



**Cheshire College  
South & West**

# **Report & Financial Statements**

**2021-22**

**INSPIRE • BELIEVE • ACHIEVE**

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## **I. Reference and Administrative Details**

### **I.1 Board of Governors**

- I.1.1 Dame P Bacon
- I.1.2 F Bradley
- I.1.3 M Braun
- I.1.4 D Bryce
- I.1.5 L Closs
- I.1.6 P Colman
- I.1.7 L Davies
- I.1.8 I Douglas
- I.1.9 J S Dhesi
- I.1.10 J Green
- I.1.11 S Guildford
- I.1.12 S Harrison
- I.1.13 S Herbert
- I.1.14 D Jones
- I.1.15 J Kiely
- I.1.16 D Lotay
- I.1.17 J Lowry
- I.1.18 J Murphy
- I.1.19 K Murray
- I.1.20 A Newman
- I.1.21 C Osborne
- I.1.22 A Pickering
- I.1.23 L Risk
- I.1.24 C Roberts
- I.1.25 G Taylor
- I.1.26 S Wallace
- I.1.27 J Wildsmith

### **I.2 Clerk**

- I.2.1 Michelle Huntley

### **I.3 Key Management Personnel**

- I.3.1 Key management personnel are defined as Senior Post Holders and members of the College Executive Leadership Team and were represented by the following in 2021-22:

- |         |              |   |
|---------|--------------|---|
| I.3.1.1 | J Dhesi      | Principal & Chief Executive; Accounting Officer   |
| I.3.1.2 | H Nellist    | Deputy Principal & Deputy Chief Executive Officer |
| I.3.1.3 | GIL Jones    | Chief Financial Officer                           |
| I.3.1.4 | R Szolkowska | Vice Principal - Innovation, Curriculum & Quality |

### **I.4 Principal and Registered Office**

- I.4.1 Dane Bank Avenue, Crewe, Cheshire, CW2 8AB

### **I.5 Professional Advisers**

- I.5.1 External Auditors: Haines Watts Birmingham LLP, 5-6 Greenfield Crescent, Edgbaston, Birmingham, B15 3BE

1.5.2 Internal Auditors: RSM UK Risk Assurance Services LLP, Cannon Street, London, EC4N 6JJ

## 1.6 Bankers

1.6.1 Barclays Bank PLC, P O Box 3333, One Snowhill, Snowhill Queensway, Birmingham, B3 2WN

## 1.7 Solicitors

1.7.1 Bramhalls, The Old Reading Room, 76 Eastham Village Road, Eastham, Wirral, CH62 0AW

1.7.2 Evershed Sutherland LLP, Two New Bailey, 6 Stanley Street, Salford, M3 5GX

1.7.3 KBL Solicitors, New Mansion House, 63-65 Chorley New Road, Bolton, BL1 4QR

## 1.8 VAT Advisor

1.8.1 Davies Mayers Tax Advisors LLP, Pillar House, 113/115 Bath Road, Cheltenham, GL53 7LS

## 2. Strategic Report

### 2.1 Objectives and Strategy

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

### 2.2 Legal Status

2.2.1 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.

2.2.2 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.

### 2.3 Mission

2.3.1 The governors reviewed the mission during 2020-21 and agreed the following mission (*purpose*):

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

### 2.4 College Values

2.4.1 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”.*

## 2.5 Strategic Plan

2.5.1 In July 2022, the College adopted a strategic plan for the period 2022-2025. 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.

2.5.2 The College’s objectives are:

### ***Teaching, Learning and Support:***

- *We will inspire all learners to achieve their full potential through consistent high-quality teaching, learning, assessment, and support.*
- *We will provide innovative and flexible teaching, learning, assessment, and support, making best use of the latest technologies through blended learning.*
- *We will provide our learners with a curriculum that develops the knowledge, skills and behaviours needed to excel in employment and higher-level learning.*
- *We will listen to and understand our learners in order to provide appropriate pastoral support for their personal development, resilience, confidence, health, social and emotional wellbeing.*

### ***People:***

- *We will value, respect, and recognise the contribution of all colleagues.*
- *We will retain, attract, and recruit high calibre talent with shared values and a desire to excel.*
- *We will enhance the performance and career opportunities for colleagues through highly effective Continuous Professional Development (CPD).*
- *We will maintain a positive culture where ownership, accountability and involvement in decision making is championed at all levels.*
- *We will promote and support health and wellbeing opportunities for all colleagues.*

### ***Learning Environments:***

- *We will invest in a high-quality digital and data infrastructure to support blended learning and access to the latest technologies.*
- *We will remove barriers to learning by providing all full-time learners access to a personal digital device.*
- *We will implement a capital investment and rolling refurbishment programme that will deliver inspirational learning environments across all curriculum areas.*
- *We will strive to develop an estate that is net zero carbon.*

### ***Finances:***

- *We will be a financially robust College by remaining efficient, offering value for money and maintaining a secure cash position.*
- *We will seek out opportunities and apply for projects/grant applications that support the College’s strategic aims.*

### ***Communities and Economic Contribution:***

- *We will ensure our Campuses are at the heart of the local communities that we serve.*
- *We will work with local, regional and national agencies, partners and employers to deliver economic growth through an offer that meets current and future skills needs, including the development of higher-level technical programmes.*

## 2.6 Resources

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

### 2.6.2 Financial

2.6.2.1 At 31 July 2022 the College had £42.7m of net assets (2020-21 net assets of £13.2m), cash at bank of £8.4m (2020-21 £5.7m), loan balances of £9.4m (2020-21 £10.5m) and a break-even defined pension benefit asset (2020-21 £26.2m deficit).

2.6.2.2 The College has generated cash from operations during the year which has been utilised towards capital investment projects, reducing debt, and generating cash reserves to support ongoing investment.

### 2.6.3 People

2.6.3.1 The College employs 469 people (expressed as full-time equivalents), of whom 200 are teaching staff.

### 2.6.4 Reputation

2.6.4.1 The College has a good reputation locally, nationally, and internationally. Maintaining a quality brand is essential for the College's success at attracting learners and external relationships. This remains a key priority in 2022-23 for the College.

## 2.7 Learner Numbers

2.7.1 In 2021-22 the College's activities generated £23,458k in funding body main allocation funding (2020-21 £21,691k). The College had approximately 4,002 (2020-21 4,171) publicly funded 16-19 learners.

2.7.2 The table 1 below summarises learner numbers by contract:

Funding Stream	2021-22		2020-21	
	Number	Income £'000	Number	Income £'000
16-19 Learners	4,002	23,458	4,171	21,691
Apprenticeships	892	2,670	984	2,729
AEB	1,998	2,835	2,023	3,052
Advanced Learner Loans	299	753	351	790
HE (OfS)	218	1,320	297	1,305

(Table 1: Learner Numbers and Income by Funding Stream)

## 2.8 Stakeholder Relationships

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

2.8.2 These include:

2.8.2.1 Learners, Governors and staff.

2.8.2.2 Chamber of Commerce.

2.8.2.3 Education sector funding bodies.

2.8.2.4 The Further Education Commissioner.

2.8.2.5 Local, regional and national employers (with specific links).

2.8.2.6 Local authorities and the Local Enterprise Partnership (LEP).

2.8.2.7 Banks.

2.8.2.8 The local community.

2.8.2.9 Other FE and HE institutions and training providers.



2.8.2.10 Trade Unions.

2.8.2.11 Professional advisors and professional bodies.

2.8.3 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.

## 2.9 Public Benefit

2.9.1 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 21-22. 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.

2.9.2 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 almost 1,000 apprentices. The college is committed to providing information, advice, and guidance to the learners it enrolls and to finding suitable courses for as many learners as possible, regardless of their education and background.

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

2.9.3.1 High-quality teaching.

2.9.3.2 Widening participation and tackling social exclusion.

2.9.3.3 Excellent employment record for learners.

2.9.3.4 Strong learner support systems.

2.9.3.5 Links with employers, industry, and commerce.

2.9.3.6 Links with Local Enterprise Partnership (LEP).

2.9.3.7 Good progression to higher education, apprenticeships and into skilled employment.

## 2.10 Development and Performance

### 2.10.1 Financial Results

2.10.1.1 The College generated a surplus before other gains and losses in the year of £512k (2020-21 surplus of £1,982k) with total comprehensive income surplus of £29,495k, (2020-21 deficit £1,987k). The total comprehensive income is stated after accounting for movement on actuarial gain/(loss) in respect of pension schemes.

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

2.10.1.3 Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) was £4,538k in the year (2020-21 £5,522k).

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

	2022 £'000	2021 £'000
<b>Surplus before tax</b>	512	1,982
FRS102 pension admin costs	2,214	1,579
FRS 102 Interest Charge	437	297
<b>Underlying operating surplus</b>	<b>3,163</b>	<b>3,858</b>
Interest and other finance costs	398	412

Interest Receivable	(24)	(3)
Capital grant amortisation	(2,705)	(2,733)
Depreciation and amortisation	3,706	3,988
<b>Underlying EBITDA</b>	<b>4,538</b>	<b>5,522</b>

(Table 2: Underlying Financial Out-turn Position)

2.10.1.5 The College remains highly dependent on the ESFA for its principal sources of funding (*largely from recurrent grants*). In 2021-22 this funding accounted for 80% of the College's total income (*excluding release of capital grants*) (2020-21 82%).

2.10.1.6 In particular:

2.10.1.6.1 **Education and Skills Funding Agency - 16-18.** The College was funded by the ESFA for 4,164 learners aged 16-18 equating to £21,246k of programme funding (2020-21 4,173 learners £19,508k). Actual recruitment in 2021-22 was below allocation at 4,002 (R04).

2.10.1.6.2 **Education and Skills Funding Agency - Adult.** The College's Adult Education delivery funded by the ESFA was £2,835k against an allocation of £3,365k being under delivery of £536k. As delivery was below the 97% threshold set by the ESFA the College will be subject to clawback of funding.

2.10.1.6.3 **Education and Skills Funding Agency - Apprenticeships.** The College had set a prudent budget for Apprenticeships of £2.5m for 2021-22. Positive levels of recruitment resulted in the College delivering £2,670k for the year.

2.10.1.7 The College has accumulated reserves of £42,662k (2020-21 £13,167k) and the movement in year mainly due to the valuation of the pension schemes by the actuaries.

2.10.1.8 The key financial assumptions adopted must reflect market conditions on 31 July 2022, and in order of impact on the accounting valuation, are:

2.10.1.8.1 Discount rate (*assumed future investment return*).

2.10.1.8.2 Future pension increase rate assumption (*CPI*).

2.10.1.8.3 Future salary increase rate assumption.

Financial assumptions	2022 % p.a.	2021 %p.a.	Impact on Obligations
Discount rate (assumed future investment return)	3.50%	1.60%	Large reduction
Pension increases (CPI)	2.70%	2.80%	Reduction
Salary increases	3.40%	3.50%	Small reduction

(Table 3: Defined Pension Benefit Financial Assumptions)

2.10.1.9 The key demographic assumption is for future life expectancy.

Balance Sheet	2022 £'000	2021 £'000
Assets	78,856	83,275
Obligations	78,856	109,522
<b>Net asset / (liability)</b>	<b>-</b>	<b>(26,247)</b>

(Table 4: Balance Sheet changes to Defined Pension Benefit)

2.10.1.10 Negative Fund investment returns have reduced the asset side of the balance sheet.

2.10.1.11 The large increase in the discount rate (*based on financial market conditions at 31 July 2022*) has driven a large reduction in the value placed on the obligations side of the balance sheet.

2.10.1.12 Additionally, long-term market expectations for inflation have fallen slightly since last year, leading to a small reduction in the CPI inflation assumption which enhances the positive impact from the higher discount rate, reducing the obligations further.

2.10.1.13 Future salary increases assumption has also decreased (*linked to inflation*) decreasing the value placed on the obligations.

2.10.1.14 The life expectancy assumptions have also been updated to reflect the latest available longevity tables and this has led to a small decrease (*of the order of half a percent*) in obligations.

2.10.1.15 As a result, there has been a significant movement in the level of the Defined Pension Benefit at 31 July 2022 with the actuarial valuation reporting a surplus of £7,815k (2020-21 £26,247k deficit). FRS102 does state that a net asset position shall be recognised on an employer's Balance Sheet, but only to the extent that the asset is deemed to be recoverable. The Balance Sheet has been amended to disclose a break-even position for the Defined Pension benefit scheme.

## 2.10.2 Cash Flows and Liquidity

2.10.2.1 The College ended the year in a stable cash position with cash and cash equivalent balances of £8,384k (2020-21 £5,675k). Balances include ESFA capital and revenue grants received in advance of £1,970k which were unspent at year-end. A further £1,945k is ring-fenced to match-fund the numerous capital projects currently being undertaken by the College across all three of its campuses. The College's priorities are to accumulate cash balances and reserves to allow for investment and has cash forecasts that demonstrate cash reserves and facilities are in place and are sufficient to meet the cash requirements of the College.

2.10.2.2 Cash flow generated from operating activities amounted to £4,863k (2020-21 net inflow of £5,512k).

2.10.2.3 The size of the College's total borrowing and its approach to interest rates has been calculated to ensure an appropriate cushion between the total cost of servicing debt and cash flow available for debt servicing.

## 2.10.3 Reserves

2.10.3.1 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 core activities of the College. It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

2.10.3.2 There are no restricted reserves held.

## 2.10.4 Financial Health

2.10.4.1 The ESFA financial health assessment for 2021-22 has been calculated as 'Outstanding'.

2.10.4.2 The performance is shown in table 5 below:

Financial Health	2021-22	2020-21
Adjusted Current Ratio	80	70
EBITDA as a % of Income - Education Specific	100	100
Borrowing as a % of Adjusted Income	70	70
<b>Total Points</b>	<b>250</b>	<b>240</b>
<b>Financial Health Grade</b>	<b>Outstanding</b>	<b>Outstanding</b>

(Table 5: Financial Health Points Score)

2.10.4.3 The financial grade definitions and boundaries are detailed in *table 6* below:

Score	Grade	Judgement
240-300	Outstanding	Very robust finances to meet current obligations and respond successfully to opportunities or adverse circumstances.
180-230	Good	Sufficiently robust finances to meet current obligations and respond successfully to most opportunities or adverse circumstances.
120-170	Requires Improvement	Sufficient resources to meet current obligations but a level of risk to financial health, with limited capacity to respond successfully to opportunities or adverse circumstances, which corporations need to address.
110 or less	Inadequate	Inadequate Financial difficulty and likely to be dependent on the goodwill of others, with a significant risk of not being able to meet current obligations.

(Table 6: Financial Grade Definitions and Boundaries)

2.10.4.4 The ESFA have confirmed that the Financial Health Grade of Cheshire College South & West was 'Outstanding' for the 2020-21 results.

## 2.10.5 Subsidiary Companies

2.10.5.1 The College had no subsidiary companies during the year.

## 2.10.6 Streamlined Energy and Carbon Reporting

2.10.6.1 The College is committed to reducing its carbon emissions and has taken the following measures in the year to improve energy efficiency:

- 2.10.6.1.1 Replaced banks of ineffective fluorescent lighting with high efficiency LED lighting.
- 2.10.6.1.2 Upgraded hot water systems and improved heat exchanger plant to reduce dependence on gas powered sources.
- 2.10.6.1.3 Replaced failing pipework and associated lagging to improve efficiency of heat transfer.
- 2.10.6.1.4 Reviewed energy suppliers to consider 'green only' suppliers.
- 2.10.6.1.5 Encouraged reduction in use of college and personal vehicles through the Cycle to Work Scheme.
- 2.10.6.1.6 Promoted the use of MS Teams and other video conferencing as an alternative to cross-Campus travel.
- 2.10.6.1.7 Reviewed and disposed of aging and inefficient College vehicles.
- 2.10.6.1.8 Successful application for the Public Sector Decarbonisation Scheme Phase 3 (PSDS3), to the value of £1.97m, securing funding to reduce the College's overall carbon impact at the Crewe Campus. The proposed scheme will take part of the heating system associated with the fossil fuel gas boilers to be replaced with electrically powered Air Source Heat Pumps (ASHP) and pre-heat the domestic hot water system. Photovoltaic cells will also be installed to assist in powering the ASHP's to harness the energy of the sun to heat the buildings and provide hot water.

2.10.6.2 The College's greenhouse gas emissions and energy use for the period are set out below:

Greenhouse Gas Emissions Energy Use Data	2022	2021
Energy Consumption used to calculate emission (kWh)	13,465,540	13,419,286
<b>Energy Consumption Breakdown (kWh)</b>		
Gas	7,600,879	8,293,135
Electricity	5,671,210	5,011,143
Transport Fuel	193,451	115,008
<b>Scope 1 Emissions in Metric Tonnes CO<sub>2</sub>e</b>		
Gas Consumption	1,392.18	1,518.97

Owned Transport	1.86	2.15
Total Scope 1	1,394.04	1,521.12
<b>Scope 2 Emissions in Metric Tonnes CO<sub>2</sub>e</b>		
Purchased Electricity	1,096.70	1,064.02
<b>Scope 3 Emissions in Metric Tonnes CO<sub>2</sub>e</b>		
Business Travel in Employee-Owned Vehicles	43.87	24.45
<b>Total Gross Emissions in Metric Tonnes CO<sub>2</sub>e</b>	<b>2,534.60</b>	<b>2,609.59</b>
<b>Intensity Ratio</b>		
Tonnes CO <sub>2</sub> e per member of staff	5.44	5.59

(Table 7: Streamlined Energy and Carbon Data)

### 2.10.6.3 Quantification and Reporting Methodology

- 2.10.6.3.1 Emissions have been calculated and reported in accordance with their individual scope and classification resulting predominantly from acting as supporting infrastructure for the delivery of the College's core activities of teaching and learning, with a small contribution which could be deemed applicable to commercial activity.
- 2.10.6.3.2 In circumstances where recorded data is not available a justifiable method of estimation has been applied based on the context of use and end user knowledge.
- 2.10.6.3.3 The College have followed the 2019 HM Government Reporting Guidelines and utilised the Greenhouse Gas (GHG) Reporting Protocol - Corporate Standard and have used the 2021 UK Government's Conversion Factors for Company Reporting.
- 2.10.6.3.4 Transport fuel expressed as energy consumption and highlighted as kWh output refers to a calculated contribution from in house fleet vehicles, where known engine capacity, recorded mileage and estimated use has been used.
- 2.10.6.3.5 Scope 3 emissions (*business travel*) calculated in metric tons of CO<sub>2</sub>e have been based on an overall mileage figure taken from staff mileage claims paid within the qualifying period using the appropriate conversion figure for a large diesel engine car as directed in the 2021 guidelines only.
- 2.10.6.3.6 Future submissions will allow prior year equivalent figures to be disclosed for comparison but is not required in this, the first year of generation for the College as a reporting organisation.

### 2.10.6.4 Intensity Measurement

- 2.10.6.4.1 The chosen intensity measurement ratio is total gross emissions in metric tonnes CO<sub>2</sub>e per staff member, the recommended ratio for the sector.

## 2.11 Future Developments and Prospects

### 2.11.1 Future Developments

- 2.11.1.1 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.
- 2.11.1.2 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.

- 2.11.1.3 The Government introduced T Levels in 2017 as one outcome of a government review of education after the age of 16. The College successfully introduced 4 T Level routes in September 2021 (*Digital, Health Science, Construction and Childcare*). T Levels 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.
- 2.11.1.4 The College's T-Level offer has been designed and developed to provide a solid basis for learners to progress onto a range of programmes such as Higher Levels of Study, Higher Apprenticeships or into Skilled Employment.
- 2.11.1.5 The T Level offer has been expanded for 2022-23 to include Business and Engineering routes and will include an extended offer of routes through Catering, Craft & Design and Hairdressing, Barbering & Beauty Therapy for 2023-24.

## 2.11.2 Future Prospects

- 2.11.2.1 The College's 16-19 aged full-time recruitment for 2021-22 was confirmed at 4,002 against a target of 4,164, a shortfall of 162, which under lag funding meant a reduction in funding of c£670k in 2022-23, under the ESFA's 'lag funding rule'.
- 2.11.2.2 Apprenticeship carry-in is stronger than planned and monthly recruitment is in line with the College growth plan.
- 2.11.2.3 Management is currently assessing the future impacts of external cost pressures on budgets in 2022-23 and beyond.
- 2.11.2.4 Despite these cost pressures, it is anticipated that, the 2022-23 budgeted underlying surplus position of £1,184k will be achieved.

## 2.11.3 Capital Developments

### 2.11.3.1 Public Sector Decarbonisation Scheme – Phase 3 (*PSDS3*)

- 2.11.3.1.1 The successful application for the Public Sector Decarbonisation Scheme Phase 3 (*PSDS3*), to the value of £1.97m, secures funding to reduce the College's overall carbon impact at the Crewe Campus. The proposed scheme will take part of the heating system associated with the fossil fuel gas boilers to be replaced with electrically powered Air Source Heat Pumps (*ASHP*) and pre-heat the domestic hot water system. Photovoltaic cells will also be installed to assist in powering the *ASHP*'s to harness the energy of the sun to heat the buildings and provide hot water

### 2.11.3.2 Institute of Technology

- 2.11.3.2.1 In response to the Government's commitment to create 20 Institutes of Technology (*IoTs*) across England to address the higher-level technical skills gap nationally an application was submitted for Cheshire and Warrington. The College is recognised as the lead organisation in the proposal and formal approval of funding has now been received.
- 2.11.3.2.2 As the lead organisation for the Cheshire & Warrington IoT, the College holds the licencing arrangements with the partners; University of Chester, Reaseheath College, Warrington & Vale Royal College and Macclesfield College. This will create much needed industry standard engineering and construction workshops and learning spaces to accommodate an increase of Level 4 and 5 (*Higher Education*) learners.
- 2.11.3.2.3 A revised grant allocation of £14.06m to the Cheshire & Warrington IoT (*increase of £1,121k*) has been secured with the College's allocation increasing by £408k from £5,230k to £5,708k to fund identified abnormalities and net zero carbon expenditure. The two-storey proposed new build at the Crewe

Campus will provide 4 new classrooms whilst the ground floor will accommodate specialist engineering workshops.

#### **2.11.3.3 T-Level Wave 4**

- 2.11.3.3.1 The T Levels Capital Fund (*TLCF*) Wave 4 grant application was approved in July 2022 with a total project cost of £2,213k for refurbishment of current facilities to support the delivery of wave 4 T-Level curriculum from September 2023.
- 2.11.3.3.2 At the Ellesmere Port campus, this option includes the targeted remodelling of areas of the existing hair and beauty provision to provide a reception facility which is in a more prominent and visible position to improve the public/customer experience together with the replacement of existing walls with new glazed walls to provide a 'shop-front' salon appearance.
- 2.11.3.3.3 Access improvements including the provision of a new draught lobby are to be included to allow this area to be opened in isolation of the main College building, which allows more out of hours opening opportunities for the facility and assists the College in their site management. A new Delicatessen and Butchery serving, and seating area will also be provided.
- 2.11.3.3.4 At the Chester campus, this option includes the targeted refurbishment of areas of the existing Art Studios, teaching rooms, and work-shop accommodation to provide new Creative & Design accommodation. Existing Art Studios are to undergo a light redecoration to improve finishes and eliminate current Condition C elements of the construction.

#### **2.11.4 Treasury Policies and Objectives**

- 2.11.4.1 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.
- 2.11.4.2 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.

#### **2.12 Principal Risks and Uncertainties**

- 2.12.1 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.
- 2.12.2 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 because of national government changes and / or a new area of work being undertaken by the College.
- 2.12.3 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.
- 2.12.4 This is supported by a risk management training programme to raise awareness of risk throughout the College.

2.12.5 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.

#### 2.12.6 **Government Funding**

2.12.6.1 The College has considerable reliance on continued government funding through the further and higher education sector funding bodies in 2021-22, 80% of the College's revenue was ultimately public funded (2020-21: 82%) 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.

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

2.12.6.2.1 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.

2.12.6.2.2 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.

2.12.6.3 This risk is mitigated in several ways:

2.12.6.3.1 Funding is derived through several direct and indirect contractual arrangements to reduce exposure to any one income stream.

2.12.6.3.2 Rigorous and regular monitoring of learner numbers to measure the impact on funding.

2.12.6.3.3 Ensuring that the College is consistent in delivering high quality education and training.

2.12.6.3.4 Considerable focus and investment are placed on maintaining and managing key relationships with the various funding bodies.

#### 2.12.7 **Tuition Fee Policy**

2.12.7.1 Fees for adult learners, which are initially funded through the Student Loans Company and then from learners themselves if they withdraw from the course, are more challenging to collect than employer or commercial debt. In line with most 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.

2.12.7.2 This risk is mitigated in several ways:

2.12.7.2.1 By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for learners.

2.12.7.2.2 Improved debt collection procedures.

2.12.7.2.3 Knowledge of other training provider fees to ensure that the College remains competitive in its offering.

2.12.7.2.4 Close monitoring of the demand for courses as prices change.

#### 2.12.8 **Maintain Adequate Funding of Pension Liabilities**

2.12.8.1 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.



## **2.12.9 Failure to Maintain the Financial Viability of the College**

2.12.9.1 The College's current financial health grade is classified as Outstanding. Plans are in place to continue to sustain the College's improving financial health over the coming year. However, the challenge remains to offer the best learner experience within the funding constraints facing the FE sector.

2.12.9.2 This risk is mitigated in several ways:

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

## **2.13 Key Performance Indicators**

2.13.1 The college has several 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 is included within this report, with regular updates discussed at Board, Committee, and operational management meetings.

## **2.14 Learner Achievement**

2.14.1 Overall, College Achievement is currently 83.2% (2020-21 90.9%) compared to 85.3% for 2018-19 (*Comparisons made to the last full year of examinations prior to changes in the award of grades due to the COVID-19 pandemic, the end of the previous year*).

### **2.14.2 Payment Performance**

2.14.2.1 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.

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

## **2.15 Equality and Diversity**

### **2.15.1 Equality**

2.15.1.1 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.

2.15.1.2 As an employer and public body, the College can play a leading part in the promotion of equality and diversity more widely. Equality of access to education is crucial in unlocking many significant opportunities in life.

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

2.15.1.4 The College has committed to the *Mindful Employer* initiative to assist the mental health wellbeing of staff. 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.

## 2.15.2 Gender Pay Gap Reporting

2.15.2.1 The gender pay gap shows the difference in the average earnings between all men and women in an organisation.

2.15.2.2 The mean gender pay gap is the difference between the mean hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees.

2.15.2.3 The median gender pay gap is the difference between the median hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees.

	Year ending 31 March 2022
Mean gender pay gap ( <i>in favour of men</i> )	13.41%
Median gender pay gap ( <i>in favour of men</i> )	18.66%
Mean bonus gender pay gap	0%
Median gender bonus gap	0%

(Table 8: Gender Pay Gap)

2.15.2.4 The proportion of males and females in each quartile of the pay distribution are shown in table 9 below:

	Males	Females
1 – Lower quartile	24%	76%
2 – Lower middle quartile	32%	68%
3 – Upper middle quartile	41%	59%
4 – Upper quartile	46%	54%

(Table 9: Proportion of Males and Females by Pay Distribution Quartile)

2.15.2.5 The College publishes its annual gender pay gap report on its website.

## 2.15.3 Accessibility Statement

2.15.3.1 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).

2.15.3.2 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.

## 2.15.4 Trade Union Facility Time

2.15.4.1 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 2022	FTE Employee Number
4	3.5

  

Percentage of time	Number of employees
0%	0

1-50%	4
51-99%	0
100%	0
Total cost of facility time	£16k
Total pay bill	£20,791k
Percentage of total bill spent on facility time	0.075%
Time spent on paid trade union activities as a percentage of total paid facility time	10.0%

(Table 10: Trade Union Facility Time)

## 2.16 Going Concern

- 2.16.1 The college governors approved a financial plan in July 2022 which sets objectives for the period to 2023. The college aims to consolidate its financial health position and aims to earn a health rating of 'Good' or better and achieve an operating surplus of £1,184k in the year to 31 July 2023.
- 2.16.2 The ESFA financial health measure has remained 'Outstanding' and remains 'Good' throughout the forecast period to 2024.
- 2.16.3 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.

## 2.17 Events After the Reporting Period

- 2.17.1 On 30 November 2022, the Office for National Statistics (ONS) reclassified all college corporations as public sector institutions, and this prompted the Department for Education (DfE) to introduce some new rules for colleges which will take effect during 2023.
- 2.17.2 To support and protect colleges, the DfE will be:
- 2.17.2.1 Investing £300m of payments before the end of the 2022-23 financial year to:
- 2.17.2.1.1 eliminate the current deficit in funding; and
- 2.17.2.1.2 move to a profile of funding which better matches need, recognising the challenging environment the sector faces.
- 2.17.2.2 providing an additional £150m of capital grant funding in 2023-24 to support and protect colleges planning to invest in their infrastructure and estate where previously they would have borrowed from commercial lenders
- 2.17.2.3 allowing colleges to retain flexibility on using surpluses and sale of assets ensuring that colleges can continue to invest in their estates, while complying with the managing public money framework
- 2.17.2.4 committing to work in partnership with the sector to develop the future approach to financial reporting, and a new college handbook

## 2.18 Modern Slavery Act 2015

- 2.18.1 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, indirect operations, and supply chain. The college operates exclusively within the United Kingdom. Foreign trips do take place from time to time to explore future avenues of business and most of the Cheshire College South & West activity and learners are from Cheshire.
- 2.18.2 The College takes this issue very seriously and has developed a policy which can be viewed in full on the College website.

**2.19 Disclosure of Information to Auditors**

2.19.1 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.

**2.20 Approved by order of the members of the Corporation on 15 December 2022 and signed on its behalf by:**

**Dame P Bacon**

**Chair**

15 December 2022

### 3. Statement of Corporate Governance and Internal Control

#### 2.21 Governance Code

2.21.1 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 2021 to 31 July 2022 and up to the date of approval of the annual report and financial statements.

2.21.2 The College endeavours to conduct its business:

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

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

2.21.3 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 2022. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to always observe the highest standards of corporate governance. 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.

#### 2.22 The Corporation

2.22.1 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	2021-22 Committees Served	2021-22 Attendance
Dame P Bacon Chair	Re-appointed 07/11/19	4 years to 31/12/23		External Member	<ul style="list-style-type: none"> <li>Chairs (Chair)</li> <li>Finance &amp; Resources.</li> <li>Management &amp; Performance; Remuneration</li> </ul>	91%
Mr F Bradley	Reappointed 16/12/21	4 years to 31/12/25		External Member	<ul style="list-style-type: none"> <li>Chairs; Audit &amp; Risk (Chair); Management &amp; Performance; Remuneration (Chair)</li> </ul>	87%
Mr M Braun	Reappointed 16/12/21	01/01/22 to 31/12/22		Associate Member	<ul style="list-style-type: none"> <li>Audit &amp; Risk</li> </ul>	100%
Mrs D Bryce	Reappointed 12/12/19	01/02/20 to 31/01/24		External Member	<ul style="list-style-type: none"> <li>Finance &amp; Resources</li> </ul>	70%
Mr L Closs	Reappointed 07/11/19	4 years to 31/12/23		External Member	<ul style="list-style-type: none"> <li>Chairs; Management &amp; Performance (Chair), Finance &amp; Resources</li> </ul>	91%
Mr P Colman	Reappointed 07/07/22	4 years to 31/07/22  01/08/22 To 31/07/23		External Member   Associate Member	<ul style="list-style-type: none"> <li>Finance &amp; Resources</li> </ul>	90%

Name	Date of the corporation meeting at which the appointment/reappointment was made	Term of office	Date of resignation	Status of appointment	2021-22 Committees Served	2021-22 Attendance
Ms L Davies	10/11/22	1 year from 01/12/22		External Member		
Ms I Douglas	Student Election	01/05/22 to 30/06/23		FE Student Member	• Management & Performance	100%
Mr J S Dhesi	24/01/14			Principal	• Chairs; Finance & Resources; Management & Performance	91%
Mr J Green	Reappointed 24/03/22	4 years to 28/02/26		External Member	• Audit & Risk	100%
Mr S Guildford	Staff Election 10/05/22	4 years to 14/05/25		Academic Staff Member	• Management & Performance	100%
Mrs S Harrison	Reappointed 24/03/22	4 years to 28/02/26		External Member	• Management & Performance	78%
Mr S Herbert	Staff Election 10/09/21	4 years to 09/09/25		Academic Staff Member	• Management & Performance	100%
Ms Daisy Jones	Student Election	2 years from 01/01/20	03/09/21	HE Student Member	• Management & Performance	N/A
Mr J Kiely	Appointed 24/03/2022	1 year from 01/04/22 to 31/03/23		External Member	• Chairs; Finance & Resources	71%
Mr D Lotay	Reappointed 07/11/19	4 years to 31/12/23		External Member	• Audit & Risk	91%
Ms J Lowry	Appointed 01/08/21	01/09/21 to 13/01/22	14/01/22	FE Student Member	• Management & Performance	41%
Ms J Murphy	Appointed 01/11/21	01/10/21 to 18/02/22	19/02/22	HE Student member	• Management & Performance	67%
Mr K Murray	Reappointed 02/07/19	4 years to 31/08/23		External Member	• Audit & Risk	82%
Ms A Newman	Student Election	01/11/22 to 30/06/23		FE Student Member		
Mrs C Osborne	Reappointed 07/07/22	1 year to 31/07/23		Associate Member	• Management & Performance	100%
Mrs A Pickering	Elected 15/05/18	4 years to 14/05/22	14/05/22	Academic Staff Member	• Management & Performance	86%
Mrs L Risk	Appointed 08/07/2021	01/08/21 to 26/01/22	26/01/22	External Member	• Finance & Resources	20%
Mr C Roberts	Appointed 24/03/22	1 year to 30/04/23		Associate Member	• Finance & Resources	100%
Mrs G Taylor	Reappointed 16/12/21	to 31/12/22		Associate Member	• Finance & Resources (Chair)	83%
Mrs S Wallace	Reappointed 12/12/19	4 years to 31/01/24		External Member	• Audit & Risk	83%
Mr J Wildsmith	Appointed 09/09/21	01/09/21 to 14/01/22	14/01/22	FE Student Member	• Management & Performance	20%

(Table 11: Corporation Members)

## 2.23 The Governance Framework

- 2.23.1 It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources, and standards of conduct.
- 2.23.2 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.
- 2.23.3 The Corporation conducts its business through several 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.ccsww.ac.uk](http://www.ccsww.ac.uk)) or from the Clerk to the Corporation at Cheshire College South & West, Dane Bank Avenue, Crewe, CW2 8AB.
- 2.23.4 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.
- 2.23.5 All governors can 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.
- 2.23.6 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.
- 2.23.7 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.
- 2.23.8 There is a clear division of responsibility in that the role of the Chair and the role of the Accounting Officer are separate.

## 2.24 Appointments to the Corporation

- 2.24.1 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 learner members. Staff and learner members are nominated and elected by staff and learners respectively. The Corporation is responsible for ensuring that appropriate training is provided as required.
- 2.24.2 Members of the Corporation are appointed for a term of office not exceeding four years.

## 2.25 Corporation Performance

- 2.25.1 The Corporation and the supporting committees carried out a self-assessment of its own performance for the year ended 31 July 2022 and graded itself as Good on the Ofsted scale.
- 2.25.2 The governing body is committed to development and held a 'Strategic Day' in March 2022 including sessions on the National Context: Skills & Post-16 Education Bill and the impact for Governance, the College's 3-year Strategic Plan and a presentation and activity on Trauma Informed Practice.
- 2.25.3 The governing body has considered DfE guidance on board reviews and has commissioned an external reviewer to conduct an external board review in the autumn of 2022 which will include the production of an action plan to address any areas for development.

## **2.26 Remuneration of senior post holders and the Clerk to the Corporation**

- 2.26.1 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 2021. The Remuneration Committee is chaired by the vice-chair of the Corporation and includes up to three other external Governors.
- 2.26.2 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.
- 2.26.3 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 2022 are set out in note 7 to the financial statements.

## **2.27 Audit and Risk Committee**

- 2.27.1 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.
- 2.27.2 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.
- 2.27.3 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.

## **2.28 Internal Control**

### **2.28.1 Scope of responsibility**

- 2.28.1.1 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.
- 2.28.1.2 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.

### **2.28.2 The Purpose of the System of Internal Control**

- 2.28.2.1 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 2022 and up to the date of approval of the annual report and accounts.

### 2.28.3 Capacity to Handle Risk

2.28.3.1 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 2022 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

### 2.28.4 The Risk and Control Framework

2.28.4.1 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. It includes:

- 2.28.4.1.1 Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body.
- 2.28.4.1.2 Regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts.
- 2.28.4.1.3 Setting targets to measure financial and other performance.
- 2.28.4.1.4 Clearly defined capital investment control guidelines.
- 2.28.4.1.5 The adoption of formal project management disciplines, where appropriate.

2.28.4.2 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.

### 2.28.5 Statement from the Audit and Risk Committee

2.28.5.1 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 specific areas of work undertaken by the audit and risk committee in 2021-22 and up to the date of the approval of the financial statements are shown in *table 12* below:

System	Review Type	Assurance Assessment
Daat Quality – Office for Students Data Return	Assurance	Substantial
Safeguarding and Prevent Framework	Assurance	Substantial
Cyber Security Review	Assurance	Reasonable
Human Resources	Assurance	Reasonable
Follow-up	Follow-up	Good Progress

(Table 12: Internal Audit Reviews – Areas of Work Undertaken)

2.28.5.2 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 2021-22 with the number in brackets relating to 2020-21:

High	Medium	Low
0 (0)	5 (9)	6 (11)

(Table 13: Internal Audit Recommendations)

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

## 2.28.6 Review of Effectiveness

2.28.6.1 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:

- 2.28.6.1.1 The work of the internal auditors.
- 2.28.6.1.2 The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework.
- 2.28.6.1.3 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.

2.28.6.2 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.

2.28.6.3 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 2022, the Corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the Executive Leadership Team and internal audit and taking account of events since 31 July 2022.

2.28.6.4 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 2022 and signed on its behalf by:**

**J S Dhesi OBE**  
Accounting Officer  
15 December 2022

**Dame P Bacon**  
Chair of Governors  
15 December 2022

### **3 Statement of Regularity, Propriety and Compliance**

- 3.1 As accounting officer, I confirm that the corporation has had due regard to the requirements of grant funding agreements and contracts with ESFA and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding.
- 3.2 I confirm on behalf of the Corporation, that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the Corporation, or material non-compliance with the terms and conditions of funding under the Corporation's grant funding agreements and contract with ESFA, or any other public funder.
- 3.3 I 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 OBE**  
**Accounting Officer**  
15 December 2022

### **4 Statement of the Chair of Governors**

- 4.1 On behalf of the Corporation, I confirm that the accounting officer has discussed their statement of regularity, propriety, and compliance with the board and that I am content that it is materially accurate.

**Dame P Bacon**  
**Chair of Governors**  
15 December 2022

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

- 5.1 The members of the Corporation are required to present audited financial statements for each financial year.
- 5.2 Within the terms and conditions of the Corporations grant funding agreements and contracts with ESFA, the Corporation is required to prepare financial statements which give a true and fair view of the financial performance and position of the Corporation for the relevant period.
- 5.3 Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice - Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice.
- 5.4 In preparing the financial statements, the Corporation is required to:
  - 5.4.1 Select suitable accounting policies and apply them consistently.
  - 5.4.2 Make judgements and estimates that are reasonable and prudent.
  - 5.4.3 State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
  - 5.4.4 Assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate.
  - 5.4.5 Prepare financial statements on the going concern basis, unless it is inappropriate to assume that the college will continue in operation.
- 5.5 The Corporation is also required to prepare a strategic report in accordance with paragraphs 3.23 to 3.27 of the FE and HE SORP, that 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.
- 5.6 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 to safeguard its assets and to prevent and detect fraud and other irregularities.
- 5.7 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.
- 5.8 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 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 2022 and signed on its behalf by:

**Dame P Bacon**  
**Chair of Governors**  
15 December 2022

**Opinion on the financial statements**

We have audited the financial statements of Cheshire College South and West (*"the College"*) for the year ended 31 July 2022 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 FRS102 "The 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 2022 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:**

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

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

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

**Other information:**

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

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic Report, Statement of Corporate Governance, Statement of regulatory, propriety & compliance 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 College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
- Funds provided by the OfS and the ESFA have been properly applied in accordance with the relevant terms and conditions.
- The requirements of the OfS’s Accounts Direction (OfS 2019.41) have been met.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 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.

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 College’s grant and fee income, as disclosed in the note to the accounts, has been materially misstated.

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

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 28, 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.

*Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our experience and understanding of the legal and regulatory framework applicable to the College and the sector in which it operates, we identify areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements. The most significant were identified as: the Further and Higher Education Act 1992; the Statement of Recommended Practice: Accounting for Further and Higher Education 2019

(FE/HE SORP 2019); the College Accounts Direction 2021 to 2022; the OfS Accounts Direction; and tax legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Corporation and other management and inspection of regulatory and legal correspondence, if any.

We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements. Our audit procedures included, but were not limited to:

- making enquires of management and the Corporation as to where they consider there to be a susceptibility to fraud and whether they have any knowledge or suspicion of fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and relevant regulators to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility;
- obtaining an understanding of the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- assessing the design effectiveness of the controls in place to prevent and detect fraud;
- assessing the risk of management override including identifying and testing journal entries; and
- challenging the assumptions and judgements made by management in its significant accounting estimates.

Whilst our audit did not identify any significant matters relating to the detection of irregularities including fraud, and despite the audit being planned and conducted in accordance with ISAs (UK), there remains an unavoidable risk that material misstatements in the financial statements may not be detected owing to inherent limitations of the audit, and that by their very nature, any such instances of fraud or irregularity would likely involve collusion, forgery, intentional misrepresentations, or the override of internal controls.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the 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.

Kevin Hodgetts FCA (Senior Statutory Auditor)  
**For and on behalf of Haines Watts Birmingham LLP**  
5–6 Greenfield Crescent  
Edgbaston  
Birmingham  
B15 3BE

Date:

Haines Watts Birmingham LLP is a limited liability partnership registered in England and Wales (*with registered number OC362888*).

## **7 Reporting Accountant's Assurance Report on Regularity**

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

- 7.1.1 In accordance with the terms of our engagement letter dated 1 March 2022 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 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.
- 7.1.2 The framework that has been applied is set out in the Post-16 Audit Code of Practice ("the Code") issued by ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.
- 7.1.3 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.

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

- 7.2.1 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.
- 7.2.2 Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed, and income received during the period 1 August 2021 to 31 July 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **7.3 Approach**

- 7.3.1 We conducted our engagement in accordance with the Code issued by ESFA. We performed a limited assurance engagement as defined in that framework.
- 7.3.2 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.
- 7.3.3 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.
- 7.3.4 Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the College's income and expenditure.
- 7.3.5 The work undertaken to draw to our conclusion includes:
  - 7.3.5.1 an assessment of the risk of material irregularity and impropriety across the College's activities;



- 7.3.5.2 a review of the Corporation's governance and management structure and key policies and procedures relevant to the regularity requirements including financial budgeting and monitoring and related party transactions / managing conflicts of interest;
- 7.3.5.3 a review of the books and records of the Corporation, along with associated minutes and registers as appropriate for matters relevant to the regularity requirements;
- 7.3.5.4 review of the Corporation's completed Self-Assessment Questionnaire for the Corporation's responses and supporting evidence to each of the regularity requirements;
- 7.3.5.5 a review of the in accordance with internal processes;
- 7.3.5.6 documentation and walkthrough of significant transaction streams to assess the adequacy of the design and implementation of key financial controls; and
- 7.3.5.7 a review and sample testing of the College's procurement procedures.

#### **7.4 Conclusion**

- 7.4.1 In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed, and income received during the period 1 August 2021 to 31 July 2022 has not been applied to purposes intended by Parliament, that the financial transactions do not conform to the authorities which govern them.

#### **Haines Watts Birmingham LLP**

5–6 Greenfield Crescent  
Edgbaston  
Birmingham  
B15 3BE

Date:

Haines Watts Birmingham LLP is a limited liability partnership registered in England and Wales (with registered number OC362888).

## 8 Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>Income</b>			
Funding body grants	2	32,501	31,744
Tuition fees and education contracts	3	5,334	5,297
Other grants and contracts	4	946	906
Other income	5	1,901	1,157
Endowment and investment income	6	24	3
<b>Total Income</b>		<b>40,706</b>	<b>39,107</b>
<b>Expenditure</b>			
Staff costs	7	23,089	22,154
Other operating expenses	8, 23	12,564	10,272
Depreciation	11	3,706	3,988
Interest and other finance costs	9	835	711
<b>Total Expenditure</b>		<b>40,194</b>	<b>37,125</b>
<b>Surplus before other gains and losses</b>		<b>512</b>	<b>1,982</b>
Loss on disposal of assets	11	-	-
<b>Surplus before tax</b>		<b>512</b>	<b>1,982</b>
Taxation	10	-	-
<b>Surplus for the year</b>		<b>512</b>	<b>1,982</b>
Actuarial gain/(loss) in respect of pension schemes	20	28,983	(3,969)
<b>Total Comprehensive Income for the year</b>		<b>29,495</b>	<b>(1,987)</b>

(Table 14: Statement of Comprehensive Income and Expenditure)

## 9 Statement of Changes in Reserves

	Income and Expenditure Account £'000
Balance at 1 August 2020	15,154
Surplus from the income and expenditure account	1,982
Actuarial loss	(3,969)
	<b>(1,987)</b>
Balance at 31 July 2021	13,167
Surplus from the income and expenditure account	512
Actuarial gain	28,983
<b>Total Comprehensive Income</b>	<b>29,495</b>
<b>Balance at 31 July 2022</b>	<b>42,662</b>

(Table 15: Statement of Changes in Reserves)

## 10 Balance Sheet at 31 July 2022

	Notes	2022 £000	2021 £000
<b>Non-current assets</b>			
Tangible fixed assets	11	133,138	130,085
		<b>133,138</b>	<b>130,085</b>
<b>Current assets</b>			
Stocks		27	20
Trade and other receivables	12, 23	3,314	1,280
Cash and cash equivalents	17	8,384	5,675
		<b>11,725</b>	<b>6,975</b>
<b>Creditors – amounts falling due within one year</b>	13	(9,721)	(7,603)
<b>Net current assets/(liabilities)</b>		<b>2,004</b>	<b>(628)</b>
<b>Total assets less current liabilities</b>		<b>135,142</b>	<b>129,457</b>
Creditors – amounts falling due after more than one year	14	(91,790)	(89,215)
<b>Provisions</b>			
Other provisions	16	(690)	(828)
Defined benefit obligations	16, 20	-	(26,247)
<b>Total net assets</b>		<b>42,662</b>	<b>13,167</b>
<b>Unrestricted reserves</b>			
Income and expenditure account		<b>42,662</b>	<b>13,167</b>
<b>Total Reserves</b>		<b>42,662</b>	<b>13,167</b>

(Table 16: Balance Sheet)

- 10.1 The financial statements and notes on pages 37 to 58 were approved and authorised for issue by the Corporation on 15 December 2022 and were signed on its behalf on that date by:

**J S Dhesi OBE**  
Accounting Officer  
15 December 2022

**Dame P Bacon**  
Chair  
15 December 2022

## II Statement of Cashflows

	Notes	2022 £000	2021 £000
<b>Cash inflow from operating activities</b>			
Surplus for the year		512	1,982
<b>Adjustments for non-cash items</b>			
Depreciation	11	3,706	3,988
Deferred capital grant release	13	(2,705)	(2,733)
(Increase)/decrease in stocks		(7)	27
(Increase)/decrease in debtors	12	(2,035)	(17)
Increase/(decrease) in creditors due within one year	13	2,530	422
(Decrease)/increase in provisions	16	(53)	(112)
Pension costs less contributions payable	20	2,214	1,579
Taxation no longer due – Lennartz	11	(269)	-
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(24)	(3)
Interest payable	9	835	711
Taxation paid	10	(356)	(332)
<b>Net cash flow from operating activities</b>		<b>4,863</b>	<b>5,512</b>
<b>Cash flows from investing activities</b>			
Investment income	6	24	3
Deferred capital grant receivable		6,411	2,487
Payments made to acquire fixed assets	11	(7,042)	(2,707)
<b>Total Cash flows from investing activities</b>		<b>(607)</b>	<b>(217)</b>
<b>Cash flows from financing activities</b>			
Interest paid	9	(397)	(413)
Repayments of amounts borrowed	13,14	(1,150)	(808)
<b>Total Cash flows from financing activities</b>		<b>(1,547)</b>	<b>(1,221)</b>
<b>Increase in cash and cash equivalents in the year</b>		<b>2,709</b>	<b>4,074</b>
<b>Cash and cash equivalents at beginning of the year</b>	17	5,675	1,601
<b>Cash and cash equivalents at end of the year</b>	17	<b>8,384</b>	<b>5,675</b>

(Table 17: Statement of Cashflows)

## Notes to the Financial Statements

### I. Statement of Accounting Policies

I.1 The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

### I.2 Basis of Preparation

I.2.1 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 2021 to 2022 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.

I.2.2 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.

### I.3 Basis of Accounting

I.3.1 The financial statements are prepared in accordance with the historical cost convention.

### I.4 Going Concern

I.4.1 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.

I.4.2 The College currently has £9.4m 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 £3.00m (2020-21 £2.88m). The College's forecasts and financial projections included in the financial plan prepared in July 2022 indicate that it will be able to operate within the terms and conditions of the loans and the related covenants for 2022-23 and 2023-24.

I.4.3 The current forecast prepared and submitted to the ESFA in July 2022 indicates that the College will remain cash positive for 2022-23 and 2023-24. Given the number of assumptions that form part of budget setting, there are sensitivities around some income and expenditure lines in this plan. The key sensitivities, and the risks associated with them have been stress tested, with value of risk and likelihood of crystallisation identified.

I.4.4 The College has in place several measures to mitigate the impact of the above uncertainties:

I.4.4.1 budgets have been prepared on a conservative on income and prudent on cost basis;

I.4.4.2 should income not materialise there would be a review of staffing to reduce costs. This could be through reducing the level of contacted tuition that allows the College flexibility over its pay budget;

I.4.4.3 non-pay budgets will also be reduced if courses do not run, these will include, examination and validation fees (*HE courses*), direct teaching consumables and support costs; and

I.4.5 An analysis, with potential mitigations, is set out in the financial model. None of the modelled sensitivities result in a forecast downgrade of financial health to 'Requires Improvement'.

I.4.6 The rolling 24-month cash flow from August 2022 to July 2024 incorporates the projected out-turn for 2021-22 and proposed budget for 2022-23 and 2023-24 with cash balances of £3,473k (*March 2023*), £4,428k (*July 2022*), £2,928k (*March 2024*) and £4,613k (*July 2024*).

I.4.7 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.

## **1.5 Recognition of Income**

### **1.5.1 Revenue Grant Funding**

- 1.5.1.1 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 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.
- 1.5.1.2 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.
- 1.5.1.3 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.
- 1.5.1.4 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.

### **1.5.2 Capital Grant Funding**

- 1.5.2.1 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.

### **1.5.3 Fee Income**

- 1.5.3.1 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.

### **1.5.4 Investment Income**

- 1.5.4.1 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.

### **1.5.5 Agency Arrangements**

- 1.5.5.1 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 learners 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.

## **1.6 Accounting for Post-Employment Benefits**

- 1.6.1 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.

### **1.6.2 Teachers' Pension Scheme (*TPS*)**

- 1.6.2.1 The TPS is an unfunded scheme. Contributions to the TPS are calculated 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 based on valuations using a prospective benefit method.

- 1.6.2.2 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.

### 1.6.3 Cheshire Pension Fund

- 1.6.3.1 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.

- 1.6.3.2 Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and Expenditure 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.

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

### 1.6.4 Short Term Employment Benefits

- 1.6.4.1 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 because of the unused entitlement.

### 1.6.5 Enhanced Pensions

- 1.6.5.1 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.

## 1.7 Non-current Assets - Tangible Fixed Assets

- 1.7.1 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 based on deemed cost, being the revalued amount at the date of that revaluation.

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

### 1.7.3 Land and Buildings

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

- 1.7.3.2 Freehold Buildings, 50 years

- 1.7.3.3 Refurbishments, 15 years

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

- 1.7.3.5 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.
- 1.7.3.6 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.
- 1.7.3.7 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.
- 1.7.3.8 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.

#### 1.7.4 Subsequent Expenditure on Existing Fixed Assets

- 1.7.4.1 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.

#### 1.7.5 Equipment

- 1.7.5.1 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.
- 1.7.5.2 Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:
  - 1.7.5.3 Motor Vehicles, 4 to 5 years
  - 1.7.5.4 Computer software and equipment, 4 years
  - 1.7.5.5 Furniture, Fixtures and Fittings, 5 years
- 1.7.5.6 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.
- 1.7.5.7 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.

### 1.8 Borrowing Costs

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

### 1.9 Inventories

- 1.9.1 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.

### 1.10 Cash and Cash Equivalents

- 1.10.1 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.



- I.10.2 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.

## **I.11 Financial Liabilities & Equity**

- I.11.1 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.
- I.11.2 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 instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

## **I.12 Foreign Currency Translation**

- I.12.1 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.

## **I.13 Taxation**

- I.13.1 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.
- I.13.2 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.

## **I.14 Provisions and Contingent Liabilities**

- I.14.1 Provisions are recognised when:
- I.14.1.1 the College has a present legal or constructive obligation because of a past event.
  - I.14.1.2 it is probable that a transfer of economic benefit will be required to settle the obligation; and
  - I.14.1.3 a reliable estimate can be made of the amount of the obligation.
- I.14.2 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.
- I.14.3 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.
- I.14.4 Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

## 1.15 Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

### 1.15.1 Judgements in applying accounting policies

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

1.15.1.1.1 Determine whether leases entered 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.

1.15.1.1.2 Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

### 1.15.2 Other key sources of estimation uncertainty

1.15.2.1 Tangible fixed assets, other than investment properties, are depreciated over their useful lives considering residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on several factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

1.15.2.2 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.

1.15.2.3 The present value of the Local Government Pension Scheme defined benefit liability depends on several 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 20, 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 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

1.15.2.4 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 staff costs in the year that the member of staff retires. In subsequent years, a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the Association of Colleges (AoC) which includes assumptions for both interest and inflation (CPI) rates.

## 2. Funding Body Grants

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
<b>Recurrent grants</b>		
Education & Skills Funding Agency – Adult Education Budget	2,684	3,052
Education & Skills Funding Agency – 16-18	22,872	21,141
Educations & Skills Funding Agency – Apprenticeships	2,670	2,729
Office for Students	178	291
<b>Specific Grants</b>		
Education & Skills Funding Agency – 16-19 Tuition Fund	521	506

Education & Skills Funding Agency – High Value Courses for School and College Leavers	169	99
Education & Skills Funding Agency – Provider Relief Scheme	-	7
Education & Skills Funding Agency – Covid19 Mass-testing Funding	40	88
Teacher Pension Scheme Contribution Grant	601	669
Education & Skills Funding Agency – T-Levels / Capacity & Delivery	417	726
Release of Government Capital Grants	2,349	2,436
<b>Total</b>	<b>32,501</b>	<b>31,744</b>

(Table 18: Funding Body Grants)

- 2.1 In 2021-22 the AEB rules are that a provider must deliver 97% of its allocated contract value to avoid claw-back.
- 2.2 The College delivered £2,702k (85%) by the end of the year against a contract value of £3,185k with clawback threshold set at 97%.
- 2.3 The College have also received an allocation of £180k for National Skills Fund, delivering £127k of eligible courses against this fund.
- 2.4 Provision has been made for clawback against these funding streams of £536k.

## 2.5 Grant and Fee Income

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Grant Income from OfS	178	291
Grant Income from Other Bodies	29,974	29,016
Fee Income for Taught Awards (exclusive of VAT)	1,320	1,305
Fee Income from Non-Qualifying Courses (exclusive of VAT)	1,089	1,160
<b>Total</b>	<b>32,561</b>	<b>31,772</b>

Table 19: Grant and Fee Income – OfS Disclosure)

- 2.6 For the purposes of the above table, the following definitions apply:
- 2.6.1 'Grant income from the OfS' means grants to the provider by the OfS for both:
- 2.6.1.1 the provision of education by the provider and
- 2.6.1.2 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.
- 2.6.1.3 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.
- 2.6.2 '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.
- 2.6.3 '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.

- 2.6.4 'Fee income for research awards (*exclusive of VAT*)' means fee income for research awards and includes postgraduate research awards (*excluding research training support grants*).
- 2.6.5 '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).

### 3. Tuition Fees and Education Contracts

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Adult Education Fees	335	370
Apprenticeship fees and contracts	44	-
Fees for FE Loan Supported Courses	753	790
Fees for HE Loan Supported Courses	1,320	1,305
International Student Fees	186	118
<b>Total Tuition Fees</b>	<b>2,638</b>	<b>2,583</b>
High Costs ALS from LEA	2,353	2,239
Education Contracts	343	475
<b>Total</b>	<b>5,334</b>	<b>5,297</b>

(Table 20: Tuition Fees and Education Contracts)

### 4. Other Grants and Contracts

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Erasmus	3	-
Non-Government Capital Grants	356	297
Other grant income	580	422
Coronavirus Job Retention Scheme Grant	7	187
<b>Total</b>	<b>946</b>	<b>906</b>

(Table 21: Other Grants and Contracts)

- 4.1 The corporation furloughed employees under the government's Coronavirus Job Retention Scheme. The funding received in respect of 4 staff of £7k relates to staff costs in August and September 2021 which are included within the staff costs note below as appropriate.

### 5. Other Operating Income

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Catering and Residences	1,229	566
Other Income Generating Activities	597	515
Miscellaneous Income	75	76
<b>Total</b>	<b>1,901</b>	<b>1,157</b>

(Table 22: Other Operating Income)

## 6. Investment Income

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Other Interest Receivable	24	3
<b>Total</b>	<b>24</b>	<b>3</b>

(Table 23: Investment Income)

## 7. Staff Costs

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

	2022 No.	2021 No.
Teaching Staff	248	273
Non-Teaching Staff	321	317
	<b>569</b>	<b>590</b>

(Table 24: Average Number of Staff Employed)

7.2 Staff costs for the above persons:

	2022 £'000	2021 £'000
Wages and Salaries	14,705	14,860
Social Security Costs	1,387	1,356
Apprenticeship Levy	59	60
Other Pension Costs:		
Employer Contributions	3,354	3,372
Actuarial Charges (Net of Interest Payable in Note 9)	2,214	1,579
<b>Payroll Sub-Total</b>	<b>21,719</b>	<b>21,227</b>
Contracted Out Staffing Services	1,370	734
	<b>23,089</b>	<b>21,961</b>
Restructuring Costs – Contractual	-	31
Restructuring Costs – Non-Contractual	-	162
<b>Total</b>	<b>23,089</b>	<b>22,154</b>

(Table 25: Staff Costs)

7.3 Key Management Personnel

7.3.1 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.

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

	2022 No.	2021 No.
The number of key management personnel including the Accounting Officer was:	4	4

(Table 26: Number of Key Management Personnel)

- 7.5 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	
	2022 No.	2021 No.	2022 No.	2021 No.
£60,001 to £65,000 p.a.	-	-	1	1
£65,001 to £70,000 p.a.	-	-	1	1
£70,001 to £75,000 p.a.	-	-	-	2
£75,001 to £80,000 p.a.	-	-	4	2
£80,001 to £85,000 p.a.	-	-	3	-
£90,001 to £95,000 p.a.	-	2	-	1
£95,001 to £100,000 p.a.	1	-	-	-
£100,001 to £105,000	1	-	-	-
£105,001 to £110,000 p.a.	-	1	-	-
£120,001 to £125,000	1	-	-	-
£140,001 to £145,000 p.a.	-	1	-	-
£145,001 to £150,000 p.a.	1	-	-	-
	<b>4</b>	<b>4</b>	<b>9</b>	<b>7</b>

(Table 27: Pay Range and Number of Key Management Personnel and Other Staff)

- 7.6 Key Management Personnel emoluments are made up as follows:

	2022 £'000	2021 £'000
Salaries	467	418
Pension Contributions	113	101
<b>Total Key Management Personnel Emoluments</b>	<b>580</b>	<b>519</b>

(Table 28: Key Management Personnel Emoluments)

- 7.7 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.

- 7.8 Their pay and remuneration are as follows:

	2022 £'000	2021 £'000
Salary	149	144
Pension Contributions	35	34
	<b>184</b>	<b>178</b>

(Table 29: Accounting Officer Emoluments)

- 7.9 The governing body adopted AOC's Senior Staff Remuneration Code in July 2019 and assess pay in line with its principles.
- 7.10 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.
- 7.11 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.

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

	2022	2021
Principal's basic salary as a multiple of the median of all staff	5.4	5.2
Principal and CEO's total remuneration as a multiple of the median of all staff	6.1	5.7

(Table 30: Chief Executive Pay and Remuneration as a Multiple of all Staff)

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

7.13.1 No compensation has been paid to Key Management Personnel during 2020-21 and 2021-22.

7.13.2 No compensation has been paid to staff earning in excess of £60,000 per annum during 2020-21 and 2021-22.

7.13.3 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.

## 8. Other Operating Expenses

8.1

	2022 £'000	2021 £'000
Teaching Costs	295	171
Teaching and Other Support Costs	1,574	1,523
Administration Costs	2,229	1,871
Operational and Maintenance Costs	3,381	2,479
Examination Costs	1,347	1,239
Rent and Lease Costs	153	97
Catering, Residence and Conference Costs	908	393
Other Income Generating Activities Costs	83	2
Subcontracting Costs	2,525	2,482
Other Costs	69	15
<b>Total</b>	<b>12,564</b>	<b>10,272</b>

(Table 31: Other Operating Expenses)

8.2 Other operating expenses include:

	2022 £'000	2021 £'000
Auditors' Remuneration:		
Financial Statements Audit	28	40
Internal Audit	20	10
Other Services provided by the Internal Auditors	8	2
Depreciation	3,706	3,988
Hire of Assets under Operating Leases	21	20

(Table 32: Key Elements of Operating Expenses)

8.3 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

	2022 £'000	2021 £'000
On bank loans, overdrafts and other loans	384	402
Net Interest on Defined Pension Liability (note 20)	438	297
On Enhanced Pension Provision (note 16)	13	12
<b>Total</b>	<b>835</b>	<b>711</b>

(Table 33: Interest and Other Finance Costs)

## 10. Taxation

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

## 11. Tangible Fixed Assets

	Land and Buildings (Freehold) £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
<b>Cost or valuation</b>				
At 1 August 2021	158,077	18,111	111	176,299
Additions	-	1,684	5,958	7,642
Lennartz Adjustment	(784)	-	-	(784)
Disposals	(96)	(1,061)	-	(1,158)
<b>At 31 July 2022</b>	<b>157,197</b>	<b>18,733</b>	<b>6,069</b>	<b>181,999</b>
<b>Depreciation</b>				
At 1 August 2021	30,377	15,837	-	46,214
Charge for the year	3,118	763	-	3,881
Lennartz Adjustment	(171)	-	-	(171)
Elimination in respect of disposals	(4)	(1,059)	-	(1,063)
<b>At 31 July 2022</b>	<b>33,320</b>	<b>15,541</b>	<b>-</b>	<b>48,861</b>
<b>Net Book Value at 31 July 2022</b>	<b>123,877</b>	<b>3,192</b>	<b>6,069</b>	<b>133,138</b>
Net Book Value at 31 July 2021	127,700	2,274	111	130,085

(Table 34: Tangible Fixed Assets)

- 11.1 During the year the College received 149 laptops from the DfE to support children in 16-19 education, brought to England under Operation Warm Welcome, via the Get help with technology service.
- 11.2 The College, acting as principal, has allocation discretion and has lent the devices to learners during the academic year. The risk and reward of ownership remains with the College, and therefore the devices have been classed as fixed assets and depreciated in line with the College's depreciation policy. The College has applied Section 34 of FRS102, which required that donated assets are measured at value to the College (£41k), or fair value. These assets have been measured at fair value. The net book value of equipment includes an amount of £145k in respect of these devices and those treated similarly in 2020-21. The depreciation charge on these assets for the year was £39k.
- 11.3 The College have previously recovered VAT 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 because of disposal and impairment. Scheme 2 relates to the new build at Chester and building work at Ellesmere Port which was completed in 2012. On 10 March 2022 HMRC issued a press release and accompanying updated VAT guidance on Lennartz formally accepting that it was wrong to seek Lennartz payments that cumulatively exceeded the value of Lennartz related claims. The accompanying VAT manual says HMRC will repay to claimant's where they have



paid more than the 'fiscal balance point'. Davies-Mayers, acting on behalf of Cheshire College South & West, submitted a protective claim for a potential over-payment which arises from when the VAT rate changed from 17.5% to 20%, resulting in a refund of £513k. The carrying values and depreciation charges to date of the assets in question have been adjusted accordingly.

## 12. Trade and Other Receivables

### 12.1 Amounts falling due within one year:

	2022 £'000	2021 £'000
Trade Receivables	537	386
Prepayments and Accrued Income	811	492
Other Receivables	23	24
Amounts owed by the ESFA	1,943	378
<b>Total</b>	<b>3,314</b>	<b>1,280</b>

(Table 35: Trade and Other Receivables)

## 13. Creditors: Amounts Falling Due Within One Year

	2022 £'000	2021 £'000
Bank Loans and Overdrafts	354	337
Trade Payables	1,648	720
Other Taxation and Social Security	725	688
Other Payroll Creditors	3	143
Other Taxation – VAT	6	362
Accruals and Deferred Income	1,188	417
Payments Received in Advance	1,345	947
Deferred Income - Government Capital Grants	3,003	2,878
Deferred Income - Government Revenue Grants	96	-
Amounts owed to the ESFA	1,353	1,111
<b>Total</b>	<b>9,721</b>	<b>7,603</b>

(Table 36: Creditors – amounts falling due within one year)

- 13.1 The HMRC liability in 2020-21 related 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 because of disposal and impairment. Scheme 2 relates to the new build at Chester and building work at Ellesmere Port which was completed in 2012.
- 13.2 On 10 March 2022 HMRC issued a press release and accompanying updated VAT guidance on Lennartz formally accepting that it was wrong to seek Lennartz payments that cumulatively exceeded the value of Lennartz related claims. The accompanying VAT manual says HMRC will repay to claimant's where they have paid more than the 'fiscal balance point'. The balance sheet liability held at 31 July 2021 (£263k) is therefore no longer payable.

#### 14. Creditors: Amounts Falling Due After More Than One Year

	2022 £'000	2021 £'000
Bank Loans	6,762	7,117
Deferred Income – Government Capital Grants	83,403	79,823
Amounts owed to the ESFA	1,625	2,275
<b>Total</b>	<b>91,790</b>	<b>89,215</b>

(Table 37: Creditors – amounts falling due after more than one year)

#### 15. Maturity of Debt

##### 15.1 Bank Loans and Overdrafts

15.1.1 Bank loans and overdrafts are repayable as follows:

	2022 £'000	2021 £'000
In one year or less	354	337
Between one and Two years	372	354
Between two and five years	1,243	1,178
In five years or more	5,148	5,585
<b>Total</b>	<b>7,117</b>	<b>7,454</b>

(Table 38: Bank Loans and Overdrafts)

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

##### 15.2 Other Unsecured Loans

	2022 £'000	2021 £'000
In one year or less	650	812
Between one and Two years	650	650
Between two and five years	975	1,625
<b>Total</b>	<b>2,275</b>	<b>3,087</b>

(Table 39: Other Unsecured Loans)

15.3 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

	Defined Benefit Obligations £'000	Enhanced Pensions £'000	Total £'000
At 1 August 2021	26,247	828	26,335
Benefits paid	-	(66)	(66)
Interest charged to other operating expenses	-	13	13
Expenditure in the period	2,651	-	2,651
Transferred from income and expenditure account	(28,898)	(85)	(28,983)
<b>At 31 July 2022</b>	<b>-</b>	<b>690</b>	<b>690</b>

(Table 40: Provision for Liabilities and Charges)

16.1 Defined benefit obligations relate to the (assets)/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.

16.2 The principal assumptions for this calculation are:

	2022	2021
Price Inflation	2.9%	2.6%
Discount Rate	3.3%	1.6%

(Table 41: Enhanced Pension Provision Principal Assumptions)

## 17. Notes to Cash Flow Statement

17.1 Analysis of changes in net debt:

	At 1 August 2021	Cash Flows	At 31 July 2022
	£'000	£'000	£'000
Cash and Cash Equivalents	5,675	2,709	8,384
Bank Loans	(7,454)	337	(7,117)
Other Loans	(3,087)	812	(2,275)
<b>Net Debt</b>	<b>(4,866)</b>	<b>3,858</b>	<b>(1,008)</b>

(Table 42: Analysis of Changes in Net Debt)

## 18. Capital Commitments

	2022 £'000	2021 £'000
Commitments contracted for at 31 July	14,043	3,160

(Table 43: Capital Commitments)

## 19. Lease Obligations

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

19.2 Future minimum lease payments due

	2022 £'000	2021 £'000
<b>Other</b>		
Not later than one year	11	11
Later than one year and not later than five years	2	13
	<b>13</b>	<b>24</b>
<b>Total Lease Payments Due</b>	<b>13</b>	<b>24</b>

(Table 44: Lease Obligations)

## 20. Defined Benefit Obligations

20.1 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.

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

## 20.3 Total pension cost for the year

		2022 £'000		2021 £'000
Teachers' Pension Scheme: Contributions Paid		1,697		1,750
Local Government Pension Scheme:				
• Contributions Paid	1,661		1,681	
• FRS 102 (28) Charge	2,214		1,579	
Charge to the Statement of Comprehensive Income		3,875		3,260
Enhanced pension Charge to Statement of Comprehensive Income		(4)		(59)
<b>Total pension Cost for Year</b>		<b>5,568</b>		<b>4,951</b>

(Table 45: Total Pension Cost for Year)

## 20.4 Teachers' Pension Scheme

- 20.4.1 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 can opt out of the TPS.
- 20.4.2 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.
- 20.4.3 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.
- 20.4.4 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.
- 20.4.5 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.
- 20.4.6 The latest actuarial review of the TPS was carried out as at 31 March 2019. The valuation report was published by the Department for Education (DfE) 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.
- 20.4.7 As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (*compared to 16.48% during 2018-19*). DfE agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021-22 academic year.
- 20.4.8 A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.
- 20.4.9 The employer pension costs paid to TPS in the year amounted to £1,697k (2020-21: £1,750k).

## 20.5 Local Government Pension Scheme

- 20.5.1 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 2022 were £2,083k (2020-21: £2,107k) of which employer's contributions totalled £1,661k (2020-21: £1,681k) and employees' contributions totalled £422k (2020-21: £426k). 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.

## 20.6 Principal Actuarial Assumptions

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

	At 31 July 2022	At 31 July 2021
Rate of Increase in Salaries	3.40%	3.50%
Future Pensions Increases	2.70%	2.80%
Discount Rate for Scheme Liabilities	3.50%	1.60%
Inflation Assumption (CPI)	2.70%	2.80%
Commutation of Pensions to Lump Sums – pre-April 2008	50%	50%
Commutation of Pensions to Lump Sums – post-April 2008	75%	75%

(Table 46: Actuarial Assumptions)

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

	At 31 July 2022 Years	At 31 July 2021 Years
<i>Retiring today</i>		
Males	21.20	21.40
Females	23.80	24.00
<i>Retiring in 20 years</i>		
Males	22.10	22.40
Females	25.50	25.70

(Table 47: Mortality Assumptions)

20.7 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 2022	Fair Value at 31 July 2022 £'000	Long-term rate of return expected at 31 July 2021	At Fair Value at 31 July 2021 £'000
Equities	3.50%	34,697	1.60%	38,307
Bonds	3.50%	29,965	1.60%	35,808
Property	3.50%	10,251	1.60%	8,328
Cash	3.50%	3,943	1.60%	832
<b>Total Market Value of Assets</b>		<b>78,856</b>		<b>83,275</b>
<b>Weighted Average Expected Long-Term Rate of Return</b>	<b>3.50%</b>		<b>1.60%</b>	
<b>Actual Return on Plan Assets</b>		<b>(6,171)</b>		<b>8,057</b>

(Table 48: Asset Share and Expected Rates of Return)

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

	2022 £'000	2021 £'000
Fair Value of Plan Assets	78,856	83,275
Present Value of Plan Liabilities	(71,041)	(109,522)
<b>Net Pensions Asset/(Liability) per FRS102 valuation</b>	<b>7,815</b>	<b>(26,247)</b>
Asset Limitation Adjustment	(7,815)	-
<b>Net Pensions Asset/(Liability) (Note 16)</b>	<b>-</b>	<b>(26,247)</b>

(Table 49: Net Pensions Liability)

- 20.8.1 A Net Pensions Asset position is shown in the FRS102 valuation report prepared by the scheme's actuary, Hymans Robertson. It should be noted that the FRS102 valuation report is prepared for accounting purposes only and is to assist LGPS employers in recognising an accounting value at each Balance Sheet date that represents their share at that time of the assets and liabilities of the scheme. It is separate from, and prepared on a different basis to, the periodic funding valuations that are carried out by the actuary for the purpose of setting the scheme's contribution levels.
- 20.8.2 The accounting net asset position at 31 July 2022 arises principally due to a significant increase in the discount rate assumption applied (3.5% vs 1.6%) meaning that the net present value of the estimated future obligations is significantly reduced - to such an extent that the valuation of the assets outweighs the valuation of the liabilities at 31 July 2022. It should be noted that, by its nature, the FRS102 valuation can be subject to very significant variations from year to year depending on the assumptions applied by the actuary, which whilst generally reflecting a longer-term view of the scheme's liabilities can still produce volatile movements if changes to assumptions are necessary in the year.
- 20.8.3 FRS102 does state that a net asset position shall be recognised on an employer's Balance Sheet, but only to the extent that the asset is deemed to be recoverable. The 'Changes in Assumptions underlying the Present Value of Plan Liabilities' has been reduced by £7,815k to disclose a break-even position for the Defined Pension benefit scheme as at 31 July 2022.
- 20.8.4 It should also be noted that the above accounting valuation of the scheme's liabilities does not take into account any anticipated 2023 Pensions Increase Order which would apply from 1 April 2023. The PI Order is typically set with reference to the change in Consumer Price Index inflation over the 12 months to the previous September, which for the 12 months to September 2022 was 10.1%. The 2023 PI Order is not automatically set with reference to the September CPI, however. This is only known with certainty in March, once approved by Parliament. It is possible that the actual PI Order will be lower than the change in CPI over the 12 months to September 2022. It is due to this uncertainty that the actuary's standard assumptions adopted as at 31 July 2022 make no allowance for a 2023 PI Order of the order of 10%. It is common practice for pensions disclosures to recognise experience gains and losses as and when they materialise, and so recognition of the 2023 PI Order would ordinarily be made when known with certainty - i.e., when preparing pensions disclosures as at 31 July 2023. It is estimated that the 2022 CPI inflation adjusted valuation, if adopted at 31 July 2022, would result in an increase to the present value of liabilities by c.£4.2m, thereby reducing the overall net asset position to c£3.6m.
- 20.8.5 Given the asset limitation adjustment applied, even if allowing for the inflation adjusted valuation of obligations, this would only reduce the asset limitation adjustment and would not change the overall break-even position adopted in the financial statements.

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

20.10 Amounts included in staff costs

	2022 £'000	2021 £'000
Current Service Cost	(3,869)	(3,260)
Past Service Cost	(6)	-
<b>Total</b>	<b>(3,875)</b>	<b>(3,260)</b>

(Table 50: Defined Benefit Obligations – Amounts included in Staff Costs)

## 20.11 Amounts included in interest and other finance costs

	2022 £'000	2021 £'000
Net Interest Cost	(437)	(297)
	<b>(437)</b>	<b>(297)</b>

(Table 51: Defined Benefit Obligations – Amounts included in Interest and Other Finance Costs)

## 20.12 Amounts recognised in Other Comprehensive Income

	2022 £'000	2021 £'000
Return on Pension Plan Assets	(6,171)	8,057
Experience Losses arising on Defined Benefit Obligations	-	-
Changes in Assumptions underlying the Present Value of Plan Liabilities	35,069	(12,026)
<b>Amount recognised in Other Comprehensive Income</b>	<b>28,898</b>	<b>(3,969)</b>

(Table 52: Defined Benefit Obligations – Amounts recognised in Other Comprehensive Income)

## 20.13 Movement in Net Defined Benefit Liability during the year

	2022 £'000	2021 £'000
Surplus/(Deficit) in Scheme at 1 August	(26,247)	(20,402)
Movement in year:		
Current Service Cost	(3,869)	(3,260)
Employer Contributions	1,661	1,681
Past Service Cost	(6)	-
Net Interest on the Defined Liability	(437)	(297)
Actuarial Gain/(Loss)	28,898	(3,969)
<b>Net Defined Benefit Liability at 31 July</b>	<b>-</b>	<b>(26,247)</b>

(Table 53: Movement in Net Defined Benefit Liability)

## 20.14 Asset and Liability Reconciliation

### 20.14.1 Changes in the present value of defined benefit obligations

	2022 £'000	2021 £'000
<b>Defined Benefit Obligations at start of period</b>	<b>109,522</b>	<b>94,082</b>
Current Service Cost	3,869	3,260
Interest Cost	1,772	1,331
Contributions by Scheme Participants	422	426
Changes in Financial Assumptions	(35,069)	12,026
Estimated Benefits Paid	(1,666)	(1,603)
Past Service Cost	6	-
<b>Defined Benefit Obligations at end of period</b>	<b>78,856</b>	<b>109,522</b>

(Table 54: Changes in Present Value of Defined Benefit Obligations)

## 20.14.2 Reconciliation of Assets

	2022 £'000	2021 £'000
<b>Fair Value of Plan Assets at start of period</b>	83,275	73,680
Interest on Plan Assets	1,335	1,034
Return on Plan Assets	(6,171)	8,057
Employer Contributions	1,661	1,681
Contributions by Scheme Participants	422	426
Estimated Benefits Paid	(1,666)	(1,603)
<b>Fair Value of Plan Assets at end of period</b>	<b>78,856</b>	<b>83,275</b>

(Table 55: Changes in Present Value of Plan Assets)

- 20.15 A past service cost of £182k in 2019-20 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 previous allowance within the balance sheet has been rolled forward and included within the closing position at the accounting date. No explicit additional adjustment for McCloud has been added to the current service cost for 2021-22.
- 20.16 Whilst there is still uncertainty surrounding the potential remedy to the Goodwin judgement, the approximate impact of this is very small for a typical fund (c0.1-0.2% of obligations), and therefore no adjustment has been made to account for this.
- 20.17 Both Walker and O'Brien court cases may also impact LGPS benefits in the future. These are unlikely to be significant judgements in terms of impact on the pension obligations of a typical employer. As a result, and until further guidance is released from the relevant governing bodies in the LGPS, no allowance for potential remedies to these judgements have been made.

## 21. Related Party Transactions

- 21.1 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.
- 21.2 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.
- 21.3 There have been no write offs in respect of related party transactions.
- 21.4 The following related party transactions took place in the year:

Governor	Position Held	Organisation	Sales Transactions		Purchase Transactions	
			In Year	YE O/S Balance	In Year	YE O/S Balance
D Bryce	CEO & Director	West Cheshire & North Wales Chamber of Commerce	£500	-	£6,600	-
P Colman	Employed	South Cheshire Chamber of Commerce	£500	-	£7,225	£2,220
P Colman	Governor	Mid-Cheshire Hospital Foundation Trust	£11,400	-	-	-
J Dhesi	Honorary Member	Crewe & Nantwich Rotary Club	-	-	£300	-
J Dhesi	Trustee	North Wales Science	-	-	£30	-
D Lotay	Director	Altimex Ltd	£1,350	-	-	-
S Wallace	Programme Director	ForHousing	-	-	£1,500	-

(Table 56: Related Party Transactions)



- 21.5 The total expenses paid to or on behalf of the Governors during the year was £624; 4 governors (2021: £10; 1 governor). 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 (2021: None).
- 21.6 Transactions with the funding bodies and OfS are detailed in notes 2, 13 and 14.

## 22. Amounts Disbursed as Agent – Learner Support Fund

	2022 £'000	2021 £'000
Balance unspent as at 1 August, included in creditors	237	105
ESFA 16-19 bursary	711	653
ESFA Advanced Learner Loans bursary	165	213
Other Funding Body Grants	120	113
	<b>1,233</b>	<b>1,084</b>
Disbursed to learners	(282)	(545)
Administration costs	(34)	(42)
Consolidated in financial statements	(387)	(260)
<b>Balance unspent as at 31 July, included in creditors</b>	<b>530</b>	<b>237</b>

(Table 57: Amounts disbursed as Agent)

- 22.1 Funding body grants are available solely for learners. Usually, 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.
- 22.2 The income and expenditure consolidated in the College's financial statements relates to fees paid by the College on the learners' behalf. During the year an amount of £96k was released to the College's income and expenditure account for catering income and a further £288k for learner transport costs.

## 23. Amounts Disbursed as Agent – Institute of Technology

- 23.1 As the lead organisation for the Cheshire & Warrington IoT, the College holds the licencing arrangements with the partners; University of Chester, Reaseheath College, Warrington & Vale Royal College and Macclesfield College.
- 23.2 As lead, the College was successful in securing pre-award development funding to pay for costs on behalf of its partner colleges associated with the development of the Cheshire & Warrington IoT bid to RIBA Stage 2.
- 23.3 In these circumstances, the grants shown in Table 58 below and related expenditure have been excluded from the Statement of Comprehensive Income.

	Grant received on behalf of partner colleges £'000
<b>Pre-Award Institute of Technology Development Funding</b>	
Macclesfield College	37
Reaseheath College	16
Warrington & Vale Royal College	29
	<b>82</b>

(Table 58: Grants procured on behalf of partner colleges)

## 24. Amounts Disbursed as Agent – Employer Incentive Scheme

	2022 £'000
Balance unspent as at 1 August, included in creditors	-
T-Level Employer Incentive Payments	173
Disbursed to employers	(84)
<b>Balance unspent as at 31 July, included in creditors</b>	<b>89</b>

(Table 59: Amounts disbursed from Employer Incentive Scheme)

- 24.1 The T-Level employer incentive scheme is for employers who can offer an industry placement in the Construction, Digital, Education and Childcare or Health and Science industries,
- 24.2 Employers were eligible to claim a £1,000 payment for hosting a suitable T Level industry placement that commenced between 27 May 2021 and 31 July 2022 by submitting a completed and signed Employer Declaration form to their partner school or college. The Funding body incentive grants are available solely for employers. Usually, 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.

## 25. Amounts Disbursed as Agent – Further Education Initial Teacher Education Bursary

	2022 £'000
Balance unspent as at 1 August, included in creditors	-
Further Education ITE	36
Disbursed to trainees	(36)
<b>Balance unspent as at 31 July, included in creditors</b>	<b>-</b>

(Table 60: Amounts disbursed from Further Education Initial Teacher Education Bursary)

- 25.1 The Further Education Initial Teacher Education (ITE) Bursary provides support to pre-service training of teachers in priority areas. The bursaries, available for the 2021 to 2022 academic year, are awarded to trainees based on their relevant qualifications or professional experience, and their intention to teach a designated priority subject in the FE sector.
- 25.2 The bursary amount varies according to the subject in which they train to teach. Bursary awards are fixed for the duration of the trainee's ITE programme, and are for programmes starting in or after September 2021, and finishing no later than August 2022 (for full-time courses) or August 2023 (for part-time courses). 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.