Cheshire College
South & West

Report and Financial Statements
Year Ended 31 July 2020

Our Purpose;
Nurturing talent and empowering people to achieve their full potential; supporting businesses to succeed and communities to thrive.

Inspire. Believe. Achieve.

CHESHIRE COLLEGE SOUTH & WEST

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JULY 2020

Reference and Administrative Details

Board of Governors

- Dame P Bacon
- F Bradley
- L Closs
- G Taylor
- J Dhesi
- S Harrison
- C Osborne
- A Pickering
- J Davies
- P Colman
- J Gregory
- D Bryce
- M Braun
- S Wallace
- K Murray
- D Lotay
- J Vesty
- B McLaren
- D Jones

Clerk

- Michelle Huntley

Key Management Personnel

Key management personnel are defined as Senior Post Holders and members of the College Executive Management Team and were represented by the following in 2019-20:

- J Dhesi — Principal and Chief Executive; Accounting Officer
- H Nellist — Deputy Principal / Deputy Chief Executive Officer
- G Gillespie — Vice Principal – Curriculum and Quality (to June 2020)
- GIL Jones — Chief Financial Officer (from July 2020)

Principal and Registered Office

- Dane Bank Avenue, Crewe, CW2 8AB

Professional Advisers

- External Auditors: BDO LLP, 3 Hardman Street, Spinningfields. Manchester, M3 3AT
- Internal Auditors: TIAA Ltd, Artillery House, Fort Fareham, Newgate Lane, Fareham, PO14 1AH

Bankers: Barclays Bank PLC, P O Box 3333, One Snowhill, Snowhill Queensway, Birmingham, B3 2WN
NatWest Bank Plc, Union Street, Chester, CH1 1UA

Solicitors: SAS Daniels, 30 Greek Street, Stockport, Cheshire, SK3 8AD
Hill Dickinson LLP, No 1 St. Pauls Square, Liverpool, L3 9SJ
Bramhalls, The Old Reading Room, 76 Eastham Village Road, Eastham, Wirral, CH62 0AW

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Strategic Report

OBJECTIVES AND STRATEGY

The governing body present their annual report together with the financial statements and auditor's report for the year ended 31 July 2020.

Legal Status

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

The College was incorporated as South Cheshire College. On 31 March 2017, South Cheshire College merged with West Cheshire College. West Cheshire College dissolved and the assets and liabilities transferred to South Cheshire College. On 1 January 2018 South Cheshire College changed its name to Cheshire College South & West.

Mission

The governors reviewed the mission during 2017-18 and agreed the following mission (purpose):

"Nurturing talent and empowering people to achieve their full potential; supporting businesses to succeed and communities to thrive."

The College Values

A series of values has been adopted to characterise the desired work climate and interpersonal attitudes at Cheshire College South & West and to guide the development of administrative policies and procedures.

"Our values are very important to us - they guide the way we work with each other, our partners and within our communities.

We:

- Act with honesty, integrity and trust
- Take time to listen, help and care
- Commit to opportunity and equality
- Value and celebrate diversity
- Empower individuals and nurture talent
- Strive for exceptional quality and success
- Instil a strong work ethic and drive to succeed
- Take responsibility
- Work together
- Make a positive contribution to society."

Strategic Plan

In January 2019, the College adopted a strategic plan for the period 2018-2021. This plan includes property and financial plans. The Corporation monitors the performance of the College against this plan through rolling Operating plans which are updated annually.

The College's continuing objectives are:

(1) Teaching, Learning and Support

(1.1) We will inspire learners to excel through consistent high-quality teaching, learning and assessment.

(1.2) We will engage our learners using new technologies and innovative learning resources.

(1.3) Our learners will demonstrate a measurable improvement in literacy, numeracy and employability skills.

(1.4) Our learners will progress to employment or higher-level learning with strong values and skills, allowing them to make a positive and valued contribution to society.

(1.5) We will develop the talents of individuals, teams and leaders through Continuous Professional Development (CPD).

(1.6) We will inspire, empower and challenge colleagues to focus on ensuring that learners succeed and receive excellent care, support and guidance.

(2) Results

(2.1) Our achievement rates on all programmes, including Work Based Learning (WBL) and Higher Education (HE), will be above national benchmarks.

(2.2) Our Value Added measures will be Good or Outstanding.

(2.3) Our annual self-assessment of all faculties and business support functions will be judged Good or Outstanding.

(2.4) We will strive to be judged as Outstanding by Ofsted.

(3) Collaboration and Partnerships

(3.1) We will work with key stakeholders and lead on initiatives to provide high-quality education for all ages in Crewe, Ellesmere Port and Chester.

(3.2) We will work with employers, industries and organisations to drive economic growth through the development of future e-focused skills.

(3.3) We will respond to regional and national priorities identified by the Local Enterprise Partnership (LEP) and other regional and national bodies.

(4) Financial Stability

(4.1) We will meet the targets agreed with the Transaction Unit.

(4.2) We will be a financially robust College by remaining efficient and offering value for money.

(4.3) We will maintain inspirational learning environments through ongoing investment in new resources and facilities.

Covid-19

Following the Government's announcement to close all schools, colleges and nurseries from 20 March 2020 for all learners, except for those with an educational health care plan (EHCP), whose parents were key workers and the most vulnerable learners, the College's Critical Incident Policy was actioned, which ensured a smooth and rapid response.

Actions taken resulted in a rapid move to online and remote teaching, learning, assessment and support (TLAS) by 23 March 2020, with the significant majority of colleagues moving to default working from home, by 24 March 2020.

The College continued face-to-face activity for learners with an EHCP, those of key workers and the most vulnerable learners. During the first week significant activity took place including:

- Over 3,500 online lessons and meetings conducted via Microsoft Teams
- The Personal Development Team developed a wide variety of online resources to facilitate an 'Enrichment Classroom'
- The Learning Support team established working practices with multi-agencies virtually, ensuring EHCP reviews continued to be completed to support learners' progression
- Careers, Information, Advice and Guidance support continued through online portals and tutorials
- A dedicated COVID-19 section on the website with FAQs for parents, learners and employers

All three Campuses and the Starting Point Nursery remained open throughout for the priority groups. This resulted in the College estate moving to less than 5% occupancy, enabling the College to seal off large parts of the buildings. A deep clean was undertaken and areas were sealed off to ensure no access.

The reduced footfall on Campuses enabled the College to reduce a range of running costs including: utility, vehicles and wider expenditure where appropriate.

The Government released further guidance on 26 May, 'Our Plan to Rebuild: The UK Government's COVID-19 recovery strategy', which outlined planned progress to phase two whereby schools and colleges should prepare to begin to open for more children and young people in small groups from 1 June.

The College adopted a set of guiding principles including: consideration to campus management (internal and external), Priority learner groups (16 to 19 year olds), Behavioural management and Communications and above all the paramount importance on 'the safety and wellbeing of colleagues and learners' being central to all decision making. The College re-opened to accommodate any required additional face-to-face teaching, learning and support on 15 June for a two-week period to the end of the Summer term on 26 June 2020.

Detailed risk assessments were implemented for the building environment. In addition, thermal imaging cameras were installed at the point of entry, one-way systems were adopted, with demarcation, queuing areas, detailed signage and protective Perspex screening, where appropriate. Bespoke risk assessments were also completed to reflect teaching and learning activities. Personal Protective Equipment (PPE) was made available where required in TLAS environments and centrally where the two-metre social distancing rule could not be adhered to.

During this partial re-opening the College took the decision not to open the catering or retail outlets or operate the College buses or mini buses for learner transport.

RESOURCES

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

Financial

The College has £15.1m of net assets including a £20m pension liability and long-term loans of £11.3m.

People

The College employs 483 people (expressed as full time equivalents), of whom 219 are teaching staff.

Reputation

The College has a good reputation locally, nationally and internationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships. This remains a key priority in 2020-21 for the College.

Learner Numbers

In 2019-20 the College's activities generated £19,693k in funding body main allocation funding (2018-19 £18,607k). The College had approximately 3,768 (2018-19 3,745) publicly funded 16-19 learners.

The table below summarises learner numbers by contract:

	2019-20		2018-19	
Stream	**Number**	**Income £'000**	**Number**	**Income £'000**
16-19 Learners	3,768	19,693	3,745	18,607
Apprenticeships	1,117	3,014	1,064	2,997
AEB	2,370	2,250	3,805	2,949
Adult Learner Loans	321	696	345	768
HE (OfS)	355	1,825	392	1,940

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Cheshire College South & West has many stakeholders. These include:

- Learners, Governors and staff;
- Chamber of Commerce;
- Education sector funding bodies;
- The Further Education Commissioner;
- Local, regional and national employers (with specific links);
- Local authorities and the Local Enterprise Partnerships (LEPs);
- Banks;
- The local community;
- Other FE and HE institutions and training providers;
- Trade unions;
- Professional advisors and professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through stakeholder events, participation in local, regional and national events, the College website and by meetings.

PUBLIC BENEFIT

Cheshire College South & West 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 Governing Body, who are trustees of the charity, are disclosed on pages 16 - 17. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the college provides identifiable public benefits through the advancement of education to approximately 7,000 learners. The College provides courses without charge to young people, to those who are unemployed and adults taking English and maths courses. The College adjusts its courses to meet the needs of local employers and provides training to over 1,000 apprentices. The college is committed to providing information, advice and guidance to the learners it enrols and to finding suitable courses for as many learners as possible, regardless of their education and background.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- 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 (LEPs).
- Good progression to higher education, apprenticeships and into skilled employment.

DEVELOPMENT AND PERFORMANCE

Financial results

The College generated a deficit before other gains and losses in the year of £2,147k (2018-19 restated deficit of £1,400k) with total comprehensive income of deficit £3,503k, (2018-19 restated deficit £11,054k). The total comprehensive income is stated after accounting for movement on actuarial loss in respect of pension schemes.

The inclusion of the LGPS pension costs in accordance with FRS102 has a significant impact on the presentation of the accounts.

The table below shows the College's financial out-turn position and the impact of the charges.

	2020	2019
	£'000	£'000
		Restated
Deficit before tax	(2,147)	(1,400)
• FRS102 pension admin costs	1,704	1,279
• FRS 102 Interest Charge	373	181
Underlying operating loss	**(70)**	**60**

The College has accumulated reserves of £15,154k (2018-19 restated £18,657k) and the movement in year relates to the valuation of the pension schemes by the actuaries. Cash balances at the year-end were £1,601k (2018-19 £1,406k) and the College's priorities are to accumulate cash balances and reserves in order to allow for investment.

The College's performance in 2019-20 has been adversely affected by two key factors:

1. The impact of £717k of ESFA clawback of Adult Education funding relating to prior years (£643k relating 2018-19 and £74k relating to 2017-18). The clawback related to Learning Support claims where the evidence collected was not sufficient for ESFA audit purposes. The potential for clawback was disclosed in the 2018-19 financial statements as a contingent liability as at the time of signing the extent of the clawback could not be determined.

2. The global economic effect of the Covid-19 virus and the closure of colleges and business has meant that the College has not been able to deliver its income targets whilst at the same time having to stay open and continue to incur costs. The impact of this in 2019-20 was in the region of £700k.

The College's financial health grading based on the 2018-19 accounts was confirmed by the funding bodies as Requires Improvement. The results for 2019-20 are anticipated to also show Requires Improvement financial health. This is subject to ratification by the ESFA. The outstanding loans restrict the College's ability to attain a financial health grade of Good at the present time.

Cash Flows and Liquidity

Cash and cash equivalents have increased in year by £195k (2018-19 reduction of £1,684k) after accounting for the £717k ESFA clawback and the impact of COVID-19. The College's cash position at year-end has been significantly hampered by the two key factors identified above.

Given the uncertain times, there are sensitivities around some income and expenditure lines within the financial plan for 2020-21 and beyond. The College has in place a number of measures to mitigate the impact of these uncertainties and provide for the possibility of further national, regional or local lockdowns, and have included a contingency within the 2020-21 budget.

If the contingency fund is not utilised the College will seek to build cash reserves.

The current forecast prepared and submitted to the ESFA in November 2020 indicates that the College will remain cash positive for 2020-21 and 2021-22.

Reserves

The college has accumulated reserves of £15,154k and cash and short-term investment balances of £1,601k. The college 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 College has considerable reliance on the education sector funding bodies for its principal source of funding, largely from recurrent grants. In 2019-20 the FE funding bodies provided 79% (2018-19 74%) of the College's total income. The increase in reliance is as a direct consequence of the impact of the Covid-19 virus – funding body income was maintained but full cost, commercial and international income was significantly reduced.

Subsidiary Companies

The College had no subsidiary companies during the year. In 2018-19 the College's former subsidiary, West Cheshire College International Educational Services Ltd, was dissolved.

Until 31 October 2019, the College was the Sponsor Body of Crewe Multi Academy Trust (CMAT) which is a company limited by guarantee. CMAT was incorporated on 8 January 2015 to enable the College to become an academy sponsor. The Secretary of State for Education gave approval in principle for Kings Grove School to become an academy (The Oaks Academy) sponsored by South Cheshire College on 1 October 2015. The Oaks Academy became established on 1 January 2016 following receipt of the approval granted by the Secretary of State in December 2015. On 31 October 2019 CMAT was transferred to Congleton Multi-Academy Trust.

FUTURE DEVELOPMENTS AND PROSPECTS

Future Developments

Curriculum planning is focussed on producing interesting and educationally relevant qualifications that link directly with local employer/economic need. The College full-time curriculum incorporates: Core elements that develop knowledge; skills and industry standard requirements; employability skills; wider knowledge about society and core values; and enrichment opportunities that enhance the progress and next steps destination for learners.

Curriculums are designed with the Colleges, industry level, accommodation in mind, and as such provide an excellent opportunity for both learners and employers to access high quality, real life, learning environments. Learning departments are equipped to a good level with many having 'realistic working environments' for learners to practice their skills and develop a deep knowledge of their chosen vocational pathway.

The Government introduced T Levels in 2017 as one outcome of a Government review of education after the age of 16. The aim was to have young people "work-fit" in a number of key industries. T Levels are new courses which follow GCSEs and are equivalent to 3 A Levels. These two-year courses launched in September 2020 and have been developed in collaboration with employers and businesses so that the content meets the needs of industry and prepares learners for work, further training or study.

T Levels offer learners a mixture of classroom learning and *"on-the-job"* experience during industry placement of at least 315 hours (approximately 45 days). Employers can offer industry placements as a block, day release or a mix of these and can discuss sharing part of the placement with another employer if necessary.

The College is the first general further education college in Cheshire approved to deliver the four pathways in Phase 2 from September 2021. The Pathways include Construction, Health and Science, Education and Childcare and Digital. An additional seven T Levels will be available in 2021 with the remaining Pathways starting in either 2022 or 2023.

As part of the preparation for the forthcoming T Levels, curriculum areas have undertaken an analysis of current staff skill sets, aligned to the new AOs specifications. Staff have been immersed in their professional sectors through undertaking industry insight days over the past academic year. In additional deficits in skill sets, in particular English and maths competencies will be reviewed and supported through the Colleges on-going Continual Professional Development (CDP) process over the forthcoming academic year.

The College continues to network with both local and national further education Phase 1 providers, to share good practice and more importantly the challenges and learning faced in these early stages.

The Government has recognised that not all young people aged 16 to 19 and those with Education, Health and Care Plans (EHCP) up to age 24, are ready to undertake a T Level qualification without further support and preparation. Therefore, a transition programme branded as "Pre-T" was introduced in September 2020, to support learners on their academic journey to the T Level pathways at Level 3. The Pre-T transition framework is intended for the core target group of learners, within College where a learner has the potential to progress on to a T Level, but currently may have educational barriers, such as not reaching both English and maths at Grade 4 or above.

The College will receive funding support to develop and implement each transition programme.

Future Prospects

The College is not forecasting growth in learner numbers over the next twelve months. The increase in 16-18 funding is made up of the rate increase and the change in mix to a higher proportion of engineering learners that attract a funding premium. HE numbers are expected to remain broadly static, reflecting learner progression and applications.

Income from employers is expected to remain depressed but Adult learner numbers will remain stable, reflecting the potential employment market with people wishing to up and re skill. Apprenticeship income will increase slightly in 2020-21 as the achievement funding linked to learners who could not complete in 2019-20 is realised. Buoyant recruitment of apprentices in 2019-20 resulting in a high level of carry-in to 2020-21 means the income assumption is considered sound.

International income is not expected to return to pre-Covid19 until 2022-23, whilst catering, nursery and lettings income will remain depressed and only pick up partially in 2021-22 reflecting the need for increased social-distancing and a move to a blended learning model where learners are not on campus as often as in the past.

Capital Developments

The College have submitted a T Levels Capital Fund (TLCF) bid to the Department for Education (DfE). The project bid is circa £3.2m for a buildings and facilities improvement grant and was submitted on 26 June 2020. The College is still awaiting confirmation of the outcome of the bid. Separate to this, a Specialist Equipment grant will be allocated, based on the Statistical Return submitted by 30 October 2020.

The Department for Business, Energy and Industrial Strategy (BEIS) has launched a Public Sector Decarbonisation Scheme (PSDS) which will be delivered by Salix Finance Ltd on behalf of BEIS. The PSDS provides grants for public sector bodies to fund energy efficiency and heat decarbonisation measures. The £1bn scheme is part of the Chancellor's 'Plan for Jobs 2020' commitment to support the UK's economic recovery from COVID-19, supporting up to 30,000 skilled jobs in the low carbon and energy efficiency sectors.

The College has submitted an application for a Skills Fund allocation to the PSDS to appoint AA Projects to undertake the preparation and submission of the full application, a heat decarbonisation plan and to develop the design RIBA stage 2.

Following an initial top level review, the College anticipates applying for a PSDS grant circa £1.5m.

Financial Plan

The college governors approved a financial plan in July 2020 which sets objectives for the period to 2022. The college aims to maintain its health rating of 'Requires Improvement' and achieve a small deficit in the year to 31 July 2021.

The 2020-21 and 2021-22 budgets reflect the strategic objectives in that:

- no growth in learner numbers is assumed across the 3-year period, only changes in funding rates are reflected in income;
- two successful LEP bids will see circa £1m of capital investment in a new Digital Hub to address current and future local and regional digital skills needs;
- this will support the focus on improving the quality of teaching learning and assessment (which was borne out in the overall Good Ofsted grade following the November 2019 inspection);
- the College is meeting the targets it has agreed with the Transaction Unit (TU); and
- the cash flow position is being closely monitored to ensure the College complies with bank covenants, is able to meet its liabilities as they fall due and is, eventually, in a position to reinvest in facilities and resources to support outstanding teaching, learning and assessment.

Treasury Policies and Objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management plan in place.

Short term borrowing for temporary revenue purposes if necessary, is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the College Funding Agreement with the ESFA.

Working closely with Barclays Bank plc, the college are close to securing short term overdraft facilities to alleviate the potential shortfall identified in the cash flow during Spring 2021 and Spring 2022. The overdraft facility will be secured against the College's Crewe and Chester campus.

Reserves

The College has no formal reserves policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. As at the Balance sheet date, the Income and Expenditure reserve stands at £15,154k (2018-19 restated £18,657k). 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 College continues to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the College undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the College will also consider any risks which may arise as a result national government changes and / or a new area of work being undertaken by the College.

A risk register is maintained at the College which is reviewed at least termly by the Audit & Risk Committee and more frequently where necessary, as well as at Executive Leadership level half termly. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College along with the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by a risk management training programme to raise awareness of risk throughout the College.

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

1. Ongoing Impact of the emergency measures to combat the Covid-19 virus

The impact of the Covid-19 virus and the UK Government's emergency measures to combat its spread meant that in 2019-20 the College lost over £1.8m in fee income not earned – of this £800k related to income from International students.

Going forward the College faces uncertainty over its income due to the following:

- Uncertainty over travel restrictions for overseas students coming to the UK and the availability of host families in the community
- Adult learners both FE and HE who may choose to defer studying at the College whilst they overcome the financial and emotional impact of the virus.
- Employers may choose to cut back on apprentice recruitment and funded training for staff.

This risk is being managed by:

- Realistic budgeting for International, full cost and apprenticeship activity
- Close liaison with host families to ensure International students who do come to the College are welcome and supported.

2. Government Funding

The College has considerable reliance on continued government funding through the further and higher education sector funding bodies in 2019-20, 79% of the College's revenue was ultimately public funded (2018-19: 74%) and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College faces uncertainty over levels of funding due to the following:

- The 'lagged learner' methodology adopted by the ESFA to fund 16-18 year-old learners means that under or over recruitment has no impact on grant funding receivable for the academic year. Therefore, the cost of provision for additional learners needs to be funded from reserves or, in the case of a shortfall in recruitment, the College has a window of opportunity to reduce costs. This arrangement affords colleges the opportunity to predict learner numbers to be funded in the following year.
- The impact of the apprenticeship levy and the flow of funding continues to present a risk to overall funding and the timing of cash-flows.
- The take up of T levels being introduced in 2020-21.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements to reduce exposure to any one particular income stream.
- Rigorous and regular monitoring of learner numbers to measure the impact on funding.
- Ensuring that the College is consistent in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.

3. Tuition Fee Policy

Fees for adult learners, which are initially funded through the Student Loans Company and then from students themselves if they withdraw from the course, are more challenging to collect than employer or commercial debt. In line with the majority of other colleges, Cheshire College South & West seeks to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Improved debt collection procedures.
- Knowledge of other training provider fees to ensure that the College remains competitive in its offering.
- Close monitoring of the demand for courses as prices change.

4. Maintain Adequate Funding of Pension Liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

5. Failure to Maintain the Financial Viability of the College

The College's current financial health grade is classified as Requires Improvement. Plans are in place to continue to improve the College's financial health over the coming year. However, the challenge remains to offer the best student experience within the funding constraints facing the FE sector and the ongoing impact of the Covid-19 virus on recruitment.

This risk is mitigated in a number of ways:

- By budget setting procedures and sensitivity analysis.
- Regular in year budget and cash-flow monitoring.
- Robust financial controls.
- Rigorous control of staffing costs.
- Exploring ongoing procurement efficiencies including the harmonisation of other operating expenditure post-merger.

KEY PERFORMANCE INDICATORS

The college has a number of internal KPI's that it monitors at both Governing Body and Executive Management levels. These include measures such as enrolment against target, staff utilisation, space utilisation, Financial Health (as measured by the ESFA), staffing cost to income ratio and performance against loan covenants. Assessment against a number of these measures are included within this report, with regular updates discussed at Board, Committee and operational management meetings.

Financial Health

Prior to merger in 2017 the College has had a Good or Outstanding financial health grading. The merger with West Cheshire College, a College with a "financial notice of concern" has led to period of satisfactory/requires improvement grading, which had been identified at the point of merger. The College is currently assessed as having Requires Improvement financial health and continues to receive good support from its bank.

Learner Achievement

Overall College Achievement is currently 85% compared to 85% for the end of the previous year.

A-level Achievement is 77% compared to 93% for the previous year. This is the first achievement recorded for the full 2-year linear A-level. High grades (A*-B) increased by 12% to 60%.

GCSE English and mathematics

Achievement in GCSE subjects is 94% compared to 81% for the previous year. This includes all achievements captured in the November 2019 sitting. High grades (4-9) increased by 8% to 26%. 88% of achievements (1-9) were captured in November before the submission of calculated grades (CAGs) in June 2020. 12% of achievements (4-9) were captured in November before the submission of CAGs. Progress for all GCSE qualifications Is 0.19 compared to 0.05 for 18/19. English continues to perform well at all sites.

Higher Education

The college has now completed internal assessment board activity and qualification claims are complete for most courses and students. Where assessment has been delayed due to COVID 19 additional assessment boards have been convened to ensure timely outcomes and enhance progression opportunities. The college has worked closely with University partners to ensure any changes directed by partners have been implemented swiftly and effectively by college staff, culminating in timely examination activity and assessment board participation.

The overall pass rate post assessment board for all HE students is 97.8%. The overall achievement rate is 83.2%. This is due to low retention rates across some programmes.

Apprentices

The College was inspected during the first term in November 2019 and the Apprenticeship assessment grade was awarded Good. The predicted overall outturn for Apprenticeships in 2019-20 is 60% achievement rate, this is a decline of 6.5% in comparison to 2018-19 rate of 66.5%. The most recent national Apprenticeship Qualification Achievement Rate (QAR) measure is 64.7%, the predicted 60% rate will provide the College with an achievement rate of 4.7% below the QAR benchmark and 9% below the College target of 69% for 2019-20.

Covid-19 lockdown had a significant impact on the Apprenticeship achievements and College overall outturn position. Assessors were unable to access work placements to undertake practical assessments, Apprentices were furloughed and End Point Assessments (EPA) were delayed and cancelled. A total of 101 Apprentices were expected to achieve their Apprenticeship in 2019-20 and subsequently did not for the reasons noted and have been carried into 2020-21 academic year. The team are working tirelessly with the Apprentices and Employers to support completion and in some instances are still facing restrictions and delays with EPA.

The achievement rate in 2019-20 would have out turned at 66.5% if the 101 Apprentices due to achieve in 2019-20 had done so. This achievement rate would have been on a par with 2018-19 achievement rate, securing the College 1.8% above the national QAR data.

Added Value

Learner progress from entering the College, particularly on vocational courses have improved at a greater rate than the national average (Value Added measure). Positive destinations for learners are above the national and local average and correlates with excellent retention and achievement rates across the College.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, requires organisations, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods and services or the date on which the invoice was received. The College's policy is to pay suppliers on the next purchase ledger run after the debt became due. Where this is not possible the College aims to communicate this with suppliers to arrange a mutually agreeable payment date.

The college incurred no interest charges in respect of late payment for this period.

EQUALITY AND DIVERSITY

Equality

The College is committed to equality of opportunity and to a culture that respects difference. We are committed to providing an inclusive ethos and environment, where everyone feels welcome, supported and respected.

We believe that, as an employer and public body, we can play a leading part in the promotion of equality and diversity more widely. We recognise that equality of access to education is crucial in unlocking many significant opportunities in life.

We aim to help remove barriers and advance equality for groups who experience disadvantage in our society.

The College has committed to the *Mindful Employer* initiative to assist the mental health wellbeing of staff. The College has achieved accreditation to the *Committed to Equality* (C2E) standard at the gold (highest) level. The College has also implemented an updated Equality & Diversity training programmes which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

Accessibility Statement

The College has an accessibility statement which aims to ensure it meets its obligations under the Equality Act 2010.

The College campuses offer good access for people with mobility difficulties and the Learning Support team are available to assist those learners with learning difficulties and/or disabilities who require support with access to and from the college site. The College has a variety of specialist equipment available to learners, including assistive technology and a range of specialist facilities and resources available within its Learning Resource Centres (LRCs).

The College is continually looking to develop the service it provides to its learners and has made a significant investment in Continuous Professional Development and in the appointment of specialist staff, who are qualified and experienced in supporting learners with learning difficulties and/or disabilities across a wide range of courses.

Trade Union Facility Time

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

Numbers of employees who were trade union officials during the year ended 31 July 2020	FTE employee number
4	4

Percentage of time	Number of employees
0%	0
1-50%	4
51-99%	0
100%	0

Total cost of facility time	£9k
Total pay bill	£20,757k
Percentage of total bill spent on facility time	0.04%

Time spent on paid trade union activities as a percentage of total paid facility time	8.40%

GOING CONCERN

The college governors approved a financial plan in July 2020 which sets objectives for the period to 2022. The college aims to maintain its health rating of 'Requires Improvement' and achieve a small deficit in the year to 31 July 2021.

The 2020-21 and 2021-22 budgets and related cash flows were prepared on a basis of being conservative on income and prudent on cost so that if income lines performed above budget no additional expenditure would be required to deliver them. Employers and other debtors were assumed to take longer than usual to pay the College and that expenditure would be paid for within 30 days. It was also assumed that international income would all be received in the latter part of the year as would catering income. This continues to be the approach as 2020-21 unfolds - the College prefers to adopt a cautious and prudent approach and have positive gains rather than unexpected losses as the year progresses.

Key assumptions for 2020-21 and 2021-22 are:

- No increase in learner numbers over the life of the plan. The increase in 16-18 funding is made up of the rate increase of 4.7% (£188 per learner) and the change in mix to a higher proportion of engineering learners that attract a funding premium.
- International income will only start to pick up in Term 3 of 2020-21 and will not return to pre-Covid19 until 2022-23.
- Income from employers will remain depressed but Adult learner numbers will remain stable, reflecting the potential employment market with people wishing to up and re skill.
- HE numbers will stay broadly static, reflecting learner progression and applications.
- Apprenticeship income will increase slightly in 2020-21 as the achievement funding linked to learners who could not complete in 2019-20 is realised. Buoyant recruitment of apprentices in 2019-20 resulting in a high level of carry-in to 2020-21 means the income assumption is considered sound.
- Catering, Nursery and lettings income will remain depressed and only pick up partially in 2021-22 reflecting the need for increased social-distancing and a move to a blended learning model where learners are not on campus as often as in the past.
- Staff numbers will decrease due to the impact of the Covid19 measures and this is reflected in the increased provision for restructuring costs.
- Non-pay costs will increase in 2020-21 as the new ways of working will cost more. There is no way to tell at this point what the true costs are so these have been encompassed in a provision of £500k in other costs.
- Non-pay costs are forecast to rise by 2% in 2021-22.
- Capital expenditure, other than that funded through successful external bids is restricted to £100k in each year of the plan.

Given the uncertain times, there are sensitivities around some income and expenditure lines within the financial plan for 2020-21 and beyond. The College has in place a number of measures to mitigate the impact of these uncertainties and provide for the possibility of further national, regional or local lockdowns, and have included a contingency within the 2020-21 budget. If the contingency fund is not utilised, the college will seek to build cash reserves.

The current forecast prepared and submitted to the ESFA in November 2020 indicates that the College will remain cash positive for 2020-21 and 2021-22.

2020-21 has started very positively and the College is already outperforming its 2020-21 income targets. It is expected that this position will continue to improve as the year progresses, additional income is recognised and contingencies are not utilised.

Due to the ongoing unknown impact of COVID-19 measures and the potential impact on the operating position the College is working with its bankers to finalise a £1M overdraft facility secured on the Crewe and Chester Campuses.

The prudent financial plan ensures full compliance with banking covenants for its duration.

After making appropriate enquiries, the corporation considers that the college 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.

EVENTS AFTER THE REPORTING PERIOD

None to report

MODERN SLAVERY ACT 2015

Slavery and human trafficking are abuses of a person's freedoms and rights. The College is totally opposed to such abuses in our engagements with learners and other partners, our indirect operations and our supply chain as a whole.

The college operates exclusively within the United Kingdom. Foreign trips do take place from time to time to explore future avenues of business and the majority of Cheshire College South & West activity and learners are from Cheshire.

The College takes this issue very seriously and has developed a policy which can be viewed in full on the College website.

DISLCOSURE 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 College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 15 December 2020 and signed on its behalf by:

Dame P Bacon
Chair
15 December 2020

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2019 to 31 July 2020 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ('the Code')

In the opinion of the Governors, the College complies with all the provisions of the Code and it has complied throughout the year ended 31 July 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 9 July 2015, to take effect from August 2015.

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 the corporation meeting at which the appointment/ reappointment was made	Term of office	Date of resignation	Status of appointment	Committees served during 2019-20	Attendance in 2019/20
Dame P Bacon Chair	Re-appointed 07/11/19	4 years to 31/12/23		External Member	Chairs (Chair); Finance & Resources; Management & Performance; Remuneration	96%
Mr F Bradley	Reappointed 01/02/18	4 years to 31/12/21		External Member	Chairs; Audit & Risk (Chair); Management & Performance; Remuneration (Chair)	88%
Mr M Braun	Reappointed 07/11/19	01/01/20 to 31/12/20		Associate Member	Audit & Risk	100%
Mrs D Bryce	Reappointed 12/12/19	01/02/20 to 31/01/24		External Member	Finance & Resources	78%
Mr L Closs	Reappointed 07/11/19	4 years to 31/12/23		External Member	Chairs; Management & Performance (Chair), Finance & Resources	100%
Mr P Colman	Reappointed 27/03/18	4 years to 31/07/22		External Member	Finance & Resources	67%
Mrs J Davies	Elected 27/03/18	4 years to 31/03/22		Non-Academic Staff Member	Management & Performance	89%
Mr J S Dhesi	24/01/14			Principal	Chairs; Finance & Resources; Management & Performance	100%
Mr J Gregory	Appointed 05/09/19	1 year from 01/10/19		Associate Member	Finance & Resources	100%
Mrs S Harrison	Reappointed 27/03/18	4 years to 28/02/22		External Member	Management & Performance	100%

Name	Date of the corporation meeting at which the appointment/ reappointment was made	Term of office	Date of resignation	Status of appointment	Committees served during 2019-20	Attendance in 2019/20
Ms Daisy Jones	Student Election	2 years from 01/01/20		HE Student Member	Management & Performance	25%
Mr D Lotay	Reappointed 07/11/19	4 years to 31/12/23		External Member	Audit & Risk	100%
Mr R McLaren	Student Election	2 years from 01/11/19		FE Student Member	Management & Performance	83%
Mr K Murray	Reappointed 02/07/19	4 years to 31/08/23		External Member	Audit & Risk	70%
Mrs C Osborne	Reappointed 02/07/20	1 year to 31/07/21		Associate Member	Management & Performance	100%
Mrs A Pickering	Elected 15/05/18	4 years to 14/05/22		Academic Staff Member	Management & Performance	89%
Mr C Rhodes	Reappointed 07/11/19	4 years to 31/12/23	Leaver 13 Mar 2020	External Member	Chairs; Finance & Resources (Chair)	100%
Mrs G Taylor	Reappointed 18/03/20	to 31/12/20		External Member	Finance & Resources (Chair)	79%
Mx J Vesty	Student Election	1 year from 01/11/19	Leaver 30 July 2020	FE Student Member	Management & Performance	67%
Mrs S Wallace	Reappointed 12/12/19	4 years to 31/01/24		External Member	Audit & Risk	67%
Mrs A Yu	Appointed and ratified by Board on 02/07 2020	4 years to 31/03/24	Leaver 20 July 2020	External Member	Finance & Resources	78%

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets each term as a minimum.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation and which are set out in the Corporation's standing orders. The Corporation has been supported by the following committees: Chairs' Committee (incorporating search); Management and Performance (incorporating quality and standards and organisational development); Remuneration; Finance & Resources and Audit & Risk. Full minutes of Corporation meetings, except those deemed confidential by the Corporation, are available on the College's website (www.ccsw.ac.uk) or from the Clerk to the Corporation at Cheshire College South & West, Dane Bank Avenue, Crewe, CW2 8AB.

The Clerk to the Corporation maintains a register of financial and personal interests of the governors and members of staff having significant financial responsibility. The register is available for inspection at the above address.

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

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

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

There is a clear division of responsibility in that the role of the Chair and the role of the Accounting Officer are separate.

COVID19: Governance Implications

When the closure of schools and colleges was announced in March 2020 owing to the national situation with Covid-19, the AoC issued a Governance Note on Friday 20 March 2020 recommending that no face-to-face board meetings be held until the public health advice changes.

DfE guidance made clear that while boards 'may delegate authority to the principal and senior executive team' they are still 'collectively responsible for all decisions that are made and actions that are taken with their authority'.

The Covid-19 crisis did not diminish the need for boards to maintain strategic oversight and control. It was recommended, wherever possible, for governors to meet remotely for scheduled meetings; and where postponements happened, for virtual/remote meetings to be planned instead, at the earliest time they could be arranged. In March 2020, one Finance & Resources committee meeting and one Corporation meeting were cancelled. 4 extra Chairs' committee meetings were scheduled in March, May, July and August with the remit to consider and determine any matter judged by the Chairs' Committee too urgent to await a meeting of the Corporation on the ground that delay might prejudice the interests of the College. Action was taken in respect of such a matter by this Committee, with the agreement of the Chair of the Audit & Risk, Finance & Resources or Management & Performance committee, within whose terms of reference the matter fell and such action was reported to the next meeting of the Corporation.

As the College already had a standing Chairs' Committee, with Terms of Reference, it was deemed prudent to continue to use this small group of governors for urgent decisions. Throughout the lockdown period the Chairs' Committee has been given oversight of college operational decisions and they have worked with the leadership team to ensure continued appropriate strategic direction.

By making use of Microsoft Teams, CCSW has managed to hold the planned Chairs', Management & Performance, Audit & Risk and the Finance & Resources committee meetings during the summer term.

The Clerk reviewed the Colleges Instrument and Articles and the Chairs' committee considered and approved the following amendments which were also ratified by the Board:

In order to enable a more flexible approach to virtual/remote meetings, amend 1(g) to read:

"meeting" includes a meeting at which the members attending are present in more than one room, provided that by the use of tele-conferencing and/or video-conferencing facilities it is possible for every person present at the meeting to communicate with each other;

In order to better ensure that our meetings are quorate (by reducing the percentage of members) amend 11 (1) to read:

Quorum
11 – (1) Meetings of the Corporation shall be quorate if the number of members present is at least 30% of the total number of members in post, determined according to clause 3.

This allows Full Corporation to be quorate with 5 full members, excluding any Associate Members.

Written Resolutions

The College's Instrument & Articles (I&A) do not specifically allow for the use of written resolutions as a method of approving resolutions remotely. As the I&A are silent on the matter the use of written resolutions as a method of approving resolutions has been added to our Instrument & Articles as follows.

1. A resolution in writing agreed by a simple majority of the Corporation members who would have been entitled to vote upon it had it been proposed at a meeting shall be effective provided that:

    a) a copy of the proposed resolution(s)has been sent to every eligible member;
    b) a simple majority of members have signified agreement to the resolution(s); and
    c) it is contained in a document authenticated by the Clerk which has been received at the address specified by the College for the receipt of documents within a period of 28 days beginning with the circulation date

2. A resolution in writing may comprise several copies to which one or more members have signified their agreement.

3. A written resolution will lapse if it is not passed before the end of the period of 28 days beginning with the circulation date.

4. For the purposes of clause 3 "circulation date" is the day on which copies of the written resolution are sent or submitted to members or, if copies are sent or submitted on different days, to the first of those days.

5. The outcome of written resolutions shall be taken as an agenda item to the next meeting which is not a special meeting.

COVID19: Procurement Policy Notices

A range of commercial actions were considered in responding to the impact of COVID-19. In such exceptional circumstances, decisions on the need to procure goods, services and works were in some circumstances required with extreme urgency. This is permissible under current public procurement regulations using regulation 32(2)(c) and provides a number of viable options. These include:

- direct award due to extreme urgency;
- direct award due to absence of competition or protection of exclusive rights;
- call off from an existing framework agreement or dynamic purchasing system;
- call for competition using a standard procedure with accelerated timescales;
- extending or modifying a contract during its term.

Applying the Procurement Policy Notices (PPN) allowed the college to support suppliers impacted by COVID-19 whilst ensuring value for money was maintained. Discussions were held with the college's outsourced cleaning providers to secure a reduction in contract price during the pandemic following the move to furlough staff whilst discussions were held with learner transport providers, recognising that short term support was crucial to maintain viable businesses in the long term. Agreement was reached to continue to pay all contractors at 75% of the contracted value for the remainder of the academic year, reducing to 50% only in circumstances where providers had furloughed staff directly involved in the delivery of the contract.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. In the period since 1 August 2013, the Chairs' Committee has been responsible for the selection and nomination of any new member for the Corporation's consideration other than staff and student members. Staff and student members are nominated and elected by staff and students respectively. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Corporation Performance

The Corporation and the supporting committees carried out a self-assessment of its own performance for the year ended 31 July 2020 and graded itself as Good on the Ofsted scale.

Remuneration of senior post holders and the Clerk to the Corporation

The Corporation's Remuneration Committee held responsibility for making recommendations to the Corporation board regarding the remuneration and benefits of the Principal and Chief Executive and other senior post holders and the Clerk to the Corporation for the year ending 31 July 2020. The Remuneration Committee is chaired by the vice-chair of the Corporation and includes up to three other external Governors.

The governing body has adopted AOC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future.

The remuneration package of Key Management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Principal and Chief Executive reports to the Chair of the Governing Body, who undertakes an annual review of his performance against the college's overall objectives using both qualitative and quantitative measures of performance.

Details of remuneration for the year ended 31 July 2020 are set out in note 7 to the financial statements.

Audit and Risk Committee

The Audit and Risk Committee comprised 4 members of the Corporation (excluding the Accounting Officer and Chair) and one co-opted member of the Committee. The Committee operates in accordance with written terms of reference approved by the Corporation.

Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit and Risk Committee meets at least termly and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit and Risk committee.

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow up reviews to ensure such recommendations have been implemented.

The Audit and Risk Committee also advises the Corporation on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for 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 College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day to day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement between Cheshire College South & West and the funding bodies. They are 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 designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Cheshire College South & West for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2020 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, financial regulations and 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 College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit and Risk Committee. At minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Statement from the Audit and Risk 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 and risk committee believes the corporation has effective internal controls in place.

The delivery of the internal audit work for 2019/20 was completed in May 2020 and was not impacted by the global Covid-19 pandemic. The specific areas of work undertaken by the audit committee in 2019/20 and up to the date of the approval of the financial statements are:

System	Review Type	Assurance Assessment
Apprenticeships	Advisory	N/A
Financial Systems – Income and Debtors / Credit Control	Assurance	Reasonable
Safeguarding including Prevent	Assurance	Substantial
Sub-contracting – Petty Pool	Assurance	Substantial
Subcontracting Controls	Assurance	Substantial
Follow-Ip	Follow-Up	Substantial

The areas on which the assurance assessments have been provided can only provide reasonable and not absolute assurance against misstatement or loss and their effectiveness is reduced if the internal audit recommendations made during the year have not been fully implemented.

The following number of recommendations were made on audit work carried out in 2019/20:

Urgent	Important	Routine
0	6	7

There were no areas reviewed by the internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided 'limited' or 'no assurance'.

The findings and recommendations by risk areas are summarised below:

Risk Area	Urgent	Important	Routine
Directed	0	4	5
Compliance	0	2	2
Operational	0	0	0
Reputational	0	0	0

Review of effectiveness

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

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework;

- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors 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 and Risk 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 Executive 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 Executive Leadership Team and the Audit and Risk Committee also receive regular reports from internal audit, and other sources of assurance which include recommendations for improvement. The Audit and 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 Executive Leadership Team and the Audit and Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its meeting held in December 2020, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Executive Leadership Team and internal audit and taking account of events since 31 July 2020.

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

Approved by order of the members of the Corporation on 15 December 2020 and signed on its behalf by:

J S Dhesi
Accounting Officer
15 December 2020

Dame P Bacon
Chair
15 December 2020

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 College's grant funding agreement and contracts with ESFA. As part of our consideration, we have had due regard to the requirements of the grant funding agreement and contracts with ESFA.

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

J S Dhesi
Accounting Officer
15 December 2020

Dame P Bacon
Chair
15 December 2020

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College'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 College and its 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 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 College will continue in operation.

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

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the 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 in order to safeguard its assets and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 15 December 2020 and signed on its behalf by:

Dame P Bacon
Chair
15 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF CHESHIRE COLLEGE SOUTH & WEST

Opinion:

We have audited the financial statements of Cheshire College South and West ("the College") for the year ended 31 July 2020 which comprise the Statement of Comprehensive Income & Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

give a true and fair view of the state of the College's affairs as at 31 July 2020 and of the College's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended; and have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion:

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

Conclusions relating to going concern:

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

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

Other information:

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Education and Skills Funding Agency ("ESFA") and Office for Students ("OfS")

In our opinion, in all material respects:

Funds from whatever source administered by the Institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.

Funds provided by the ESFA and OfS have been applied in accordance with the relevant terms and conditions

The requirements of the OfS's Accounts Direction (OfS 2019.41) have been met.

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

The Institution's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

Responsibilities of the Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 24, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding with the ESFA and OfS.

Use of our report

This report is made solely to the Corporation of the College, as a body, in accordance with the Further & Higher Education Act 1992. Our audit work has been undertaken so that we might state to the Corporation of the College 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 College and the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Hamid Ghafoor (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
17 December 2020
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

To: The Corporation of Cheshire College South & West and Secretary of State for Education, acting through the Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 14 October 2019 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Cheshire College South & West ("the College") during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice issued by ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which ESFA has other assurance arrangements in place.

This report is made solely to the Corporation of Cheshire College South & West and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Cheshire College South & West and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept, or assume, responsibility to anyone other than the Corporation of Cheshire College South & West and ESFA for our work, for this report, or for the conclusion we have formed.

Respective Responsibilities of Cheshire College South & West and the Reporting Accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- Documentation and walkthrough of relevant controls on significant transaction streams to assess the adequacy of design of relevant controls and whether they appear to have been implemented;
- Review of the books and records of the Corporation, along with associated minutes and registers as appropriate for matters relevant to the regularity requirements;
- Review of the Corporation's completed Self-Assessment Questionnaire (Annex C of the Post-16 Audit Code of Practice) for the Corporation's responses and supporting evidence to each of the regularity requirements;
- Testing of material income streams for matters relevant to the regularity requirements;
- Testing of specific areas required to provide a limited assurance opinion, including but not limited to, expenditure and payroll amendments.

Reporting accountant's assurance report on regularity (continued)

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

BDO LLP

BDO LLP
Chartered Accountants
Manchester
17 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July	Year ended 31 July	
		2020 College £'000	2019 Group £'000 Restated	2019 College £'000 Restated
INCOME				
Funding body grants	2	28,283	28,745	28,745
Tuition fees and education contracts	3	5,916	7,302	7,302
Other grants and contracts	4	400	505	505
Other income	5	1,633	2,370	2,370
Endowment and investment income	6	9	12	12
Total income		**36,241**	**38,934**	**38,934**
EXPENDITURE				
Staff costs	7	22,587	22,886	22,886
Other operating expenses	8, 23	11,170	12,796	12,796
Depreciation	11	3,837	4,035	4,035
Interest and other finance costs	9	794	617	617
Total expenditure		**38,388**	**40,334**	**40,334**
Deficit before other gains and losses		**(2,147)**	**(1,400)**	**(1,400)**
Loss on disposal of assets	11	-	-	-
Deficit before tax		**(2,147)**	**(1,400)**	**(1,400)**
Taxation	10	-	-	-
Deficit for the year		**(2,147)**	**(1,400)**	**(1,400)**
Actuarial loss in respect of pensions schemes	20	(1,356)	(9,654)	(9,654)
Total Comprehensive Income for the year		**(3,503)**	**(11,054)**	**(11,054)**

The notes on pages 33 to 55 form an integral part of these financial statements.

Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Restricted Reserves	Total
	£'000	£'000	£'000	£'000
Group & College				
Balance at 1st August 2018	30,001	-	-	30,001
Prior year adjustment	(290)	-	-	(290)
Balance at 1st August 2018 - Restated	29,711			29,711
Surplus/(deficit) from the income and expenditure account - Restated	(1,400)	-	-	(1,400)
Actuarial loss	(9,654)	-	-	(9,654)
Total comprehensive income for the year	(11,054)	-	-	(11,054)
Balance at 31st July 2019 - Restated	18,657	-	-	18,657
Surplus/(deficit) from the income and expenditure account	(2,147)	-	-	(2,147)
Actuarial loss	(1,356)	-	-	(1,356)
Total comprehensive income for the year	(3,503)	-	-	(3,503)
Balance at 31st July 2020	15,154	-	-	15,154

The notes on pages 33 to 55 form an integral part of these financial statements.

Balance Sheet as at 31 July 2020

	Notes	College 2020 £'000	Group 2019 £'000 Restated	College 2019 £'000 Restated
Fixed assets				
Tangible fixed assets	11	131,325	134,864	134,864
		131,325	**134,864**	**134,864**
Current assets				
Stocks		47	47	47
Trade and other receivables	12, 23	1,296	2,277	2,277
Cash and cash equivalents	17	1,601	1,406	1,406
		2,944	**3,730**	**3,730**
Less: Creditors – amounts falling due within one year	13	(6,961)	(7,576)	(7,576)
Net current liabilities		**(4,017)**	**(3,846)**	**(3,846)**
Total assets less current liabilities		**127,308**	**131,018**	**131,018**
Less: Creditors – amounts falling due after more than one year	14	(90,812)	(94,553)	(94,553)
Provisions				
Other provisions	16	(940)	(838)	(838)
Defined benefit obligations	20	(20,402)	(16,969)	(16,969)
Total net assets		**15,154**	**18,657**	**18,657**
Unrestricted reserves				
Income and expenditure account		15,154	18,657	18,657
Revaluation reserve		-	-	-
Total unrestricted reserves		**15,154**	**18,657**	**18,657**
Total reserves		**15,154**	**18,657**	**18,657**

The financial statements on pages 29 to 55 were approved and authorised for issue by the Corporation on 15 December 2020 and were signed on its behalf on that date by:

J S Dhesi
Accounting Officer
15 December 2020

Dame P Bacon
Chair
15 December 2020

The notes on pages 33 to 55 form an integral part of these financial statements.

Statement of Cashflows

	Notes	2020 £'000	2019 £'000 Restated
Cash inflow from operating activities			
Surplus/(deficit) for the year		(2,147)	(1,400)
Adjustment for non-cash items			
Depreciation	11	3,837	4,035
Deferred capital grant release	13	(2,490)	(2,612)
Deferred capital grant receivable		139	856
(Increase)/decrease in stocks		0	27
(Increase)/decrease in debtors	12	979	664
Increase/(decrease) in creditors due within one year	13	(756)	(1,007)
Increase/(decrease) in provisions	16	102	(163)
Pensions costs less contributions payable	20	1,704	1,279
Adjustment for investing or financing activities			
Investment income	6	(9)	(12)
Interest payable	9	794	616
Taxation paid	13,14	(299)	(483)
Loss on sale of fixed assets		-	-
Net cash flow from operating activities		**1,854**	**1,800**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Disposal of non-current asset investments		-	-
Investment income	6	9	12
Withdrawal of deposits		-	-
New deposits		-	-
Payments made to acquire fixed assets	11	(298)	(1,799)
		(289)	(1,787)
Cash flows from financing activities			
Interest paid	9	(421)	(435)
Interest element of finance lease rental payments		-	-
New unsecured loans		-	-
Repayments of amounts borrowed	13,14	(949)	(1,262)
Capital element of finance lease rental payments		-	-
		(1,370)	(1,697)
Increase / (decrease) in cash and cash equivalents in the year		**195**	**(1,684)**
Cash and cash equivalents at beginning of the year	17	1,406	3,092
Cash and cash equivalents at end of the year	17	1,601	1,406

Notes to the Financial Statements

1. Statement of Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2019 to 2020 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of accounting

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

Going Concern

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

The College currently has £11.3m of loans outstanding on terms negotiated from 2008 to 2017. The terms of the various loans are set out in Note 15 to the accounts below. With reference to the net current liabilities position at year end, it should be noted that creditors due in less than 1 year include deferred capital grants of £2.51m (2018-19 £2.61m). The College's forecasts and financial projections included in the financial plan prepared in July 2020 indicate that it will be able to operate within the terms and conditions of the loans and the related covenants for 2020-21 and 2021-22.

The current forecast prepared and submitted to the ESFA in November 2020 indicates that the College will remain cash positive for 2020-21 and 2021-22.

The 2020-21 and 2021-22 budgets and related cash flows were prepared on a basis of being conservative on income and prudent on cost so that if income lines performed above budget no additional expenditure would be required to deliver them. Employers and other debtors were assumed to take longer than usual to pay the College and that expenditure would be paid for within 30 days. It was also assumed that international income would all be received in the latter part of the year as would catering income. This continues to be the approach as 2020-21 unfolds - the College prefers to adopt a cautious and prudent approach and have positive gains rather than unexpected losses as the year progresses.

2020-21 has started very positively and the College is already outperforming its 2020-21 income targets. It is expected that this position will continue to improve as the year progresses, additional income is recognised and contingencies are not utilised.

The College is not anticipating a negative impact from the outcome of the BREXIT negotiations as it has already assumed a significantly reduced level of International student income in both 2020-21 and 2021-22.

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

Consolidation

The scope of consolidation includes subsidiaries, joint ventures and associates. All the companies over which the Group has the direct or indirect power to determine relevant activities – i.e. the financial and operating policies – are considered to be subsidiaries. Previously the College had control over Crewe Multi Academy Trust with responsibility being transferred to Congleton Multi Academy Trust in October 2019.

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

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

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

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

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

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 College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the 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 College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for Post-Employment Benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Cheshire Pension Fund (LGPS). These are defined benefit schemes, 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 College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

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.

Cheshire Pension Fund

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 College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced Pensions

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

Non-current Assets - 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

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

Freehold Buildings – 50 years
Refurbishments – 15 years

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

The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 15 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1997, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

Motor Vehicles	4 to 5 years
Computer software and equipment	4 years
Furniture, Fixtures and Fittings	5 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the Income and Expenditure account over the expected useful economic life of the related equipment.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the 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.

Inventories

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to 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 & 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 College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

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 the income and expenditure account in the period in which they arise.

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% 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 College and HMRC have agreed a Lennartz arrangement for VAT incurred on the construction of the buildings acquired as part of the merger with West Cheshire College. The Lennartz principle allows for the input VAT to be reclaimed from HMRC and be repaid to them over a ten-year period commencing on completion of the project. The liability presented in the accounts is impacted by the College's assessment of the business use on these buildings.

Provisions and Contingent Liabilities

Provisions are recognised when:

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

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

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

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

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 college either as a lessor or a lessee are operating leases 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

1. Statement of Accounting Policies (continued)

of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

- Assign an appropriate bad debt provision to reflect the credit risk inherent in the trade debtors relating to the non-payment of tuition and other fees.

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 22, 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 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. Funding Body Grants

	Year ended 31 July	Year ended 31 July	
	2020 College £'000	**2019 Group £'000**	**2019 College £'000**
Recurrent grants			
Education and Skills Funding Agency - adult education budget	2,619	4,433	4,433
Education and Skills Funding Agency – 16 -18	18,718	18,212	18,212
Education and Skills Funding Agency - apprenticeships	2,960	2,997	2,997
Office for students	368	240	240
Specific Grants			
Education and Skills Funding Agency - provider relief scheme	33	0	0
Teacher Pension Scheme contribution grant	656	0	0
Education and Skills Funding Agency - T-Levels/ Capacity & Delivery	440	515	515
Releases of government capital grants	2,489	2,348	2,348
Total	**28,283**	**28,745**	**28,745**

At the time of the signing the financial statements in December 2019, the information that was known about a potential historic claw back for funding in relation to adult education budget in terms of the potential amount that would be clawed back had not been known and as per the financial standard, as the provision could not be reliably estimated therefore a contingent liability was stated.

Formal communication was received from the EFSA on 13 January 2020 stating any potential amount to be paid back and that claw back would occur, with the formal letter received on 5 February 2020 confirming the amount. The impact of £717k of ESFA clawback of Adult Education funding relating to prior years (£643k relating 2018-19 and £74k relating to 2017-18) is recognised in the current period. The clawback related to Learning Support claims where the evidence collected was not sufficient for ESFA audit purposes.

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

Under the provider relief scheme, the corporation received funding of £33K from the ESFA. This amount was fully spent in the year.

2a. Grant and Fee Income

	Year ended 31 July	Year ended 31 July	
	2020 College £'000	2019 Group £'000	2019 College £'000
Grant income from the OfS	368	240	240
Grant income from other bodies	25,425	26,157	26,157
Fee income for taught awards (exclusive of VAT)	1,402	1,635	1,635
Fee income for research awards (exclusive of VAT)	0	0	0
Fee income from non-qualifying courses (exclusive of VAT)	1,167	1,429	1,429
Total grant and fee income	**28,362**	**29,461**	**29,461**

For the purposes of the above table, the following definitions apply:

a. 'Grant income from the OfS' means grants to the provider by the OfS for both:

i. the provision of education by the provider and

ii. the provision of facilities, and the carrying on of other activities, by the provider, which its governing body considers are necessary or desirable to provide or carry on for the purposes of, or in connection with, education.

This includes recurrent teaching funding (including targeted allocations, high-cost subject funding, National Collaborative Outreach Programme funding and any other recurrent teaching funding) and non-recurrent funding (including grants for capital infrastructure, challenge competitions or any other non-recurrent grant funding) to the provider from the OfS. The amount of grant income must be exclusive of any deductions for expenditure such as that spent on access and participation activities.

b. 'Grant income from other bodies' means grants to the provider by UKRI, Research England or any other body. This includes the knowledge exchange funding that is distributed by both UKRI and the OfS in the form of Higher Education Innovation Funding.

c. 'Fee income for taught awards (exclusive of VAT)' means fee income for higher education courses for taught awards (from students directly or via the Student Loans Company or other body paying fees on behalf of the student) and includes undergraduate and postgraduate taught awards.

d. 'Fee income for research awards (exclusive of VAT)' means fee income for research awards and includes postgraduate research awards (excluding research training support grants).

e. 'Fee income from non-qualifying courses (exclusive of VAT)' means fees paid by students (or by others on behalf of students) for non-credit-bearing courses, further education courses, research training support or any other course that are not included under the definitions set out in 33(c) and (d).

Notes to the Financial Statements (continued)

3. Tuition Fees and Education Contracts

	Year ended 31 July	Year ended 31 July	
	2020 College £'000	2019 Group £'000	2019 College £'000
Adult education fees	1.010	666	666
Fees for FE loan supported courses	600	763	763
Fees for HE loan supported courses	1,442	1,635	1,635
International students fees	339	1,275	1,275
Total tuition fees	3,391	4,339	4,339
High cost ALS from LEA	1,920	1,841	1,841
Education contracts	605	1,122	1,122
Total	**5,916**	**7,302**	**7,302**

4. Other Grants and Contracts

	Year ended 31 July	Year ended 31 July	
	2020 College £'000	2019 Group £'000	2019 College £'000
European Commission	199	245	245
Non-government capital grants	0	260	260
Coronavirus Job Retention Scheme grant	201	0	0
Total	**400**	**505**	**505**

The corporation furloughed employees under the government's Coronavirus Job Retention Scheme. The funding received in respect of 70 staff of £201k relates to staff costs which are included within the staff costs note below as appropriate.

5. Other Operating Income

	Year ended 31 July	Year ended 31 July	
	2020 College £'000	2019 Group £'000	2019 College £'000
Catering and residences	849	1,302	1,302
Other income generating activities	766	985	985
Miscellaneous income	18	83	83
Total	**1,633**	**2,370**	**2,370**

Notes to the Financial Statements (continued)

6. Investment Income

	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 Group £'000	2019 College £'000
Other investment income	0	0	0
Other interest receivable	9	12	12
	9	12	12
Net return on pension scheme (note 20)	0	0	0
Total	**9**	**12**	**12**

7. Staff costs

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

	2020 No.	2019 No.
Teaching staff	219	243
Non-teaching staff	264	280
	483	**523**

Staff costs for the above persons:

	2020 £'000	2019 £'000
Wages and salaries	14,712	15,579
Social security costs	1,345	1,390
Apprenticeship Levy	59	63
Other pension costs : Employer contributions	3,420	2,865
: Actuarial charges (net of interest payable in note 9)	1,704	1,279
Payroll sub total	**21,240**	**21,176**
Contracted out staffing services	1,221	1,412
	22,461	**22,588**
Early termination costs	0	0
Restructuring costs - contractual	0	0
Restructuring costs - non contractual	126	298
	22,587	**22,886**

Notes to the Financial Statements (continued)

7. Staff costs (continued)

Key Management Personnel

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Post holders who comprise the Principal, Deputy Principal, Vice Principal – Curriculum and Quality and Chief Financial Officer.

Emoluments of Key Management Personnel, Accounting Officer and other higher paid staff

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	4	3

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

	Senior post-holders		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£60,001 to £65,000 p.a.	0	0	1	0
£65,001 to £70,000 p.a.	0	0	3	5
£70,001 to £75,000 p.a.	0	0	3	1
£90,001 to £95,000 p.a.	2	1	0	0
£105,001 to £110,000 p.a.	1	1	0	0
£140,001 to £145,000 p.a.	1	1	0	0
	4	3	7	6

Key Management Personnel emoluments are made up as follows:

	2020 £'000	2019 £'000
Salaries	345	333
Benefits in kind	0	0
	345	333
Pension contributions	79	61
Total key management personnel emoluments	424	394

The above emoluments include 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 are as follows:

	2020 £'000	2019 £'000
Salary	143	143
Benefits in kind	0	0
Pension contributions	33	24
	176	167

Notes to the Financial Statements (continued)

7. Staff costs (continued)

The governing body has adopted AOC's Senior Staff Remuneration Code in July 2019 and assess pay in line with its principles.

The remuneration package of Key Management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Principal and Chief Executive reports to the Chair of the Governing Body, who undertakes an annual review of his performance against the college's overall objectives using both qualitative and quantitative measures of performance.

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

	2020	2019
Principal's basic salary as a multiple of the median of all staff	5.2%	5.3%
Principal and CEO's total remuneration as a multiple of the median of all staff	6.4%	6.2%

Compensation for loss of office paid to former key management personnel and higher paid staff

	2020 £'000	2019 £'000
Compensation paid to Key Management Personnel		
Contractual compensation	0	0
Non-contractual compensation (1 FTE)	20	15
Estimated value of other benefits, including provision for pension benefits	0	0
	20	15

	2020 £'000	2019 £'000
Compensation paid to staff earning in excess of £60,000 per annum		
Contractual compensation	0	0
Non-contractual compensation (1 FTE)	6	0
	6	0

The severance payments were approved by the College's Chairs Committee.

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

Notes to the Financial Statements (continued)

8. Other operating expenses

	Year ended 31 July	Year ended 31 July	
	2020 College £'000	2019 Group £'000 Restated	2019 College £'000 Restated
Teaching costs	239	282	282
Teaching and other support costs	1,461	2,363	2,363
Administration costs	2,064	2,773	2,773
Operational & maintenance costs	2,217	2,173	2,173
Examination costs	1,170	1,333	1,333
Rent and lease costs	114	94	94
Catering, residence and conference costs	774	1,134	1,134
Other income generating activities costs	262	197	197
Subcontracting costs	2,209	2,205	2,205
Other costs	660	242	242
Total	**11,170**	**12,796**	**12,796**

Other operating expenses include:	2020 £'000	2019 £'000
Auditors' remuneration:		
Financial statements audit	33	41
Internal audit	10	19
Other services provided by the financial statements auditors	0	0
Other services provided by the internal auditors	0	0
Losses on disposal of non-current assets (where not material)	0	0
Depreciation	3,837	4,035
Hire of assets under operating leases	30	32

In accordance with the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulation 2008 SI 2008/489 as amended with effect from 1 October 2011 under SI 2011/2198 the 2011 Regulations, the disclosure of auditors' remunerations stated exclusive of VAT.

9. Interest and other finance costs

	College 2020 £'000	Group 2019 £'000	College 2019 £'000
On bank loans, overdrafts and other loans:	406	436	436
Net interest on defined pension liability (note 20)	373	181	181
On enhanced pension provision (note 16)	15	-	-
Total	**794**	**617**	**617**

Notes to the Financial Statements (continued)

10. Taxation

The college was not liable for any Corporation Tax arising out of its activities during the year.

11. Tangible fixed assets

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000		£'000
Cost or valuation					
At 1 August 2019	157,264	0	15,989	-	173,253
Additions	100	0	198	-	298
Disposals	-	-	-	-	-
At 31 July 2020	**157,364**	**0**	**16,187**	-	**173,551**
Depreciation					
At 1 August 2019	24,218	0	14,171	-	38,389
Charge for the year	3,068	0	769	-	3,837
Elimination in respect of disposals	-	-	-	-	-
At 31 July 2020	**27,286**	**0**	**14,940**	-	**42,226**
Net book value at 31 July 2020	**130,078**	**0**	**1,247**	-	**131,325**
Net book value at 31 July 2019	133,046	0	1,818	-	134,864

12. Trade and other receivables

	College 2020 £'000	Group 2019 £'000 Restated	College 2019 £'000 Restated
Amounts falling due within one year:			
Trade receivables	308	1,404	1,404
Prepayments and accrued income	979	791	791
Other receivables	10	82	82
Amounts owed by the ESFA	-	-	-
Total	**1,297**	**2,277**	**2,277**

Notes to the Financial Statements (continued)

13. Creditors: amounts falling due within one year

	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans and overdrafts	320	299	299
Obligations under finance leases	-	-	-
Trade payables	677	1,223	1,223
Other taxation and social security	683	659	659
Other payroll creditors	1	1	1
Other taxation - Lennartz	694	474	474
Accruals and deferred income	1,403	1,512	1,512
Payments received in advance	20	146	146
Deferred income - government capital grants	2,513	2,612	2,612
Deferred income - government revenue grants	-	-	-
Amounts owed to the ESFA	650	650	650
Total	**6,961**	**7,576**	**7,576**

14. Creditors: amounts falling due after more than one year

	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans	7,454	7,774	7,774
Deferred income - government capital grants	80,433	82,685	82,685
Other taxation - Lennartz	-	519	519
Amounts owed to the ESFA	2,925	3,575	3,575
Total	**90,812**	**94,553**	**94,553**

The HMRC liability relates to VAT recovered under the Lennartz principle in respect of two schemes. Scheme 1 was the building works carried out at Ellesmere Port Campus between 2003-05 where the College retrospectively claimed £1,703K which has been subsequently reduced as a result of disposal and impairment. Scheme 2 relates to the new build at Chester and building work at Ellesmere Port which was completed in 2012.

The College has chosen to continue to apply Lennartz accounting. The former West Cheshire College ceased making new claims on expenditure dated from January 2011. The College is now making Lennartz related output tax payments on the non-business use of its new buildings at the Ellesmere Port and Chester sites both of which are operational.

Notes to the Financial Statements (continued)

15. Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	320	299	299
Between one and two years	337	320	320
Between two and five years	1,120	1,064	1,064
In five years or more	5,997	6,390	6,390
Total	**7,774**	**8,073**	**8,073**

The bank loan from Barclays Bank Plc is secured on a portion of the freehold land and buildings of the Crewe campus.

The loan bears a fixed interest of 5.26% and is repayable by instalments falling due between 1 August 2019 and 31 July 2036.

(b) Other unsecured loans

	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	650	650	650
Between one and two years	650	650	650
Between two and five years	1,950	1,950	1,950
In five years or more	325	975	975
Total	**3,575**	**4,225**	**4,225**

The loan is a term loan facility agreement with the Secretary of State for Education, which is unsecured, interest free and is repayable in equal quarterly instalments to 31 January 2026.

16. Provision for liabilities and charges

	Group and College			
	Defined benefit Obligations	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2019	(16,969)	(838)	0	(17,807)
Expenditure in the period	(1,705)	(102)	0	(1,807)
Transferred from income and expenditure account	(1,728)	0	0	(1,728)
At 31 July 2020	**(20,402)**	**(940)**	**0**	**(21,342)**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 20.

The enhanced pension provision relates to the cost of staff who have already left the college's employ and commitments for reorganisation costs from which the college cannot reasonably withdraw at the balance sheet date.

The principal assumptions for this calculation are:

	2020	2019
Price inflation	2.2%	2.2%
Discount rate	2.0%	1.3%

17. Notes to cash flow statement

Analysis of changes in net debt

	At 1 August 2019	Cash flows	Other non-cash changes	At 31 July 2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,406	195	0	1,601
Bank Overdrafts	0	0	0	0
	1,406	195	0	1,601
Bank loans	(8,073)	299	0	(7,774)
Other loans	(4,225)	650	0	(3,575)
Net debt	**(10,892)**	**1,144**	-	**(9,748)**

Notes to the Financial Statements (continued)

18. Capital commitments

	Group and College	
	2020	2019
	£'000	£'000
Commitments contracted for at 31 July	0	0

19. Lease obligations

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

	2020	2019
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	-	-
later than five years	-	-
	-	-
Other		
Not later than one year	11	30
Later than one year and not later than five years	24	34
later than five years	0	2
	35	66
Total lease payments due	35	66

20. Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Cheshire Pension Fund which is the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Cheshire West and Chester Council. Both are multi-employer defined-benefit plans.

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

Total pension cost for the year		2020		2019
		£'000		£'000
Teachers' Pension Scheme: contributions paid		1,715		1,259
Local Government Pension Scheme:				
Contributions paid	1,705		1,604	
FRS 102 (28) charge				
	1,704		1,279	
Charge to the Statement of Comprehensive Income		3,409		2,883
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year		**5,124**		**4,142**

20. Defined benefit obligations (continued)

Teachers' Pension Scheme

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

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

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

Accordingly, the College has taken advantage of the exemption in FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under 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 costs 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 2020 onwards (compared to 16.48% during 2018-19). DfE agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

The employer pension costs paid to TPS in the year amounted to £1,715k (2018-19: £1,259k).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Cheshire West & Chester Council Local Authority. The total contributions made for the year ended 31 July 2020 were £1,940k (2018-19: £2,039k) of which employer's contributions totalled £1,539k (2018-19: £1,604k) and employees' contributions totalled £401k (2018-19: £435k). The agreed contribution rate for future years is 24.9% for employers. The agreed contribution rate for employees is between 5.5% and 12.5%, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by Hymans Robertson LLP.

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	2.80%	2.70%
Future pensions increases	2.10%	2.40%
Discount rate for scheme liabilities	1.40%	2.10%
Inflation assumption (CPI)	2.10%	2.40%
Commutation of pensions to lump sums - pre April 2008	50%	50%
Commutation of pensions to lump sums - post April 2008	75%	75%

Notes to the Financial Statements (continued)

20. Defined benefit obligations (continued)

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

	At 31 July 2020	At 31 July 2019
	years	**years**
Retiring today		
Males	21.20	22.30
Females	23.60	24.50
Retiring in 20 years		
Males	21.90	23.90
Females	25.00	26.50

The College's share of the assets in the plan and the expected rates of return were:

	Long-term rate of return expected at 31 July 2020	**Fair Value at 31 July 2020**	**Long-term rate of return expected at 31 July 2019**	**Fair Value at 31 July 2019**
		£'000		**£'000**
Equities	2.10%	31,682	2.40%	33,165
Bonds	2.10%	30,946	2.40%	33,165
Property	2.10%	7,368	2.40%	5,896
Cash	2.10%	3,684	2.40%	1474
Total market value of assets		**73,680**		**73,700**
Weighted average expected long term rate of return	**2.10%**		**2.40%**	
Actual return on plan assets		**1,817**		**3,423**

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

	2020	**2019**
	£'000	**£'000**
Fair value of plan assets	73,680	73,700
Present value of plan liabilities	(94,082)	(90,669)
Net pensions liability (Note 16)	**(20,402)**	**(16,969)**

20. Defined benefit obligations (continued)

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	(3,061)	(2,586)
Past service cost	(182)	(273)
Total	**(3,243)**	**(2,859)**
Amounts included in interest and other finance costs		
Net interest cost	(373)	(181)
	(373)	**(181)**

Amounts recognised in Other Comprehensive Income

	2020 £'000	2019 £'000
Return on pension plan assets	1,817	3,423
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(3,173)	(13,077)
Amount recognised in Other Comprehensive Income	**(1,356)**	**(9,654)**

Movement in net defined benefit liability during the year

	2020 £'000	2019 £'000
Surplus/(deficit) in scheme at 1 August	(16,969)	(5,855)
Movement in year:		
Current service cost	(3,061)	(2,586)
Employer contributions	1,539	1,580
Past service cost	(182)	(273)
Net interest on the defined liability	(373)	(181)
Actuarial loss	(1,356)	(9,654)
Net defined benefit liability at 31 July	**(20,402)**	**(16,969)**

Asset and Liability Reconciliation

	2020 £'000	2019 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	90,669	73,559
Current Service cost	3,061	2,586
Interest cost	1,889	2,085
Contributions by Scheme participants	401	438
Changes in financial assumptions	3,173	13,077
Estimated benefits paid	(5,293)	(1,349)
Past Service cost	182	273
Defined benefit obligations at end of period	**94,082**	**90,669**

20. Defined benefit obligations (continued)

Reconciliation of Assets

Fair value of plan assets at start of period	73,700	67,704
Interest on plan assets	1,516	1,904
Return on plan assets	1,817	3,423
Employer contributions	1,539	1,580
Contributions by Scheme participants	401	438
Estimated benefits paid	(5,293)	(1,349)
Fair value of plan assets at end of period	**73,680**	**73,700**

These accounts show a past service cost of £182k in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 0.89% of the total scheme liability as at 31 July 2020. The calculation of adjustment to past service costs, £182k, 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%.

Notes to the Financial Statements (continued)

21. Related Party Transactions

Owing to the nature of the College's operations and the composition of the Governing Body 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 Governing Body may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

A register of Members' Interests which records any business interest, financial or otherwise which may be perceived as being likely to interfere with the exercise of a member's independent judgement, is maintained by the College. The register can be inspected by prior arrangement with the Clerk to the Corporation.

There have been no write offs in respect of related party transactions. The following related party transactions took place in the year:

			Sales Transactions		Purchase Transactions	
Governor	**Position Held**	**Organisation**	**In Year**	**YE O/S Balance**	**In Year**	**YE O/S Balance**
Carleen Osborne	Employed	Derby University	-	-	£293,187	£127,084
Dame Pat Bacon	Patron and Chair	Nantwich Town Football club	£16,998	-	£5,500	-
Davinder Lotay	Director	The Pledge Partnership	£48,161	£4,008		-
Debbie Bryce	CEO & Director	West Cheshire & North Wales Chamber of Commerce	£500	-	£6,000	£6,000
Dhesi	Honorary Member	Crewe & Nantwich Rotary Club	£578	-		-
Len Closs	Member	Association of School & College Leaders	-	-	£420	-
Paul Colman	Employed	South Chamber of Commerce	£649	-	£9,420	-
Tina Yu	Employed	MAG Airport Ltd	£993	-	-	-

The total expenses paid to or on behalf of the Governors during the year was £1,737; 7 governors (2019: £2,268; 9 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2019: None).

Transactions with the funding bodies and OfS are detailed in notes 2, 13 and 14.

22. Amounts disbursed as agent

	2020	2019
	£'000	£'000
Funding body grants – 16-18 bursary	378	0
Other Funding body grants	152	0
Interest earned	0	0
	530	0
Disbursed to students	(398)	-
Administration costs	(27)	-
Balance unspent as at 31 July, included in creditors	105	-

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

Notes to the Financial Statements (continued)

23. Prior Year Adjustment

In year ended 31st July 2019 there was an amount recognised of £432k as potential bad debt, upon further investigation it transpired that this was incorrectly classified as bad debt and in fact related to invoices that had been duplicated in previous years. During the year end 31st July 2020 work was carried out to identify the true figure and credit notes have been raised in the amount of £512k to correct this situation. This adjustment has been identified as £222k relating to 2019 and £290k for periods prior to 2019.

The resulting adjustments to the year end 31st July 2019 financial statements are as follows:

	Previously Reported	Adjustment	Restated
	2019		2019
	£'000	£'000	£'000
Statement of Comprehensive Income and Expenditure			
Other operating expenses	12,574	222	12,796
Statement of Changes in Reserves			
Balance at 1st August 2018 - Restated	30,001	(290)	29,711
Balance at 31st July 2019	(10,832)	(222)	(11,054)
Balance Sheet			
Trade and other receivables	2,789	(512)	2,277