865</b>	<b>6,846</b>	<b>7,317</b>	<b>6,859</b>
Education contracts	1,015	1,015	681	681
<b>Total</b>	<b>8,880</b>	<b>7,861</b>	<b>7,998</b>	<b>7,540</b>

### 4 Other grants and contracts

	2022	2022	2021	2021
	Group	College	Restated Group	Restated College
	£'000	£'000	£'000	£'000
Other grant income	1,237	1,237	122	120
Turing project	139	139	-	-
Non-government capital grants	54	37	54	37
Coronavirus Job Retention Scheme	13	13	274	249
<b>Total</b>	<b>1,443</b>	<b>1,426</b>	<b>450</b>	<b>406</b>

### 5 Other income

	2022	2022	2021	2021
	Group	College	Restated Group	Restated College
	£'000	£'000	£'000	£'000
Catering and residences	1	1	-	-
Other income generating activities	443	443	708	702
Miscellaneous income	241	241	197	197
Intercompany income	-	946	-	791
<b>Total</b>	<b>685</b>	<b>1,631</b>	<b>905</b>	<b>1,690</b>

**6 Investment income**

	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Intercompany interest	-	11	-	11
<b>Total</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>11</b>

**7 Staff costs – Group and College**

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

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	264	275
Non-teaching staff	465	468
	<b>729</b>	<b>743</b>

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

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	228	234
Non-teaching staff	380	380
	<b>608</b>	<b>614</b>

**Staff costs for the group and college were as follows:**

	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	16,130	16,130	16,027	15,984
Social security costs	1,476	1,476	1,372	1,367
Other pension costs	2,896	2,896	2,794	2,792
Defined benefit charge to income statement less cash contributions	2,526	2,526	2,171	2,171
<b>Payroll sub total</b>	<b>23,028</b>	<b>23,028</b>	<b>22,364</b>	<b>22,314</b>
Contracted out staffing services	2,081	2,081	1,915	1,898
	<b>25,109</b>	<b>25,109</b>	<b>24,279</b>	<b>24,212</b>
Restructuring costs	16	16	120	111
<b>Total Staff costs</b>	<b>25,125</b>	<b>25,125</b>	<b>24,399</b>	<b>24,323</b>

The corporation has salary sacrifice arrangements in place.

## Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and are represented by the Key management personnel as listed on page 3.

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

	<b>2022 No.</b>	<b>2021 No.</b>
The number of key management personnel including the Accounting Officer was:	17	13

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

	<b>Key management personnel</b>		<b>Other staff</b>	
	<b>2022 No.</b>	<b>2021 No.</b>	<b>2022 No.</b>	<b>2021 No.</b>
£10,001 to £15,000 p.a.	-	1	-	1
£20,001 to £25,000 p.a.	-	-	1	-
£25,001 to £30,000 p.a.	-	-	1	-
£40,001 to £45,000 p.a.	-	-	1	1
£45,001 to £50,000 p.a.	-	-	2	-
£50,001 to £55,000 p.a.	1	-	3	1
£55,001 to £60,000 p.a.	-	-	-	1
£60,001 to £65,000 p.a.	-	-	3	3
£65,001 to £70,000 p.a.	-	1	-	-
£70,001 to £75,000 p.a.	1	-	-	-
£75,001 to £80,000 p.a.	1	1	-	-
£80,001 to £85,000 p.a.	1	-	-	-
£95,001 to £100,000 p.a.	1	2	-	-
£140,001 to £145,000 p.a.	1	1	-	-
	<b>6</b>	<b>6</b>	<b>11</b>	<b>7</b>

Key management personnel compensation is made up as follows:

	<b>2022 £'000</b>	<b>2021 £'000</b>
Basic salary	1,063	845
Employer's national insurance	121	101
Pension contributions	192	167
Total key management personnel compensation	<b>1,376</b>	<b>1,113</b>

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:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Basic salary	141	140
Pension contributions	33	33
	<b>174</b>	<b>173</b>

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 Group's overall objectives using both qualitative and quantitative measures of performance.

The governing body adopted AoC's Senior Staff Remuneration Code in July 2019 and assesses pay in line with its principals.

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Principal and CEO's basic salary as a multiple of the median of all staff	7.0	5.4
Principal and CEO's total remuneration as a multiple of the median of all staff	6.0	5.0

**8 Other operating expenses**

	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Teaching costs	6,076	5,993	4,623	4,608
Non-teaching costs	3,380	3,541	3,113	3,415
Premises costs	2,748	2,675	2,592	2,541
<b>Total</b>	<b>12,204</b>	<b>12,209</b>	<b>10,328</b>	<b>10,564</b>

**Other operating expenses include:**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
Financial statements audit*	49	85
Other services provided by the financial statements auditor:		
- Corporation tax return	4	12
- TPS audit	3	3
- VAT advisory fees	-	3
- Tax advisory fees	-	16
Internal audit fees**	37	26
Hire of assets under operating leases	236	227

\* includes £42,180 in respect of the Group (2021: £58,651)

\*\* includes £36,650 in respect of the Group (2021: £26,000)

**8a Access and participation expenditure**

	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Access investment	266	266	227	227
Financial support to students	35	35	31	31
Disability support	40	40	37	37
Research and evaluation	12	12	12	12
<b>Total</b>	<b>353</b>	<b>353</b>	<b>307</b>	<b>307</b>

£317k (2020: £276k) of these costs are already included in the overall staff costs figure in note 7. The Group's published access and participation plan can be found on the RNN Group website.

## 9 Interest and other finance costs

	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans	65	58	57	57
Pension finance costs (note 18)	694	694	661	661
<b>Total</b>	<b>759</b>	<b>752</b>	<b>718</b>	<b>718</b>

## 10 Taxation – Group only

Whilst the Group'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:	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Deficit on ordinary activities before tax	<b>(4,234)</b>	<b>(3,480)</b>
United Kingdom corporation tax at 19 per cent	(804)	(661)
Effect of:		
Fixed asset difference	-	5
Amounts in College not deductible	797	629
Adjustment to deferred tax rates	(35)	(184)
Losses carried back	-	13
Brought forward losses utilised	(7)	-
Adjustments in respect of previous periods	-	(13)
Deferred tax not recognised	35	184
<b>Total tax charge/(income) for the year</b>	<b>-</b>	<b>(27)</b>

**11 Fixed asset investments**

<b>The College:</b>	<b>Shares in subsidiary undertakings £'000</b>
Cost	
At 1 August 2021 and 31 July 2022	269
Provisions	
At 1 August 2021 and 31 July 2022	269
<b>Net book value at 1 August 2021 and 31 July 2022</b>	<b>-</b>

At 31 July 2021, the group held 20% or more of the allotted share capital of the following:

<b>Subsidiary undertakings</b>	<b>Country of incorporation</b>	<b>Class of share held</b>	<b>Proportion held</b>	<b>Nature of business</b>
National Fluid Power Centre Ltd	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 Group. Aston Recruitment & Training Limited was disposed of on 30 September 2020 to Bedford College Group.

**12 Tangible fixed assets (Group)**

	<b>Freehold Land and buildings</b>	<b>Equipment</b>	<b>Assets in the course of construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>				
At 1 August 2021	57,668	23,265	703	81,636
Transfers	681	-	(681)	-
Additions	267	1,092	148	1,507
Disposals	-	(206)	-	(206)
<b>At 31 July 2022</b>	<b>58,616</b>	<b>24,151</b>	<b>170</b>	<b>82,937</b>
<b>Depreciation</b>				
At 1 August 2021	16,484	19,442	-	35,926
Charge for the year	1,584	1,110	-	2,694
Disposals	-	(205)	-	(205)
<b>At 31 July 2022</b>	<b>18,068</b>	<b>20,347</b>	<b>-</b>	<b>38,415</b>
<b>Net book value at 31 July 2022</b>	<b>40,548</b>	<b>3,804</b>	<b>170</b>	<b>44,522</b>
Net book value at 31 July 2021	41,184	3,823	703	45,710



**Tangible fixed assets (College)**

	<b>Freehold Land and buildings</b>	<b>Equipment</b>	<b>Assets in the course of construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>				
At 1 August 2021	56,274	22,322	703	79,299
Transfers	681	-	(681)	-
Additions	267	1,090	148	1,505
Disposals	-	(206)	-	(206)
<b>At 31 July 2022</b>	<b>57,222</b>	<b>23,206</b>	<b>170</b>	<b>80,598</b>
<b>Depreciation</b>				
At 1 August 2021	15,889	18,699	-	34,588
Charge for the year	1,556	1,060	-	2,616
Disposals	-	(205)	-	(205)
<b>At 31 July 2022</b>	<b>17,445</b>	<b>19,554</b>	<b>-</b>	<b>36,999</b>
<b>Net book value at 31 July 2022</b>	<b>39,777</b>	<b>3,652</b>	<b>170</b>	<b>43,599</b>
Net book value at 31 July 2021	40,385	3,623	703	44,711

Land and buildings with a net book value of £7,085,000 (2020/21: £6,598,000) have been partly financed from exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the Group 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.

Assets held for sale at the year-end had a NBV of £1,304,243 (2020/21: £1,358,690). 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.

**13 Intangible assets (Group)**

	<b>Course Development</b>	<b>Negative Goodwill</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>			
At 1 August 2021	60	(1,751)	(1,691)
Movement in the year	-	-	-
<b>At 31 July 2022</b>	<b>60</b>	<b>(1,751)</b>	<b>(1,691)</b>
<b>Amortisation</b>			
At 1 August 2021	60	(1,751)	(1,691)
Charge for the year	-	-	-
<b>At 31 July 2022</b>	<b>60</b>	<b>(1,751)</b>	<b>(1,691)</b>
<b>Net book value at 31 July 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net book value at 31 July 2021	-	-	-

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.

**14 Trade and other receivables**

	<b>Group 2022 £'000</b>	<b>College 2022 £'000</b>	<b>Group 2021 £'000</b>	<b>College 2021 £'000</b>
Amounts falling due within one year:				
Trade receivables	764	474	392	307
Amounts owed by group undertakings	-	443	-	239
Other debtors	316	316	540	527
Amounts owed by the ESFA	575	575	326	326
Prepayments and accrued income	465	463	557	556
Deferred tax provision	14	-	-	-
	<b>2,134</b>	<b>2,271</b>	<b>1,815</b>	<b>1,955</b>
Amounts falling due in more than one year:				
Amounts owed by group undertakings	-	<b>723</b>	-	723
<b>Total</b>	<b>2,134</b>	<b>2,994</b>	<b>1,815</b>	<b>2,678</b>

**15 Creditors: amounts falling due within one year**

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade payables	814	775	1,310	1,264
Amounts owed to group undertakings	-	260	-	327
Other taxation and social security	436	351	356	325
Accruals and deferred income	2,975	2,711	3,082	2,928
Amounts owed to the ESFA	3,001	3,001	3,318	3,318
Bank loans and overdrafts	400	300	392	300
Other creditors	333	333	-	-
Deferred income - government capital grants	371	354	318	302
Obligations under finance leases	72	72	346	346
<b>Total</b>	<b>8,402</b>	<b>8,157</b>	<b>9,122</b>	<b>9,110</b>

**16 Creditors: amounts falling due after more than one year**

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	2,778	2,470	3,179	2,770
Deferred income - government capital grants	6,883	6,837	6,867	6,803
Obligations under finance leases	-	-	72	72
<b>Total</b>	<b>9,661</b>	<b>9,307</b>	<b>10,118</b>	<b>9,645</b>

**17 Maturity of debt****(a) Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	400	300	392	300
Between one and two years	400	300	400	300
Between two and five years	2,378	2,170	2,762	2,470
In five years or more	-	-	17	-
<b>Total</b>	<b>3,178</b>	<b>2,770</b>	<b>3,571</b>	<b>3,070</b>

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 4.49%. 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 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 with interest rates set at 1.88%. 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.

## (b) Finance leases

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

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	72	72	346	346
Between one and two years	-	-	72	72
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
<b>Total</b>	<b>72</b>	<b>72</b>	<b>418</b>	<b>418</b>

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

## 18 Provisions

	<b>Group and College</b>			<b>Total</b>
	<b>Defined benefit obligations</b>	<b>Enhanced pensions</b>	<b>Other provisions</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2021	38,961	3,181	154	<b>42,296</b>
Expenditure in the period	(1,405)	(235)	-	<b>(1,640)</b>
Income and expenditure account	3,931	-	-	<b>3,931</b>
Interest	643	51	-	<b>694</b>
Actuarial gains	(39,433)	(371)	-	<b>(39,804)</b>
<b>At 31 July 2022</b>	<b>2,697</b>	<b>2,626</b>	<b>154</b>	<b>5,477</b>

Defined benefit obligations relate to the liabilities under the Group's membership of the Local Government Pension Scheme. Further details are given in note 23.

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

	<b>2022</b>	<b>2021</b>
Price inflation	2.9%	2.6%
Discount rate	3.3%	1.6%

Other provisions of £154,000 (2020/21: £154,000) relate to a liability for European funds and grants that may have to be repaid.

## **19 Cash and cash equivalents**

<b>Group</b>	<b>At 1 August 2021</b>	<b>Cash flows</b>	<b>Other changes</b>	<b>At 31 July 2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	<b>6,540</b>	<b>(1,567)</b>	<b>-</b>	<b>4,973</b>

<b>College</b>	<b>At 1 August 2021</b>	<b>Cash flows</b>	<b>Other changes</b>	<b>At 31 July 2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	<b>6,285</b>	<b>(1,754)</b>	<b>-</b>	<b>4,531</b>

## **19a Analysis of changes in net debt**

<b>Group</b>	<b>At 1 August 2021</b>	<b>Cash flows</b>	<b>New finance leases</b>	<b>At 31 July 2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	<b>6,540</b>	<b>(1,567)</b>	<b>-</b>	<b>4,973</b>
Loans falling due within one year	<b>(392)</b>	<b>(8)</b>	<b>-</b>	<b>(400)</b>
Loans falling due after one year	<b>(3,179)</b>	<b>401</b>	<b>-</b>	<b>(2,778)</b>
Finance lease obligations	<b>(418)</b>	<b>346</b>	<b>-</b>	<b>(72)</b>
	<b>2,551</b>	<b>(828)</b>	<b>-</b>	<b>1,723</b>

**20 Capital and other commitments**

	<b>Group and College</b>	
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Commitments contracted for at 31 July	197	483

The above capital commitments include £84,389 which is grant funded.

**21 Lease obligations**

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	67	67
Later than one year and not later than five years	196	195
Later than five years	13	13
	<u>276</u>	<u>275</u>
<b>Other</b>		
Not later than one year	134	127
Later than one year and not later than five years	309	101
Later than five years	117	117
	<u>560</u>	<u>345</u>
<b>Total lease payments due</b>	<u><b>836</b></u>	<u><b>620</b></u>

**22 Contingencies**

The Group had no contingent liabilities as at 31 July 2022 (2020/21: £nil).

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

## 23 Defined benefit obligations

The Group's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the South Yorkshire Local Government Pension Scheme (LGPS) for non-teaching staff. Both are multi-employer defined-benefit plans.

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

<b>Total pension cost for the year</b>	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Teachers' Pension Scheme: contributions paid	1,494	1,354
Local Government Pension Scheme:		
Current service charge	3,948	3,460
Curtailments/settlements	-	118
Administration expenses	-	43
Subsidiary pension schemes	2	2
Unfunded benefits paid	(17)	-
Charge to the Statement of Comprehensive Income	3,933	3,623
Enhanced pension charge to Statement of Comprehensive Income		-
<b>Total Pension Cost for Year within staff costs</b>	<b>5,427</b>	<b>4,977</b>

### 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 Group is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the Group 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 Group has set out above the information available on the plan and the implications for the Group in terms of the anticipated contribution rates.

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021-22 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 £1,422,000 (2021: £1,354,000)

### **Local Government Pension Scheme**

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by South Yorkshire Pensions Authority. The total contributions made for the year ended 31 July 2022 were £1,956,000, of which employer's contributions totalled £1,422,000 and employees' contributions totalled £534,000. The agreed contribution rates for future years are 17.3% for the Group and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2022 by Hymans Robertson LLP.

	<b>At 31 July 2022</b>	<b>At 31 July 2021</b>
Rate of increase in salaries	3.75%	3.85%
Future pensions increases	2.75%	2.70%
Discount rate for scheme liabilities	3.50%	1.60%
Inflation assumption (CPI)	2.75%	2.6%

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

	<b>At 31 July 2022 Years</b>	<b>At 31 July 2021 Years</b>
<i>Retiring today</i>		
Males	22.6	22.5
Females	25.4	25.3
<i>Retiring in 20 years</i>		
Males	24.1	24.0
Females	27.3	27.2



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

	<b>Long-term rate of return expected at 31 July 2022</b>	<b>Fair Value at 31 July 2022 £'000</b>	<b>Long-term rate of return expected at 31 July 2021</b>	<b>Fair Value at 31 July 2021 £'000</b>
Equity instruments	68%	55,493	46.2%	37,583
Debt instruments	22%	17,954	24.5%	16,911
Property	9%	7,345	8.9%	6,890
Cash	1%	815	4.1%	1,409
Other	-	-	16.8%	15,502
<b>Total fair value of plan assets</b>		<b>81,607</b>		<b>78,295</b>

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

	<b>2022 £'000</b>	<b>2021 £'000</b>
Fair value of plan assets	81,607	78,295
Present value of plan liabilities	(84,304)	(117,256)
<b>Net pensions liability (note 18)</b>	<b>(2,697)</b>	<b>(38,961)</b>

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

	<b>2022 £'000</b>	<b>2021 £'000</b>
<b>Amounts included in staff costs</b>		
Current service cost	3,948	3,460
Past service cost	-	-
Curtailments	-	118
Administration expenses	-	43
<b>Total</b>	<b>3,948</b>	<b>3,621</b>
<b>Amounts included in investment income</b>		
Net interest income	643	618
	<b>643</b>	<b>618</b>

**Amount recognised in Other Comprehensive Income**

Return on pension plan assets	2,070	9,867
Changes in assumptions underlying the present value of plan liabilities	37,363	(6,684)

<b>Amount recognised in Other Comprehensive</b>	<b>39,433</b>	<b>3,183</b>
-		

**Movement in net defined benefit (liability) during year**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit liability in scheme at 1 August	(38,961)	(39,355)
Movement in year:		
Current service cost	(3,948)	(3,460)
Employer contributions	1,422	1,450
Past service cost	-	-
Curtailments	-	(118)
Net interest on the defined liability	(643)	(618)
Administration expenses	-	(43)
Actuarial gain	39,433	3,183
<b>Net defined benefit liability at 31 July</b>	<b>(2,697)</b>	<b>(38,961)</b>

<b>Asset and Liability Reconciliation</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>

**Changes in the present value of defined benefit obligations**

<b>Defined benefit obligations at start of period</b>	117,256	107,114
Current service cost	3,948	3,460
Interest cost	1,895	1,699
Contributions by Scheme participants	534	520
Changes in financial assumptions	(37,363)	6,684
Estimated benefits paid	(1,966)	(2,339)
Past Service cost	-	-
Curtailments and settlements	-	118
<b>Defined benefit obligations at end of period</b>	<b>84,304</b>	<b>117,256</b>

**Changes in fair value of plan assets**

<b>Fair value of plan assets at start of period</b>	78,295	67,759
Interest on plan assets	1,252	1,081
Return on plan assets	2,070	9,867
Employer contributions	1,405	1,450
Contributions by Scheme participants	551	520
Estimated benefits paid	(1,966)	(2,339)
Administration expenses	-	(43)
<b>Fair value of plan assets at end of period</b>	<b>81,607</b>	<b>78,295</b>

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

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

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

## 24 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £668; 4 governors (2020/21: £815; 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the Group or its subsidiaries during the year (2020/21: None).

The Group has taken advantage of the exemption in FRS102 of disclosing transactions with its wholly owned subsidiaries.

## 25 Amounts disbursed as agent - Learner support funds

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
16-18 bursary grants	573	443
Other Funding body grants	592	846
Interest earned	-	-
	<u>1,165</u>	<u>1,289</u>
Disbursed to students	(1,383)	(773)
Administration costs	(51)	(49)
	<u>(269)</u>	<u>467</u>
Balance unspent as at 31 July, included in (debtors)/creditors		

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

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

## **26 Events after the reporting period**

During the period 22nd to 25th November 2022 the Office for Standards in Education, Children's Services and Skills (Ofsted) inspected the Group and published its finding 28th December 2022. The Group was judged to be Good in all areas having previously been judged as Requires Improvement in March 2019.

As part of its plans to rationalise its surplus estate capacity the group agreed to sell land at Chapel Way, Kiveton park, Rotherham to Strata Homes Yorkshire Limited which completed April 2023. The Group owned an equal share of the land and received 50% of the disposal proceeds of £2.2m and intends to hold the cash receipt of £1.1m and allocate this to future capital investment in line with updated guidance from the ESFA following the ONS's reclassification. This guidance states the proceeds of disposal must be used for capital reinvestment in further fixed assets and/or to:

- repay loans, to DfE and to banks;
- repay any overpayments of ESFA/DfE grants, or satisfy grant conditions where a repayment to ESFA/DfE is due (for example overage);
- exceptionally, provide working capital for colleges to avoid the risk of insolvency.

In November 2022 the ESFA commissioned PwC to perform an assurance exercise on the funding the Group claimed from ESFA in the financial year 2021/22. The assurance engagement completed April 2023 and it was found that the Group had funding claim errors amounting to £237,801 to be recovered by the ESFA. The weaknesses identified in the system of controls are included on page 31 together with the Group's actions to mitigate against further errors.

## **27 Surestart**

Previously, The Group 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 Group.

In 2021/22, the Group recognised income of £nil (2020/21: £433,171) and £nil expenditure (2020/21: £nil) in relation to this. £343,171 of the income in 2020/21 related to a reconciliation of the bank account including prior year gainshare due to RNN Group and the remaining £90,000 related to a release of a historic provision which was no longer required.

## 28 Prior year adjustments

The prior year financial statements have been restated to reclassify some lines of income within the notes. This is purely presentational and has no impact on total income as follows:

	Notes	As previously reported at 31 July 2021		As restated at 31 July 2021	
		Group £'000	College £'000	Group £'000	College £'000
<b>INCOME</b>					
Funding body grants	2	29,323	29,321	26,705	26,703
Tuition fees and education contracts	3	5,380	4,922	7,998	7,540
Other grants and contracts	4	-	-	450	406
Other income	5	1,355	2,096	905	1,690
Investment income	6	-	11	-	11
<b>Total income</b>		<b>36,058</b>	<b>36,350</b>	<b>36,058</b>	<b>36,350</b>