Cheshire College
South & West

Report and Financial Statements

For the Year Ended 31 July 2021




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

Inspire. Believe. Achieve.

Contents

1. Reference and Administrative Details

1.1 Board of Governors

1.1.1 Dame P Bacon
1.1.2 F Bradley
1.1.3 M Braun
1.1.4 D Bryce
1.1.5 L Closs
1.1.6 P Colman
1.1.7 J Davies
1.1.8 J S Dhesi
1.1.9 J Green
1.1.10 J Gregory
1.1.11 S Harrison
1.1.12 D Jones
1.1.13 D Lotay
1.1.14 J Lowry
1.1.15 R McLaren
1.1.16 M Miller
1.1.17 K Murray
1.1.18 C Osborne
1.1.19 A Pickering
1.1.20 L Risk
1.1.21 G Taylor
1.1.22 S Wallace
1.1.23 J Wildsmith

1.2 Clerk

1.2.1 Michelle Huntley

1.3 Key Management Personnel

1.3.1 Key management personnel are defined as Senior Post Holders and members of the College Executive Leadership Team and were represented by the following in 2020-21:

1.3.1.1	J Dhesi	Principal & Chief Executive; Accounting Officer
1.3.1.2	H Nellist	Deputy Principal & Deputy Chief Executive Officer
1.3.1.3	GIL Jones	Chief Financial Officer
1.3.1.4	R Szolkowska	Vice Principal - Innovation, Curriculum & Quality *(from October 2020)*
1.3.1.5	S Thurlow	Vice Principal - Organisational Development & Learner Services *(to July 2021)*

1.4 Principal and Registered Office

1.4.1 Dane Bank Avenue, Crewe, Cheshire, CW2 8AB

1.5 Professional Advisers

1.5.1 External Auditors: BDO LLP, 3 Hardman Street, Spinningfields. Manchester, M3 3AT

1.5.2 Internal Auditors: TIAA Ltd, Artillery House, Newgate Lane, Fareham, PO14 1AH *(to July 2021)*

1.5.3 Internal Auditors: RSM UK Risk Assurance Services LLP, Cannon Street, London, EC4N 6JJ (*from August 2021*)

1.6 Bankers

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

1.6.2 NatWest Bank Plc, Union Street, Chester, CH1 1UA

1.7 Solicitors

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

1.7.2 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 2021.

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 2017-18 and agreed the following mission *(purpose)*:

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

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

2.5.2 The College's continuing objectives are:

Teaching, Learning and Support:

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

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

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

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

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

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

Results:

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

Our Value-Added measures will be Good or Outstanding.

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

We will strive to be judged as Outstanding by Ofsted.

Collaboration and Partnerships:

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

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

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

Financial Stability:

We will meet the targets agreed with the Transaction Unit.

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

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

2.6 Impact of Covid19

2.6.1 The Covid19 pandemic and the resulting lockdown periods has had a significant impact on many organisations and the education sector has been amongst those most heavily affected. Cheshire College South & West has certainly not been immune from that impact, but the strength of resources, coupled with agile leadership has enabled the College to successfully navigate the on-going crisis.

2.6.2 Specifically, the College has:

2.6.2.1 Minimised the financial exposure to our commercial income through use of government support including the Job Retention Scheme (JRS).

2.6.2.2 Mitigation, in part, of the impact on our apprenticeship income through successful application to the Government's Post-16 Relief Fund.

2.6.2.3 Quick identification of savings, for example in property costs, consumables, and travel, to offset other losses because of the pandemic.

2.6.3 All three Campuses and the Starting Point Nursery remained open throughout for the priority groups.

2.6.4 The College has been protected through the grant funded nature of some of our contracts and government protection of providers through flexible approaches to contract reconciliation.

2.6.5 During 2020-21, colleges may have been eligible to receive funding provided by DfE and other government bodies related to Covid-19.

2.6.6 The College has been eligible to claim additional funding in year from government support schemes in response to the coronavirus outbreak and received the following:

2.6.6.1 Provider relief scheme funding of £7k to further education colleges applying PPN 04/20 to ensure that suppliers to the sector can continue to deliver education and training during the pandemic.

2.6.6.2 16 to 19 tuition funds of £506k to mitigate the disruption to learning arising from Covid-19.

2.6.6.3 High value courses for school and college leavers funding of £99k to encourage and support delivery of selected level 2 and level 3 qualifications in specific subjects and sectors in response to coronavirus.

2.6.6.4 Sector based work academies funding of £33k introduced due to Covid19 as part of the skills package.

2.6.6.5 Covid Skills offer of £18k to target delivery of high value courses.

2.6.6.6 Covid19 mass testing grant funding of £81k allocated under the National Testing Programme to support costs incurred with conducting on-site testing and exceptional costs funding of £6k which exceeded the formulaic allocation.

2.7 Resources

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

2.7.2 Financial

2.7.2.1 The College has £13.2m of net assets including a £26m pension liability and long-term loans of £10.5m.

2.7.3 People

2.7.3.1 The College employs 467 people *(expressed as full-time equivalents)*, of whom 216 are teaching staff.

2.7.4 Reputation

2.7.4.1 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 2021-22 for the College.

2.8 Learner Numbers

2.8.1 In 2020-21 the College's activities generated £21,691k in funding body main allocation funding *(2019-20 £19,094k)*. The College had approximately 4,171 *(2019-20 3,768)* publicly funded 16-19 learners.

2.8.2 The *table 1* overleaf summarises learner numbers by contract:

	2020-21		2019-20	
Funding Stream	**Number**	**Income £'000**	**Number**	**Income £'000**
16-19 Learners	4,171	21,240	3,768	19,094
Apprenticeships	984	2,729	1,117	3,014
AEB	2,023	3,052	2,370	2,250
Advanced Learner Loans	351	790	321	696
HE (OfS)	297	1,305	355	1,825

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

2.9 Stakeholder Relationships

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

2.9.2 These include:

2.9.2.1 Learners, Governors and staff.
2.9.2.2 Chamber of Commerce.
2.9.2.3 Education sector funding bodies.
2.9.2.4 The Further Education Commissioner.
2.9.2.5 Local, regional and national employers (with specific links).
2.9.2.6 Local authorities and the Local Enterprise Partnership (LEP).
2.9.2.7 Banks.
2.9.2.8 The local community.
2.9.2.9 Other FE and HE institutions and training providers.
2.9.2.10 Trade Unions.
2.9.2.11 Professional advisors and professional bodies.

2.9.3 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.

2.10 Public Benefit

2.10.1 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 30 - 31. 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.

2.10.2 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 enrols and to finding suitable courses for as many learners as possible, regardless of their education and background.

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

2.10.3.1 High-quality teaching.
2.10.3.2 Widening participation and tackling social exclusion.
2.10.3.3 Excellent employment record for learners.
2.10.3.4 Strong learner support systems.
2.10.3.5 Links with employers, industry, and commerce.

2.10.3.6 Links with Local Enterprise Partnership (LEP).

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

2.11 Development and Performance

2.11.1 Financial Results

2.11.1.1 The College generated a surplus before other gains and losses in the year of £1,982k *(2019-20 deficit of £2,147k)* with total comprehensive income deficit of £1,987k, *(2019-20 deficit £3,503k)*. The total comprehensive income is stated after accounting for movement on actuarial loss in respect of pension schemes.

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

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

	2021 £'000	2020 £'000
Surplus/(Deficit) before tax	1,982	(2,147)
FRS102 pension admin costs	1,579	1,704
FRS 102 Interest Charge	297	373
Underlying operating surplus/(loss)	**3,858**	**(70)**

(Table 2: Underlying Financial Out-turn Position)

2.11.1.4 Covid19 has had a detrimental impact on key college income streams:

2.11.1.4.1 Commercial income - partially offset by JRS grant of £187k

2.11.1.4.2 International Income - travel ban - £1,082k

2.11.1.4.3 Apprenticeships - depressed starts and breaks in learning - £241k

2.11.1.4.4 Failure to deliver against Adult Education Budget - £298k

2.11.1.5 The College turnover increased by £2,865k from £36,241k in 2020 to £39,107k in 2021 largely because of funding for in-year 16-18 growth. Key points include:

2.11.1.5.1 the extra funding has been calculated by a common formula applied to both colleges and schools;

2.11.1.5.2 the *(lower)* threshold for extra funding is 100 learners;

2.11.1.5.3 the ESFA have provided full funding *(at the college's funding rate)* for learners in the 100-200 range;

2.11.1.5.4 for institutions with growth above an upper threshold of 200, funding is at a 50% rate; and

2.11.1.5.5 ESFA have used its standard method to forecast full-year numbers for 2020-21, having deducted under performance in 2019-20.

2.11.1.6 In 2020-21 the College had 4,176 full-time 16-18 learners *(ILR R08 submission)*, 459 higher than both the forecast and the ESFA funded allocation of 3,717.

2.11.1.7 The ESFA methodology described above has seen the College funded for 3,883 learners, an exceptional variation of 166 learners. This provided a revised programme funding level of £19,508k against the original allocation of £18,677k, an increase of £831k.

2.11.1.8 In addition to the above, the College have also received a one-off payment of £99k for additional leaners aged 18 currently studying on what are deemed high value courses.

2.11.1.9 Income has been further supported by the following grants from government:

2.11.1.9.1 £506k of 16-18 Tuition Fund income awarded for 2020-21 to support small group tuition for 16-19 learners in English, Maths, and other courses where learning has been disrupted.

2.11.1.9.2 The Teacher Pension contribution increased from 16.48% to 23.68% in September 2019. A further grant has been paid to continue to support colleges with the transition to the resulting increased expenditure. This amounted to £669k *(2019-20 £655k)*.

2.11.1.9.3 The Provider relief Scheme resulted in a payment from the ESFA of £7k to support reduced non-levy apprenticeship delivery during the pandemic.

2.11.1.9.4 A maximum of 50 support staff were furloughed during the year resulting in £187k of Coronavirus.

2.11.1.10 Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) has improved from £1,690k to £5,525k primarily due to

2.11.1.10.1 the impact of £717k of ESFA clawback of Adult Education funding relating to prior years provided for in 2019-20 *(£643k relating to 2018-19 and £74k relating to 2017-18);*

2.11.1.10.2 confirmed increase of £1,282k in 16-18 funding;

2.11.1.10.3 current in-year 16-18 growth of £930k;

2.11.1.10.4 £335k pay cost under-spend arising from a reduction in agency absence costs, unfilled vacancies and posts deemed surplus to requirement;

2.11.1.10.5 non-pay costs £157k lower than anticipated because of COVID-19; and

2.11.1.10.6 £300k other cost provisions not required (*bad debt provision and contingency).*

2.11.1.11 The College ended the year in a stable cash position with cash and cash equivalent balances of £5,675k *(2019-20 £1,601k)* with a £1,000k overdraft facility also available. Balances include ESFA capital grants received in advance of £630k which were unspent at year-end. 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.

2.11.1.12 The College has accumulated reserves of £13,166k *(2019-20 £15,154k)* and the movement in year relates to the valuation of the pension schemes by the actuaries. There has been a significant increase of £5,845k in the level of the Defined Pension Benefit liability due to a reduction in the real discount rate (discount rate net of inflation) which has fallen compared to the previous year's Accounting Date.

2.11.1.13 This is due to the combination of a slightly higher discount rate assumption but a significantly higher Consumer Price Inflation (CPI) assumption. This has resulted in a significant loss on the College's balance sheet as at the Accounting Date.

2.11.1.14. The deficit on the balance sheet is £26,247k *(2019-20 £20,402k).*

2.11.2 **Cash Flows and Liquidity**

2.11.2.1 Cash flow generated from operating activities amounted to £5,512k *(2019-20 net inflow of £1,715k).*

2.11.2.2 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.

2.11.2.3 The College has a £1,000k overdraft facility with Barclays Bank until May 2022 and does not envisage the facility being renewed thereafter. The rolling 24-month cash flow and financial forecast for 2021-22 and 2022-23 confirm that there is no reliance on this facility during these periods.

2.11.3 Reserves

2.11.3.1 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. There are no restricted reserves held.

2.11.4 Financial Health

2.11.4.1 The ESFA financial health assessment for 2020/21 has been calculated as 'Outstanding'.

2.11.4.2 The performance is shown in *table 3* below:

Financial Health	**2020-21**
Adjusted Current Ratio	70
EBITDA as a % of Income - Education Specific	100
Borrowing as a % of Adjusted Income	70
Total Points	**240**
Financial Health Grade	**Outstanding**

(Table 3: Financial Health Points Score)

2.11.4.3 The financial grade definitions and boundaries are detailed in *table 4* 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 4: Financial Grade Definitions and Boundaries)

2.11.4.4 The ESFA have confirmed that the Financial Health Grade of Cheshire College South & West was 'Requires improvement' for the 2019-20 results.

2.11.5 Sources of Income

2.11.5.1 The College has considerable reliance on the education sector funding bodies for its principal source of funding, largely from recurrent grants. In 2020-21 the FE funding bodies provided 82% *(2019-20 78%)* of the College's total income. The increase in reliance is as a direct consequence of the impact of the Covid19 virus – funding body income was maintained but full cost, commercial and international income was significantly reduced.

2.11.6 Subsidiary Companies

2.11.6.1 The College had no subsidiary companies during the year.

2.11.7 Streamlined Energy and Carbon Reporting

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

2.11.7.1.1 Replaced banks of ineffective fluorescent lighting with high efficiency LED lighting.

2.11.7.1.2 Upgraded hot water systems and improved heat exchanger plant to reduce dependence on gas powered sources.

2.11.7.1.3 Replaced failing pipework and associated lagging to improve efficiency of heat transfer.

2.11.7.1.4 Reviewed energy suppliers to consider 'green only' suppliers.

2.11.7.1.5 Encouraged reduction in use of college and personal vehicles through the Cycle to Work Scheme.

2.11.7.1.6 Promoted the use of MS Teams and other video conferencing as an alternative to cross-Campus travel.

2.11.7.1.7 Reviewed and disposed of aging and inefficient College vehicles.

2.11.7.1.8 Altered the default College search engine to Ecosia.

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

Greenhouse Gas Emissions Energy Use Data	**2021**	**2020**
Energy Consumption used to calculate emission (kWh)	13,419,286	12,941,511
Energy Consumption Breakdown (kWh)		
Gas	8,293.135	7,500,230
Electricity	5,011,143	5,140,765
Transport Fuel	115,008	300,516
Scope 1 Emissions in Metric Tonnes CO_2e		
Gas Consumption	1,518.97	1,379.07
Owned Transport	2.15	8.49
Total Scope 1	1,521.12	1,387.56
Scope 2 Emissions in Metric Tonnes CO_2e		
Purchased Electricity	1,064.02	1,198.52
Scope 3 Emissions in Metric Tonnes CO_2e		
Business Travel in Employee-Owned Vehicles	24.45	59.52
Total Gross Emissions in Metric Tonnes CO_2e	**2,609.59**	**2,645.60**
Intensity Ratio		
Tonnes CO_2e per member of staff	5.59	5.48

(Table 5: Streamlined Energy and Carbon Data)

2.11.7.3 **Quantification and Reporting Methodology**

2.11.7.3.1 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.

2.11.7.3.2 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.

2.11.7.3.3 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.

2.11.7.3.4 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.

2.11.7.3.5 Scope 3 emissions (business travel) calculated in metric tons of CO_2e 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 2020 guidelines only.

2.11.7.3.6 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.

2.11.7.4 **Intensity Measurement**

2.11.7.4.1 The chosen intensity measurement ratio is total gross emissions in metric tonnes CO_2e per staff member, the recommended ratio for the sector.

2.12 Future Developments and Prospects

2.12.1 Future Developments

2.12.1.1 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.

2.12.1.2 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.

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

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

2.12.1.5 The College is the first general further education college in Cheshire approved to deliver the four pathways in Phase 2 from September 2021. The Pathways include Construction, Health and Science, Education and Childcare and Digital.

2.12.1.6 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.

2.12.1.7 The Higher Technical Qualifications developed by the College will offer individuals who complete a T-Level the ability to continue their career journey, achieve sought after qualifications, secure high-level employment and successfully contribute to the regional economy.

2.12.1.8 The College curriculum provides a clear route for the Lifelong Loan Entitlement, through high-quality higher technical education with a focus on the qualifications required by industry which will provide future sustainability.

2.12.1.9 From September 2021 the College is offering T-Levels in Digital Production, Design and Development at level 3. Upon achievement of the T-Level, the learner will begin to develop specific sector specialisms and have access to a range of progression opportunities.

2.12.1.10 The T-Level carries UCAS points which can be used towards university programmes, higher technical qualifications, or apprenticeships.

2.12.1.11 The Skills for Jobs white paper set out the government's blueprint for reshaping the technical skills system to better support the needs of the local labour market and the wider economy.

2.12.1.12 Skills Accelerator is a core part of delivering this vision. It incorporates the:

- 2.12.1.12.1 Local Skills Improvement Plan (LSIP) trailblazers
- 2.12.1.12.2 Strategic Development Fund (SDF) pilots

2.12.1.13 Skills Accelerator will help:

- 2.12.1.13.1 Deliver an evidence-based assessment of priority skills needs aligned to local strategies.
- 2.12.1.13.2 Providers to strengthen relationships and partnerships with employers.
- 2.12.1.13.3 Transform the responsiveness of local skills systems in meeting the changing skills needs of employers.
- 2.12.1.13.4 Employers give providers a clearer indication of the skills needed in the local area.
- 2.12.1.13.5 Empower providers to develop the infrastructure to deliver the right skills when and where they are needed.

2.12.1.14 This new approach will ensure that technical education and training is better aligned to what employers need. Ultimately, this will ensure that learners are able to develop the skills that enable them to get a well-paid and secure job, no matter where they live, and in the sectors that are critical to future economic success.

2.12.1.15 A successful partnership bid has been submitted for £3,022k, Cheshire College South & West as the largest college and provider of level 3 academic and technical programmes in the region is the lead FE provider.

2.12.1.16 The bid is divided into three distinct project areas, Creative and Digital Skills, Renewable Energies and Decarbonisation Initiatives. CCSW will receive direct benefit from all three, however CCSW emphasis will be Renewable Energies.

2.12.1.17 The College will receive £421k capital and £145k revenue grant funding for the specialist provision of engineering, construction, and low carbon technologies.

2.12.1.18 The Department for Education have launched the Provider Growth Fund as part of Higher Technical Education reforms, with a total budget of £18 million *(£12m capital for specialist equipment and perpetual software licence costs, and £6m resource)*.

2.12.1.19 The fund is available to Further Education Colleges, Higher Education Providers, independent training providers, Institutes of Technology, and consortia who intend to offer approved Higher Technical Qualifications in 2022 and 2023 and meet certain eligibility criteria.

2.12.1.20 The aim of the fund is to support providers to build and create additional capacity to grow high quality provision and raise the prestige of approved Higher Technical Qualifications amongst learners and employers.

2.12.1.21 Grant funding has been confirmed with the College set to receive capital funding of £387k and revenue of £177k for the period September 2021 to March 2022.

2.12.1.22 Curriculum choice has been determined by the skills shortages identified in the region and aligned to current and projected needs. The embedded digital thread running through all the proposed Higher Technical Qualification routes addresses current work transformations with reference to, cloud technology, big data analytics and artificial intelligence.

2.12.1.23 More broadly, 'essential digital skills' are rooted into the wider occupational learning aims and designed to deliver a comprehensive range of skills required in many occupations. Early evidence suggests demand for job roles across all industrial sectors requiring specific digital skillsets that carry the highest wage premium is more resilient in the area than for other types of roles in the Covid19 crisis.

2.12.1.24 The digital skill requirements of employers are demonstrated through 1 in 10 vacancies requiring digital skills *(Evidenced by the LEP's published 'Digital Skills in C&W)*. By adopting EdTech transformative technologies, such as artificial intelligence, machine learning, and cloud computing learners will realise the disruptive and competitive edge that digital enterprise provides. Learners and employers are at the heart of shaping College curriculum and provide valuable insight into industry requirements.

2.12.2 **Future Prospects**

2.12.2.1 The College is not forecasting growth in learner numbers over the next twelve months.

2.12.2.2 The ESFA contract for 2021-22 shows an increase in 16-19 income of £1.54m. This is made up of the increase in the number of learners enrolled in 2020-21 and funding to support learners on four T level pathways being introduced in September 2021.

2.12.2.3 Applications for 2021-22 indicate that targets will be achieved however there is considerable uncertainty over the final level of learner enrolments following the Covid19 lockdown arrangements and the impact of Teacher Assessed Grades *(TAGs)*.

2.12.2.4 This situation will only become clearer once enrolment has been completed. This increase has not been quantified and no in-year growth in 2021-22 is anticipated although it may well generate additional delivery costs, and provision against key spend categories have been assumed.

2.12.2.5 A robust, costed curriculum planning process is in place to support both curriculum delivery to meet local and regional skills needs and provide value for money.

2.12.2.6 A reduction in apprenticeship income to £2,534k is expected against a contract allocation of £3,062k. In 2020-21 the College benefited from a large *'carry-in'* of apprentices still on programme, which off-set the significant shortfall in new starts. The College will not have the same benefit in 2021-22. A combination of apprentices completing their programmes and fewer starts means that the *'carry-in'* value of apprentices still on programme will be much lower at £1.3m for 2021-22.

2.12.2.7 HE numbers and income will remain at 2020-21 levels, reflecting projected learner progression and applications.

2.12.2.8 Income from employers will remain depressed but AEB funded learner numbers will remain stable, reflecting the potential for adults wishing or needing to reskill.

2.12.2.9 International income will remain at 2020-21 levels and will not return to pre-Covid19 until at least 2023-24.

2.12.3 **Capital Developments**

2.12.3.1 The T Levels Capital Fund (TLCF) Wave 2 grant application was submitted in June 2020, with a total project cost of £3,160k for buildings and facilities. This investment will be for a new build at the Ellesmere Port Campus and refurbishment at the Chester Campus.

2.12.3.2 After a rigorous process involving reviews, alternative proposals, significant data interrogation, interviews, and onsite Campus analysis, in tandem with collaborative work with the AoC and officials at the DfE and ESFA a new build option, was approved on 5 May 2021.

2.12.3.3 Following the approval of the £3.83m grant application *(£3.16m for buildings and £0.67m for specialist equipment)*, by the Education and Skills Funding Agency (ESFA) the College continues to work with appointed consultants AA Projects to deliver the project. A planning application was submitted on 11 June 2021, detailing the proposals which comprise of a new build linked to the Ellesmere Port Campus and a refurbishment at the Chester Campus.

2.12.3.4 Pre-application advice and assistance was secured with Cheshire West and Chester (CWaC) and it was advised that this application for planning permission would be recommended as delegated powers and not be required to go to the planning committee for decision. This would support the pressured timeline that the College is working within for timely completion.

2.12.3.5 The proposed new build at the Ellesmere Port Campus is directly linked to the main building, which is a revision of the original proposal, driven by safeguarding and residential considerations. The new build will house Construction and Motor Vehicle *(including a Plug-in electrical hybrid vehicle-PHEV bay).*

2.12.3.6 Due to the situation of the new build, a requirement of planning is to relocate the car parking spaces on to the current temporary car parking space. Therefore, the area will be re-surfaced and appropriate lighting installed to ensure all year-round usability.

2.12.3.7 The proposed refurbishment and remodelling at Chester Campus, which is currently the Motor Vehicle workshop, will facilitate the creation of a Digital Hub.

2.12.3.8 In addition, the College is an early adopter of T Level delivery for Engineering and Manufacturing and Business and Administration routes from September 2022.

2.12.3.9 To effectively deliver the new T Level qualifications, the College has identified necessary capital investment that would create fit for purpose spaces in line with the curriculum content. Therefore, the College submitted in April 2021, a TLCF Wave 3 application. The works are proposed across the Crewe, Ellesmere Port and Chester Campuses.

2.12.3.10 Following an option appraisal, the preferred option is to remodel and re-purpose existing floor area at all three College Campuses, to provide new Engineering Workshop accommodation together with a combination of Business teaching rooms and self-guided and group learning accommodation to compliment the teaching delivery. The facilities will create dedicated learning environments specific to the T Level courses which will enable a sense of prestige and encourage employer partnerships to be further developed.

2.12.3.11 A capital bid application of £1,494k, with no match funding was made, alongside £2,227k for specialist equipment. Specialist equipment funding is allocated on a formula basis linked to learner application numbers.

2.12.3.12 Agreement was received on 25 October 2021 with the award of up to £1,031k.

2.12.3.13 The Further Education Capital Transformation Fund (FECTF) provides the second stage bidding round for the Government's £1.5 billion investment in the country's FE infrastructure with some caveats and constraints including:

2.12.3.13.1 Match funding *(up to 50%).*

2.12.3.13.2 Minimum project threshold of £500k.

2.12.3.13.3 Projects being subject to the FECDC or independent surveyor reports focusing on, but not exclusively, category 'C' and 'D'.

2.12.3.13.4 Expansion projects are not in scope.

2.12.3.14 The entire scope of work in response to the FECTF is focused on addressing a serious of issues and include:

2.12.3.14.1 Repair leak in roof which would eliminate condition issues and prolongs the life of building elements.

2.12.3.14.2 repair incorrectly installed roof lights which would eliminate condition and health and safety issues.

2.12.3.14.3 replace and repair existing fire doors addressing condition issues.

2.12.3.14.4 Replace failed vinyl flooring to critical areas of the school (*fire egress stairs).*

2.12.3.14.5 Repair and improve WC provision, eliminating condition issues and improving accessibility.

2.12.3.14.6 Repair failed and missing insulation to 13Nr chiller units and associated ductwork ensuring the effective and efficient operating of the existing building services.

2.12.3.14.7 Repair corroded and failed pipework preventing the failure of the existing building services.

2.12.3.14.8 Repair failed point of use water heaters.

2.12.3.14.9 Segregate pedestrian and vehicular access.

2.12.3.14.10 Remodel the existing main College reception to improve accessibility.

2.12.3.14.11 Improved safeguarding and security of Campus through CCTV.

2.12.3.15 A feasibility cost estimate has been prepared which captures the costs of each of the individual elements of work.

2.12.3.16 The overall project costs amount to £3,141k with a 3-year construction timeline between 2021-22 and 2023-24. This would be refined at Stage 2 submission, upon approval of stage 1, when the design has been developed further.

2.12.3.17 The application includes a 25% match funding *(£785k)* and therefore is seeking a 75% contribution *(£2,356k)*.

2.12.3.18 Notification was received on 14 July 2021 confirming that the College's stage 1 application had met all the criteria to be considered for the next stage.

2.12.3.19 Stage 2 submissions by 8 October 2021 required the following additional considerations:

2.12.3.19.1 For all projects submitted at stage 2, FECT funding will be restricted to £20 million for any single project or any single site *(including non-recoverable VAT)*. This is to ensure that as many institutions and sites across the country as possible can benefit from FECT funding.

2.12.3.19.2 All project costs must have a greater degree of accuracy and detail, than stage 1 costs, in line with the developed stage 2 project application. There should not be an increase in the FECT funding requested in the stage 1 application and any such increase would only be accepted in exceptional circumstances where fully evidenced.

2.12.3.19.3 All projects are expected to make a 10% efficiency saving from the initial stage 1 funding request *(including non-recoverable VAT)*, through exploring all opportunities to find cost efficiencies and savings. Where this cannot be fully achieved then this should be justified. It should be noted that where a college has already had funding restricted to £20m then the total funding is expected to be reduced by whichever is greater: the £20m limit or the 10% efficiency saving.

2.12.3.19.4 There must not be any substantive changes from the stage 1 application to the project in terms of the blocks to be addressed by the project. The exception is where changes have been instructed by the department in the stage 1 outcomes letter or where required due to the restriction to £20 million for FECT funding or the 10% efficiency saving.

2.12.3.20 The College is the lead institution in the application for an Institute of Technology (IoT) in Cheshire and Warrington.

2.12.3.21 An IoT must be a collaboration between Further Education Colleges, employers, and Universities, focussing on developing Higher Technical Qualifications at Level 4 and 5 in Government specified Subject Sector Areas. As the lead organisation the College holds the licencing arrangements with the partners; University of Chester, Reaseheath College, Warrington & Vale Royal College and Macclesfield College.

2.12.3.22 A Stage 2 application was submitted on 15 June 2021 with an expected decision to be announced in December 2021.

2.12.3.23 As part of the submission a capital and specialist equipment proposal were included for £12,999k, which reflected investment for each of the partner colleges. This included a proposed investment in capital and equipment for the College of £5.30m with a new build at the Crewe Campus.

2.12.3.24 The construction of a new build circa 1,470m^2 will provide a resource over two floors located to the northwest of the existing Campus footprint. The new build will be linked on both levels to maintain safeguarding and security and encourage cross-curriculum interaction.

2.12.3.25 The new build includes ground floor specialist Engineering workshops, with specialist equipment, which is complemented by ten classrooms with a room capacity of 25 to provide excellent cross-curriculum opportunities for Engineering, Infrastructure and Digital Technologies.

2.12.3.26 Investment in both IT and estates developments have been curtailed post-merger except for any directly funded opportunities through close working partnerships with the Cheshire Local Enterprise Partnership *(Digital and Engineering)* and wave 2 T-level specialist equipment *(Digital, Construction, Health & Science).*

2.12.3.27 An improving cash position considering continued growth has provided an opportunity to begin to address the backlog of issues with £500k set aside per annum for IT investment across each year which will support the drive to tackle the risks associated with cybercrime and security.

2.12.3.28 A further £500k has been ring-fenced for estates enhancements and development in 2021-22.

2.12.4 Financial Plan

2.12.4.1 The college governors approved a financial plan in July 2021 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' and achieve an operating surplus of £1,361k in the year to 31 July 2022.

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

2.12.4.2.1 No growth in learner numbers is assumed across the 3-year period, except for wave 3 T-level pathways being introduced from September 2022.

2.12.4.2.2 A successful bid for T levels Capital Fund Wave 2 grant will see circa £3.1m invested in a new build at the Ellesmere Port Campus and refurbishment at the Chester Campus *(capital investment will take place in 2020-21 and 2021-22)* and £674k for specialist equipment across 4 pathways *(Construction, Digital, Education & Childcare, and Health & Science).*

2.12.4.2.3 £500k has been ring-fenced to provide much needed investment into IT hardware whilst prioritising the College's strategy for improving Cyber Security.

2.12.4.2.4 £500k has been ear-marked for further estates enhancements and developments to support the focus on improving the quality of teaching learning and assessment.

2.12.4.2.5 The cash flow position is being closely monitored to ensure the College complies with bank covenants, can meet its liabilities as they fall due and reinvest in facilities and resources to support outstanding teaching, learning and assessment.

2.12.5 **Treasury Policies and Objectives**

2.12.5.1 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.

2.12.5.2 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.

2.12.5.3 The College has in place a £1,000k overdraft facility with Barclays Bank until May 2022.

2.13 Principal Risks and Uncertainties

2.13.1 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.

2.13.2 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.

2.13.3 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.

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

2.13.5 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.

2.13.6 **Ongoing Impact of the Emergency Measures to Combat the Covid19 Virus**

2.13.6.1 The continued impact of the Covid19 virus and the UK Government's emergency measures to combat its spread meant that in 2020-21 the College lost over £1.6m in fee income not earned – of this £1,082k related to income from international students, apprenticeship income of £241k from depressed starts and breaks in learning, and £298k from failure to deliver against Adult Education Budget.

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

2.13.6.2.1 Uncertainty over travel restrictions for overseas students coming to the UK and the availability of host families in the community.

2.13.6.2.2 Adult learners both FE and HE who may choose to defer studying at the College whilst they overcome the financial and emotional impact of the virus.

2.13.6.2.3 Employers may continue to cut back on apprentice recruitment and funded training for staff.

2.13.6.3 This risk is being managed by:

2.13.6.3.1 Realistic budgeting for International, full cost and apprenticeship activity.

2.13.6.3.2 Close liaison with host families to ensure international students who do come to the College are welcome and supported.

2.13.7 **Government Funding**

2.13.7.1 The College has considerable reliance on continued government funding through the further and higher education sector funding bodies in 2020-21, 82% of the College's revenue was ultimately public funded *(2019-20: 78%)* 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.

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

2.13.7.2.1 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.

2.13.7.2.2 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.

2.13.7.2.3 The take up of T levels being introduced in 2021-22.

2.13.7.3 This risk is mitigated in several ways:

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

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

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

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

2.13.8 **Tuition Fee Policy**

2.13.8.1 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.

2.13.8.2 This risk is mitigated in several ways:

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

2.13.8.2.2 Improved debt collection procedures.

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

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

2.13.9 **Maintain Adequate Funding of Pension Liabilities**

2.13.9.1 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.

2.13.10 **Failure to Maintain the Financial Viability of the College**

2.13.10.1 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 and the ongoing impact of the Covid19 virus on recruitment.

2.13.10.2 This risk is mitigated in several ways:

2.13.10.2.1 By budget setting procedures and sensitivity analysis.

2.13.10.2.2 Regular in year budget and cash-flow monitoring.

2.13.10.2.3 Robust financial controls.

2.13.10.2.4 Rigorous control of staffing costs.

2.13.10.2.5 Exploring ongoing procurement efficiencies including the harmonisation of other operating expenditure post-merger.

2.14 **Key Performance Indicators**

2.14.1 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.

2.15 **Learner Achievement**

2.15.1 Overall College Achievement is currently 90.9% compared to 86.1% for the end of the previous year.

2.15.2 **A-level**

2.15.2.1 A-level achievement has increased by 14.7% to 91.6% *(2019 76.9%)*.

2.15.2.2 A*-A grades have increased by 10.1% to 39.5%, whilst A*-B grades have increased by 3% to 62.4% and are now in line with 2018 results.

2.15.3 **GCSE English and Mathematics**

2.15.3.1 Achievement in GCSE subjects is 94.7% compared to 94.1% for the previous year. High grades (4-9) increased by 15.1% to 41.1%.

2.15.3.2 Achievements in English is 93.5% compared to 93.3% in 2020. High grades increased by 12.3% to 44.3%.

2.15.3.3 Achievements in Maths is 95.5% compared to 94.2% in 2020. High grades increased by 18.9% to 38.9%.

2.15.4 **Level 3 BTEC Achievement**

2.15.4.1 Achievement in Level 3 BTEC has increased by 4.4% compared to the previous year. High grades (***-MMM) increased by 12.8% to 85.5%.

2.15.5 **Functional Skills Achievement**

2.15.5.1 Achievement has decreased by 6.5% compared to the previous year. This is the first achievement recorded for the new Functional Skills specifications, where teacher assessed grades were not awarded and exams continued to take place.

2.15.6 **Higher Education**

2.15.6.1 The college has now completed internal assessment board activity and qualification claims are complete for most courses and students. Where assessment has been delayed due to COVID19 additional assessment boards have been convened to ensure timely outcomes and enhance progression opportunities. The college has worked closely with university partners to ensure any changes directed by partners have been implemented swiftly and effectively by college staff, culminating in timely examination activity and assessment board participation.

2.15.6.2 Retention has improved significantly on previous years. The overall retention rate for HE (all courses in 2020-21including continuing students) is 91.6%. This increases to 92.7% when considering year 1 of all courses only.

2.15.6.3 Base case achievement rate is 87% (83.2% in 2019-20).

2.15.7 **Apprentices**

2.15.7.1 The overall outturn for Apprenticeships in 2020-21 is 72% achievement rate, this is an increase of 12.5% in comparison to 2019-20 achievement rate of 59.5%. The most recent national Apprenticeship Qualification Achievement Rate (QAR) measure is 64.7%, the predicted 72% rate will provide the College with an achievement rate 7.3% above the QAR benchmark and 6% above the College target of 66% for 2020-21.

2.15.7.2 Covid19 lockdown had a significant impact on Apprenticeship achievements and the overall outturn position. Assessors were unable to access work placements to undertake practical assessments, Apprentices were furloughed, End Point Assessments (EPA) were delayed and cancelled, and Employers in sectors such as building services, construction, engineering, hairdressing, and hospitality requested more practical training support for their Apprentices.

2.15.7.3 There were 69 Apprentices that were expected to achieve their Apprenticeship in 2020-21 but subsequently did not for the reasons noted and have been carried into 2021-22 academic year. The team are working tirelessly with the Apprentices and Employers to support completion and predict, if access to work premises and EPA assessments remain on track, completion will be during 2021-22.

2.15.7.4 Of the 69 Apprentices carried into 2021-22 had completed as originally planned, the achievement rate in 2020-21 would have out turned at 76%, a further 4% increase. This achievement rate would have been an increase of 16.5% in comparison to 2019-20 rate of 59.5%.

2.15.7.5 The overall outturn for adult short course achievement rate is 90.2%, this is an increase of 22.3% in comparison to 2019-20 achievement rate of 67.7%.

2.15.7.6 Adult short courses delivered are from a wide range of sectors, with a particular uptake from health care and construction short courses. The adult offer covers a range of specialisms and is responsive to local skills needs. Close collaboration with stakeholders such as DWP/JCP, employers and the Local Enterprise Partnership (LEP) is essential to ensure the College is agile and responsive to need.

2.15.7.7 To increase Apprentice achievement rates a revised strategy and focus was applied to Apprentice retention, which involved a complete review of the induction process. This involved detailed analysis and collaboration with both employers, Apprentices, and assessors to understand and establish levels of support and engagement with the apprenticeship programme. The new induction programme was introduced in 2020-21 and the impact has seen an 8% increase compared to 2019-20 with retention out turning at 92%.

2.15.8 **Value Added**

2.15.8.1 The overall A-level performance score (ALPS) measure for A-level has improved to grade 1 (equal or better than the highest score in the indicator) compared to a 2 (within the top 10% of the national benchmark) in 2019-20. The overall measure for BTEC has improved to 4 (within the top 40% of the national benchmark) compared to a 5 (within the middle 50% of the national benchmark) in 2019-20.

2.15.9 Payment Performance

2.15.9.1 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.

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

2.16 Equality and Diversity

2.16.1 Equality

2.16.1.1 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.

2.16.1.2 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.

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

2.16.1.4 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.

2.16.2 Gender Pay Gap Reporting

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

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

2.16.2.3 The median gender pay gap us 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 2021
Mean gender pay gap (*in favour of men*)	10.52%
Median gender pay gap (*in favour of men*)	11.12%
Mean bonus gender pay gap	0%
Median gender bonus gap	0%

(Table 6: Gender Pay Gap)

2.16.2.4 The proportion of males and females in each quartile of the pay distribution are shown in *table 7* overleaf:

	Males	Females
1 – Lower quartile	29%	71%
2 – Lower middle quartile	37%	63%
3 – Upper middle quartile	37%	63%
4 – Upper quartile	45%	55%

(Table 7: Proportion of Males and Females by Pay Distribution Quartile)

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

2.16.3 Accessibility Statement

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

2.16.3.2 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).

2.16.3.3 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.

2.16.4 Trade Union Facility Time

2.16.4.1 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 2021	FTE Employee Number
4	3.8

Percentage of time	Number of employees
0%	0
1-50%	4
51-99%	0
100%	0
Total cost of facility time	£14k
Total pay bill	£20,419k
Percentage of total bill spent on facility time	0.07%
Time spent on paid trade union activities as a percentage of total paid facility time	11.0%

(Table 8: Trade Union Facility Time)

2.17 Going Concern

2.17.1 The college governors approved a financial plan in July 2021 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' and achieve an operating surplus of £1,361k in the year to 31 July 2022.

2.17.2 The budget presented has been prepared on a prudent basis. Income projections have been moderated and all known costs have been accounted for.

2.17.3 The budget presented for approval forecasts an operating surplus before FRS102 of £1,361k, compared to a confirmed surplus of £3,982k for 2020-21. Financial Health grading is forecast to revert to **Good.**

2.17.4 Given that there remains some uncertainty from the continued impact of the COVID19 pandemic, and the related risks in some income lines, several contingencies have been included in the budget.

2.17.5 The contingencies have been identified to mitigate against:

2.17.5.1 Potential further increase in learner numbers.
2.17.5.2 Under delivery on numerous income lines.
2.17.5.3 Increased non-pay costs including transport, examination fees and additional delivery materials.

2.17.6 Key assumptions for 2021-22 are:

2.17.6.1 No increase in learner numbers over and above those funded.

2.17.6.2 A reduction in apprenticeship income to £2,534k against a contract allocation of £3,062. In 2020-21 the College benefited from a large *'carry-in'* of apprentices still on programme, which off-set the significant shortfall in new starts. The College will not have the same benefit in 2021-22. A combination of apprentices completing their programmes and fewer starts means that the *'carry-in'* value of apprentices still on programme will be much lower at £1.3m for 2021-22.

2.17.6.3 No T Level Early Adopter funding, however related costs have been included.

2.17.6.4 16-19 tuition funding will remain at £506k. The DfE's Education Recovery Announcement included a promise to spend £1.5 billion over the next 3 years, mainly on the National Tutoring Programme for schools. The package includes a statement that 16-18 tuition funding will continue until 2023-4. The DfE first launched the fund in July 2020 with £96 million. In February it was extended for a year and increased to £102 million. The most recent announcement confirms a further £220 million for a further two years. The College has not received confirmation of exact value of this funding.

2.17.6.5 A reduction of £240k in High Needs income from Local Authorities, with a corresponding increase of the same value in direct High Needs income from the ESFA.

2.17.6.6 The College will deliver the full value of the Adult Education Budget *(AEB)* including £104k assigned to deliver the Government's National Skills Fund strategy.

2.17.6.7 Adult Learning Loan income has been reduced to £470k compared to £865k achieved in 2020-21, a reduction of £395k *(54%)*. In April 2021, the government launched the National Skills Fund, allowing any adult aged 24 and over who wants to achieve their first full level 3 qualification, which is equivalent to a technical certificate or diploma, or 2 full A Levels, will be able to access almost 400 fully funded courses. The impact of this new fund on Adult Learner Loan applications is yet to be fully understood. So, despite 2020-21 Adult Learner Loan performance being 10% better than forecast, the College is adopting a cautious and prudent approach by setting the 2021-22 budget at 60% *(£470k)* of its allocation of £783k.

2.17.6.8 HE numbers and income will remain at 2020-21 levels, reflecting projected learner progression and applications.

2.17.6.9 Income from employers will remain depressed but AEB funded learner numbers will remain stable, reflecting the potential for adults wishing or needing to reskill.

2.17.6.10 International income will remain at 2020-21 levels and will not return to pre-Covid19 until at least 2023-24.

2.17.6.11 Catering income will remain depressed reflecting 2021-22 performance, with income streams from learner's training facilities providing a modest turnover.

2.17.6.12 Saving generated from the 2020-21 Efficiency Change Programme *(ECP)* of £1,000k have been factored into the staffing budget, however as expected a proportion of these savings will be offset by increase in staff costs in lecturing staff, personal development tutors and learner support assistants. In 2020-21, the College increased full-time 16-19 learner numbers by 427 without increasing staffing levels and T levels will be starting in September 2021. Therefore, these costs have been incorporated into the budget for 2021-22 and 2022-23.

2.17.6.13 Staffing costs as a % of income will be at maintained at 60% *(before FRS102)*, compared to the FE Commissioner's benchmark of 65%. The College has traditionally maintained staffing costs between 60% and 63%.

2.17.6.14 All pay progression increments will continue to be paid in full, valued at £250k and £185k for 2021-22 and 2022-23 respectively.

2.17.6.15 An all staff pay award of 1% is approved by the Corporation in 2021-22 and 2022-23 costing £215k and £205k, respectively. If the Corporation choose to approve a pay award at a higher level, a 2% pay award in 2021-22 would increase staffing costs by £419k, whilst 3% would increase staffing costs by £612k.

2.17.6.16 Learner applications remain 15% higher than at the same point in 2021-22. If in summer 2021 higher grades at GCSE are at the same levels or higher than in summer 2020, the College may benefit from another considerable increase in learner numbers, as the College offers a higher proportion of level 3 curriculum compared to neighbouring colleges. Therefore, a pay contingency of £200k has been built into the 2021-22 and 2022-23.

2.17.6.17 The College is still planning to retain flexibility in the workforce by using agency staff where appropriate, particularly in those areas where enrolments are uncertain and may change and to cover vacancies or sickness absence. In 2021-22 it is anticipated that the level of agency staff costs will decrease, and the level of employed staff will increase, however as this has not yet been quantified the budget has not been adjusted at this stage, and the net change in costs not expected to be significant.

2.17.6.18 The College needs to retain flexibility an element of flexibility in staffing that using agency staffing provides, however the College will continue to seek to keep this to a minimum because agency staffing is generally more expensive. The agency staff budget for 2021-22 has been increased in anticipation of an increase to support additional learner needs in line with rising learner numbers *(£130K)*. Whilst the college do not anticipate a return to absence levels pre-COVID a provision of £180K is also included. Robust supportive mechanisms have been introduced to ensure long term absence levels are managed and kept to a minimum, thus reducing the need to bring in temporary cover.

2.17.6.19 Provision has been made in 2020-21, 2021-22 and 2022-23 for the impact of FRS102 based on 2019-20 charges *(£1,522k).*

2.17.6.20 No major restructuring exercises are planned during the life of this plan; however, it is anticipated that the new ways of working post Covid19 lockdowns will necessitate an on-going review of operations and £100k has been built into 2021-22 and 2022-23 budgets to facilitate this. In addition, £100k has been provided in each of 2021-22 and 2022-23 to support change management.

2.17.6.21 Non-pay costs will increase in 2021-22 directly impacted by the growth in learner numbers in 2020-21 and provisional increase made in key spend categories including examination and validation fees *(£200k)* and transport costs *(£175K).*

2.17.6.22 £100k budget ring-fenced to support the introduction of T-level provision and curriculum innovation.

2.17.6.23 A contingency of £500k is included in the budget for 2021-22 to account for any potential shortfall in income and/or unexpected additional costs.

2.17.6.24 Non-pay costs are forecast to rise by 2% in 2021-22.

2.17.6.25 Capital expenditure, other than that funded through successful external bids is set at £500k for supporting a rolling programme of IT hardware replacement, whilst a further £500k has been ring-fenced for estates developments in 2021-22.

2.17.7 Despite the uncertainty over future year funding, the ESFA requires the College to submit a forecast for 2022-23 with its annual plan.

2.17.8 The environment in which Colleges operate continues to lack certainty. Consequently, the draft forecast for 2022-23 has been prepared using the following assumptions:

2.17.8.1 No increase in learner numbers over 2021-22 except for wave 3 T-level pathways being introduced from September 2022.

2.17.8.2 Apprenticeship income expected to return to contract value in 2022-23.

2.17.8.3 International income will increase to £500k but will not return to pre-Coivd-19 levels until 2023-24 at the earliest.

2.17.8.4 Income from employers will remain depressed but adult learner numbers will remain stable, reflecting the potential employment market with people wishing to up and re skill.

2.17.8.5 HE numbers will show a steady growth, reflecting on student progression pathways and applications.

2.17.8.6 the impact on Adult Learner Loan income is uncertain following the introduction of the National Skills Fund, and a prudent approach has been taken for the duration of the plan, assuming 60% draw-down of the available allocation.

2.17.8.7 it is assumed that the ESFA will continue to fund the increase in employer contributions to the Teachers' Pension Scheme *(£601k in 2021-22)*. It should be noted that this approach is consistent with that taken by most of the sector.

2.17.8.8 no increase in employer pension scheme contributions have been in. The Local Government Pension Scheme *(LGPS)* triennial review is scheduled for 2022 with any impact on the contribution rates becoming effective from 1 April 2023. Any changes to the Teachers' pension Scheme will not impact on costs during the life of the plan.

2.17.8.9 catering and learner training facilities income is expected to return to pre-covid levels.

2.17.8.10 staff numbers will remain flat except for the areas of T-level delivery and apprenticeships where increases are planned in line with the projected rise in income.

2.17.8.11 cost of living pay increases are expected to remain at 1%.

2.17.8.12 non-pay costs are forecast to rise by 2% in 2022-23.

2.17.8.13 a contingency of £500k remains in the budget for 2022-23 to account for any potential shortfall in income and/or unexpected additional costs.

2.17.8.14 capital expenditure, other than that funded through successful external bids is set at £500k for supporting a rolling programme of IT hardware replacement; and

2.17.8.15 the College will remain independent throughout the life of the plan and will retain all 3 campuses.

2.17.9 The overall impact of the above assumptions is a budget showing an operating surplus of £1,579k and Outstanding financial health with a projected cash balance of £4,690k for July 2022.

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

2.17.11 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.

2.18 Events After the Reporting Period

2.18.1 None to report

2.19 Modern Slavery Act 2015

2.19.1 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.

2.19.2 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.

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

2.20 Disclosure of Information to Auditors

2.20.1 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.

2.21 Approved by order of the members of the Corporation on 16 December 2021 and signed on its behalf by:

Patricia Bacon

Dame P Bacon
Chair
16 December 2021

3. Statement of Corporate Governance and Internal Control

3.1 Governance Code

3.1.1 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 2020 to 31 July 2021 and up to the date of approval of the annual report and financial statements.

3.1.2 The College endeavours to conduct its business:

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

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

3.1.3 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 2021. 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.

3.2 The Corporation

3.2.1 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	2020-21 Committees Served	2020-21 Attendance
Dame P Bacon Chair	Re-appointed 07/11/19	4 years to 31/12/23		External Member	• Chairs (Chair) • Finance & Resources. • Management & Performance; Remuneration	100%
Mr F Bradley	Reappointed 01/02/18	4 years to 31/12/21		External Member	• Chairs; Audit & Risk (Chair); Management & Performance; Remuneration (Chair)	91%
Mr M Braun	Reappointed 15/12/20	01/01/21 to 31/12/21		Associate Member	• Audit & Risk	100%
Mrs D Bryce	Reappointed 12/12/19	01/02/20 to 31/01/24		External Member	• Finance & Resources	82%
Mr L Closs	Reappointed 07/11/19	4 years to 31/12/23		External Member	• Chairs; Management & Performance (Chair), Finance & Resources	100%
Mr P Colman	Reappointed 27/03/18	4 years to 31/07/22		External Member	• Finance & Resources	91%
Mrs J Davies	Elected 27/03/18	4 years to 31/03/22	31 July 2021	Non-Academic Staff Member	• Management & Performance	67%

Name	Date of the corporation meeting at which the appointment/ reappointment was made	Term of office	Date of resignation	Status of appointment	2020-21 Committees Served	2020-21 Attendance
Mr J S Dhesi	24/01/14			Principal	• Chairs; Finance & Resources; Management & Performance	100%
Mr J Green	Appointed 19/01/21	1 year from 01/03/21		External Member	• Audit & Risk	80%
Mr J Gregory	Appointed 10/09/20	1 year from 01/10/20	31/07/21	Associate Member	• Finance & Resources	100%
Mrs S Harrison	Reappointed 27/03/18	4 years to 28/02/22		External Member	• Management & Performance	100%
Ms Daisy Jones	Student Election	2 years from 01/01/20	31/08/21	HE Student Member	• Management & Performance	71%
Mr D Lotay	Reappointed 07/11/19	4 years to 31/12/23		External Member	• Audit & Risk	100%
Ms J Lowry	Appointed 01/08/21	1 year to 31/07/21		FE Student Member	• Management & Performance	N/A
Mr R McLaren	Student Election	2 years from 01/11/19	31/07/21	FE Student Member	• Management & Performance	89%
M Miller	Appointed 01/12/20	1 year from 01/12/20	31/07/21	FE Student Member	• Management & Performance	100%
Ms J Murphy	Appointed 01/11/21	1 year from 01/11/21		HE Student member	• Management & Performance	N/A
Mr K Murray	Reappointed 02/07/19	4 years to 31/08/23		External Member	• Audit & Risk	70%
Mrs C Osborne	Reappointed 08/07/21	1 year to 31/07/22		Associate Member	• Management & Performance	88%
Mrs A Pickering	Elected 15/05/18	4 years to 14/05/22		Academic Staff Member	• Management & Performance	89%
Mrs L Risk	Appointed 08/07/2021	1 year from 01/08/21		External Member	• Finance & Resources	N/A
Mrs G Taylor	Reappointed 15/12/20	to 31/12/21		External Member	• Finance & Resources (Chair)	76%
Mrs S Wallace	Reappointed 12/12/19	4 years to 31/01/24		External Member	• Audit & Risk	100%
Mr J Wildsmith	Appointed 09/09/21	1 year from 01/08/21		FE Student Member	• Management & Performance	N/A

(Table 9: Corporation Members)

3.3 The Governance Framework

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

3.3.2 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.

3.3.3 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.ccsw.ac.uk)* or from the Clerk to the Corporation at Cheshire College South & West, Dane Bank Avenue, Crewe, CW2 8AB.

3.3.4 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.

3.3.5 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.

3.3.6 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.

3.3.7 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.

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

3.4 COVID19: Procurement Policy Notices

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

3.4.1.1 Direct award due to extreme urgency.

3.4.1.2 Direct award due to absence of competition or protection of exclusive rights.

3.4.1.3 Call off from an existing framework agreement or dynamic purchasing system.

3.4.1.4 Call for competition using a standard procedure with accelerated timescales.

3.4.1.5 Extending or modifying a contract during its term.

3.4.2 Applying the Procurement Policy Notices (PPN) allowed the college to support suppliers impacted by COVID19 whilst ensuring value for money was maintained. Discussions were held with the college's outsourced cleaning providers to secure a reduction in contract price during the pandemic following the move to furlough staff whilst discussions were held with learner transport providers, recognising that short term support was crucial to maintain viable businesses in the long term. Agreement was reached to continue to pay all contractors at 75% of the contracted value for the remainder of the academic year, reducing to 50% only in circumstances where providers had furloughed staff directly involved in the delivery of the contract.

3.5 Appointments to the Corporation

3.5.1 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.

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

3.6 **Corporation Performance**

3.6.1 The Corporation and the supporting committees carried out a self-assessment of its own performance for the year ended 31 July 2021 and graded itself as Good on the Ofsted scale.

3.7 **Remuneration of senior post holders and the Clerk to the Corporation**

3.7.1 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.

3.7.2 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.

3.7.3 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.

3.7.4 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.

3.7.5 Details of remuneration for the year ended 31 July 2021 are set out in note 7 to the financial statements.

3.8 **Audit and Risk Committee**

3.8.1 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.

3.8.2 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.

3.8.3 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.

3.8.4 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.

3.8.5 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.

3.8.6 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.

3.9 **Internal Control**

3.9.1 **Scope of responsibility**

3.9.1.1 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.

3.9.1.2 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.

3.9.2 The Purpose of the System of Internal Control

3.9.2.1 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 2021 and up to the date of approval of the annual report and accounts.

3.9.3 Capacity to Handle Risk

3.9.3.1 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 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

3.9.4 The Risk and Control Framework

3.9.4.1 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:

3.9.4.1.1 Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body.

3.9.4.1.2 Regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts.

3.9.4.1.3 Setting targets to measure financial and other performance.

3.9.4.1.4 Clearly defined capital investment control guidelines.

3.9.4.1.5 The adoption of formal project management disciplines, where appropriate.

3.9.4.2 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.

3.9.5 Statement from the Audit and Risk Committee

3.9.5.1 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.

3.9.5.2 The delivery of the internal audit work for 2020-21 was completed in May 2021 and was not impacted by the global Covid19 pandemic. The specific areas of work undertaken by the audit and risk committee in 2020-21 and up to the date of the approval of the financial statements are shown in *table 10* below:

System	Review Type	Assurance Assessment
GDPR Compliance	Compliance	Reasonable
Financial Systems - Income and Debtors / Credit Control	Follow-up	N/A
Financial Systems — Payments, including Fraud	Assurance	Reasonable
Payroll Controls and Processes	Assurance	Reasonable
Subcontracting Certification	Assurance	Substantial
Marketing and Admissions	Assurance	Substantial
HE Strategy and Provision	Assurance	Substantial
Follow-up	Follow-up	N/A

(Table 10: Internal Audit Reviews – Areas of Work Undertaken)

3.9.5.3 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.

3.9.5.4 The following number of recommendations were made on audit work carried out in 2020-21 with the number in brackets relating to 2019-20:

Urgent	Important	Routine
0 *(0)*	9 *(6)*	11 *(7)*

(Table 11: Internal Audit Recommendations)

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

3.9.5.6 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'.

3.9.5.7 The findings and recommendations by risk areas are summarised below:

Risk Area	Urgent	Important	Routine
Governance Framework	0	5	4
Risk Mitigation	0	2	1
Compliance	0	2	3
Performance Monitoring	0	0	3

(Table 12: Internal Audit Recommendations by Risk Area)

3.9.6 Review of Effectiveness

3.9.6.1 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:

3.9.6.1.1 The work of the internal auditors.

3.9.6.1.2 The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework.

3.9.6.1.3 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.

3.9.6.2 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.

3.9.6.3 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 2021, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the Executive Leadership Team and internal audit and taking account of events since 31 July 2021.

3.9.6.4 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 16 December 2021 and signed on its behalf by:

J S Dhesi
Accounting Officer
16 December 2021

Dame P Bacon
Chair of Governors
16 December 2021

4 Statement of Regularity, Propriety and Compliance

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

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

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

J S Dhesi	**Dame P Bacon**
Accounting Officer	**Chair of Governors**
16 December 2021	16 December 2021

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

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

- 5.3.1 Select suitable accounting policies and apply them consistently.
- 5.3.2 Make judgements and estimates that are reasonable and prudent.
- 5.3.3 State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- 5.3.4 Assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate.
- 5.3.5 Prepare financial statements on the going concern basis, unless it is inappropriate to assume that the college will continue in operation.

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

5.5 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.

5.6 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.

5.7 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 16 December 2021 and signed on its behalf by:

Patricia Bacon

Dame P Bacon
Chair of Governors
16 December 2021

6 Independent Auditor's Report to the Corporation of Cheshire College South & West

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2021 and of the College's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

We have audited the financial statements of Cheshire College South and West *("the College")* for the year ended 31 July 2021 which comprise the Statement of Comprehensive Income & Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland *(United Kingdom Generally Accepted Accounting Practice).*

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 board members' 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 board members 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 members are 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 ("EFSA") 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 Education and Skills Funding Agency have been applied in accordance with the relevant terms and conditions
- The requirements of the OfS's Accounts Direction (OfS 2019.41) have been met.

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of Members

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 38, 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 understanding of the College and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations are related to their registration with the Office for Students ("OfS) and their ongoing conditions of registration, and we considered the extent to which non-compliance might have a material effect on the Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Companies Act, 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 Board and other management and inspection of regulatory and legal correspondence if any.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The audit procedures to address the risks identified included:

- 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.
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, including direct representation from the Accountable Officer.
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to defined benefit pension liability, provision against debtors and useful life of the tangible assets.
- In addressing the risk of fraud, including the management override of controls and improper income recognition, we tested the appropriateness of certain manual journals, reviewed the application of judgements associated with accounting estimates for the indication of potential bias and tested the application of cut-off and revenue recognition.
- Identifying and testing journal entries, in particular any journal entries posted from staff members with privilege access rights, journals posted by key management, journals posted during the period and journals posted after the year end.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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

Use of our report

This report is made solely to the Corporation of the College, as a body, in accordance with the Further & Higher Education Act 1992. Our audit work has been undertaken so that we might state to the Corporation of the College those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Hamid Ghafoor

Hamid Ghafoor (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester

Date: 17 December 2021

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

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 24 August 2021 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Cheshire College South & West *("the College")* during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which ESFA has other assurance arrangements in place.

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 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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 Corporation's income and expenditure.

7.3.5 The work undertaken to draw to our conclusion includes:

7.3.5.1 Documentation and walkthrough of relevant controls on significant transaction streams to assess the adequacy of design of relevant controls and whether they appear to have been implemented.

7.3.5.2 Review of the books and records of the Corporation, along with associated minutes and registers as appropriate for matters relevant to the regularity requirements.

7.3.5.3 Review of the Corporation's completed Self-Assessment Questionnaire *(Annex C of the Post-16 Audit Code of Practice)* for the Corporation's responses and supporting evidence to each of the regularity requirements.

7.3.5.4 Testing of material income streams for matters relevant to the regularity requirements.

7.3.5.5 Testing of specific areas required to provide a limited assurance opinion, including but not limited to, Learner Support Funds and Governors' and Senior management Team's expenses.

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 2020 to 31 July 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Hamid Ghafoor

BDO LLP
Chartered Accountants
Manchester

Date: 17 December 2021

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(with registered number OC305127).

8 Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Income			
Funding body grants	2	31,744	28,283
Tuition fees and education contracts	3	5,297	5,916
Other grants and contracts	4	906	400
Other income	5	1,157	1,633
Endowment and investment income	6	3	9
Total Income		**39,107**	**36,241**
Expenditure			
Staff costs	7	22,154	22,587
Other operating expenses	8, 23	10,272	11,170
Depreciation	11	3,988	3,837
Interest and other finance costs	9	711	794
Total Expenditure		**37,125**	**38,388**
Surplus/(Deficit) before other gains and losses		**1,982**	**(2,147)**
Loss on disposal of assets	11	-	-
Surplus/(Deficit) before tax		**1,982**	**(2,147)**
Taxation	10	-	-
Surplus/(Deficit) for the year		1,982	**(2,147)**
Actuarial loss in respect of pension schemes	20	(3,969)	(1,356)
Total Comprehensive Income for the year		**(1,987)**	**(3,503)**

(Table 13: Statement of Comprehensive Income and Expenditure)

9. Statement of Changes in Reserves

	Income and Expenditure Account £'000	Revaluation Reserve £'000	Restricted Reserve £'000	Total £'000
Balance at 1 August 2019	18,657	-	-	18,657
Deficit from the income and expenditure account	(2,147)	-	-	(2,147)
Actuarial loss	(1,356)	-	-	(1,356)
	(3,503)	**-**	**-**	**(3,503)**
Balance at 31 July 2020	15,154	-	-	15,154
Surplus / (Deficit) from the income and expenditure account	1,982	-	-	1,982
Actuarial loss	(3,969)	-	-	(3,969)
Total Comprehensive Income	**(1,987)**	**-**	**-**	**(1,987)**
Balance at 31 July 2021	**13,167**	**-**	**-**	**13,167**

(Table 14: Statement of Changes in Reserves)

10 Balance Sheet at 31 July 2021

	Notes	2021 £000	2020 £000
Fixed Assets			
Tangible fixed assets	11	130,085	131,325
		130,085	**131,325**
Current assets			
Stocks		20	47
Trade and other receivables	12, 23	1,280	1,296
Cash and cash equivalents	17	5,675	1,601
		6,975	**2,944**
Creditors – amounts falling due within one year	13	(7,603)	(6,961)
Net current liabilities		**(628)**	**(4,017)**
Total assets less current liabilities		**129,457**	**127,308**
Creditors – amounts falling due after more than one year	14	(89,215)	(90,812)
Provisions			
Other provisions	16	(828)	(940)
Defined benefit obligations	16, 20	(26,247)	(20,402)
Total net assets		**13,167**	**15,154**
Unrestricted reserves			
Income and expenditure account		**13,167**	15,154
Revaluation reserve		-	-
Total Reserves		**13,167**	**15,154**

(Table 15: Balance Sheet)

10.1 The financial statements and notes on pages 45 to 70 were approved and authorised for issue by the Corporation on 16 December 2021 and were signed on its behalf on that date by:

Patricia Bacon

J S Dhesi
Accounting Officer
16 December 2021

Dame P Bacon
Chair
16 December 2021

11 Statement of Cashflows

	Notes	2021 £000	2020 £000
Cash inflow from operating activities			
Surplus/(deficit) for the year		1,982	(2,147)
Adjustments for non-cash items			
Depreciation	11	3,988	3,837
Deferred capital grant release	13	(2,733)	(2,490)
Decrease in stocks		27	-
(Increase)/decrease in debtors	12	(17)	979
Increase/(decrease) in creditors due within one year	13	422	(756)
(Decrease)/increase in provisions	16	(112)	102
Pension costs less contributions payable	20	1,579	1,704
Adjustment for investing or financing activities			
Investment income	6	(3)	(9)
Interest payable	9	711	794
Taxation paid	10	(332)	(299)
Loss on sale of fixed assets		-	-
Net cash flow from operating activities		**5,512**	**1,715**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Disposal of non-current asset investments		-	-
Investment income	6	3	9
Withdrawal of deposits		-	-
New deposits		-	-
Deferred capital grant receivable		2,487	139
Payments made to acquire fixed assets	11	(2,707)	(298)
Total Cash flows from investing activities		**(217)**	**(150)**
Cash flows from financing activities			
Interest paid	9	(413)	(421)
Interest element of finance lease rental payments		-	-
New unsecured loans		-	-
Repayments of amounts borrowed	13,14	(808)	(949)
Capital element of finance lease rental payments		-	-
Total Cash flows from financing activities		**(1,221)**	**(1,370)**
Increase in cash and cash equivalents in the year		**4,074**	**195**
Cash and cash equivalents at beginning of the year	17	1,601	1,406
Cash and cash equivalents at end of the year	17	**5,675**	**1,601**

(Table 16: Statement of Cashflows)

Notes to the Financial Statements

1. Statement of Accounting Policies

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

1.2 Basis of Preparation

1.2.1 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 2020 to 2021 and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102)*. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

1.2.2 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.

1.3 Basis of Accounting

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

1.4 Going Concern

1.4.1 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.

1.4.2 The College currently has £10.5m of loans outstanding on terms negotiated from 2008 to 2017. The terms of the various loans are set out in Note 15 to the accounts below. With reference to the net current liabilities position at year end, it should be noted that creditors due in less than 1 year include deferred capital grants of £2.88m *(2019-20 £2.51m)*. The College's forecasts and financial projections included in the financial plan prepared in July 2021 indicate that it will be able to operate within the terms and conditions of the loans and the related covenants for 2021-22 and 2022-23.

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

1.4.4 The College has in place several measures to mitigate the impact of the above uncertainties:

1.4.4.1 budgets have been prepared on a conservative on income and prudent on cost basis;
1.4.4.2 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;
1.4.4.3 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
1.4.4.4 there are provisions in the budget of £500k for general overheads). These provisions can also be used as a lost income provision should income not be forthcoming.

1.4.5 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'.

1.4.6 The rolling 24-month cash flow from August 2021 to July 2023 incorporates the projected out-turn for 2020-21 and proposed budget for 2021-22 and 2022-23 with cash balances of £2,581k *(March 2022)*, £4,008k *(July 2022)*, £2,837k *(March 20223)* and £4,810k *(July 2023)*.

1.4.7 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 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.

1.10.2 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.

1.11 Financial Liabilities & Equity

1.11.1 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.

1.11.2 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.

1.12 Foreign Currency Translation

1.12.1 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.

1.13 Taxation

1.13.1 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.

1.13.2 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.

1.13.3 The College and HMRC have agreed a Lennartz arrangement for VAT incurred on the construction of the buildings acquired as part of the merger with West Cheshire College. The Lennartz principle allows for the input VAT to be reclaimed from HMRC and be repaid to them over a ten-year period commencing on completion of the project. The liability presented in the accounts is impacted by the College's assessment of the business use on these buildings.

1.13.4 The Colchester Institute have legally challenged the validity of the scheme. Although some points they raised were accepted by the tribunal, this has led to a counter claim by HMRC to prevent any windfall-pay-outs.

1.13.5 Davies-Mayers, acting on behalf of Cheshire College South & West, have submitted a protective claim for a potential over-payment which arises from when the VAT rate changed from 17.5% to 20%, which equates to £513k.

1.13.6 The claim has been made on the following basis:

1.13.6.1 That the whole legality of the Lennartz payment regime is flawed and wrongly implemented by the UK.

1.13.6.2 That the College is not liable to pay Lennartz VAT in excess of the amounts of the input VAT previously reclaimed. This does not create a windfall, merely restates the net position. It preserves what is called the fiscal neutrality of the tax.

1.13.6.3 Whilst the Colchester case remains in litigation, as either party can still appeal, an alternative protective claim for the Lennartz VAT paid in the last 4 years has also been made.

1.13.7 Until such time as the Colchester case unravels itself, the College have written to HMRC notifying them of the intention not to pay the final payment of £262k due in July 2021on the basis that it is technically no longer due. HMRC have confirmed receipt of our claim and current stance.

1.14 Provisions and Contingent Liabilities

1.14.1 Provisions are recognised when:

1.14.1.1 the College has a present legal or constructive obligation because of a past event.

1.14.1.2 it is probable that a transfer of economic benefit will be required to settle the obligation; and

1.14.1.3 a reliable estimate can be made of the amount of the obligation.

1.14.2 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.

1.14.3 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.

1.14.4 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 2021. 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 2021 £'000	Year ended 31 July 2020 £'000
Recurrent grants		
Education & Skills Funding Agency – Adult Education Budget	3,052	2,619
Education & Skills Funding Agency – 16-18	21,141	18,718
Educations & Skills Funding Agency – Apprenticeships	2,729	2,960
Office for Students	291	368
Specific Grants		
Education & Skills Funding Agency – 16-19 Tuition Fund	506	-
Education & Skills Funding Agency – High Value Courses for School and College Leavers	99	-
Education & Skills Funding Agency – Provider Relief Scheme	7	33
Education & Skills Funding Agency – Covid19 Mass-testing Funding	88	-
Teacher Pension Scheme Contribution Grant	669	656
Education & Skills Funding Agency – T-Levels / Capacity & Delivery	726	440
Release of Government Capital Grants*	2,436	2,489
Total	**31,744**	**28,283**

(Table 17: Funding Body Grants)

2.1 Prior year release of Government Capital Grants includes £137k non-government related grants. Disclosure for 2020-21 provides a breakdown under *note 4.*

2.2 Under the provider relief scheme, the corporation received funding of £7K from the ESFA. This amount was fully spent in the year.

2.3 In 2019-20 the normal AEB rules are that a provider must deliver 97% of its allocated contract value to avoid claw-back. Due to the impact of Covid-19, this threshold was reduced to 68%.

2.4 Following a review of the impact of COVID-19, the Department for Education *(DfE)* and the ESFA have confirmed *(22 March 2021)* a lower reconciliation threshold of 90% for the 2020-21. This means ESFA will only reclaim under delivery below 90%. The ESFA have stated that that a threshold of 90% is a fair representation average delivery across the sector to date. The threshold for the COVID Skills remains at 97%.

2.5 The College delivered £2,721k *(84%)* by the end of the year against a contract value of £3,223k *(inc. Sector Based Work Academy £32k)* and £17k of actual delivery against the COVID Skills offer of £83k with clawback threshold set at 97%.

2.6 The College have also received an allocation of £53k for National Skills Fund but failed to deliver eligible courses against this fund in the period following approval in April 2021.

2.7 Provision has been made for clawback against these funding streams of £298k.

2.8 Grant and Fee Income

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Grant Income from OfS	291	368
Grant Income from Other Bodies	29,016	25,425
Fee Income for Taught Awards (exclusive of VAT)	1,305	1,402
Fee Income for Research Awards (exclusive of VAT)	-	-
Fee Income from Non-Qualifying Courses (exclusive of VAT)	1,160	1,167
Total	**31,772**	**28,362**

Table 18: Grant and Fee Income – OfS Disclosure)

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

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

2.9.1.1 the provision of education by the provider and

2.9.1.2 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.

2.9.1.3 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.

2.9.2 '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.

2.9.3 '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.

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

2.9.5 '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 2021 £'000	Year ended 31 July 2020 £'000
Adult Education Fees	370	1,010
Fees for FE Loan Supported Courses	790	600
Fees for HE Loan Supported Courses	1,305	1,442
International Student Fees	118	339
Total Tuition Fees	**2,583**	**3,391**
High Costs ALS from LEA	2,239	1,920
Education Contracts	475	605
Total	**5,297**	**5,916**

(Table 19: Tuition Fees and Education Contracts)

4. Other Grants and Contracts

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
European Commission	-	199
Non-Government Capital Grants	297	-
Other grant income	422	-
Coronavirus Job Retention Scheme Grant	187	201
Total	**906**	**400**

(Table 20: Other Grants and Contracts)

4.1 Prior year release of Government Capital Grants shown in *note 2* includes £137k non-government related grants. Disclosure for 2020-21 provides a breakdown between government and non-government related funds.

4.2 The corporation furloughed employees under the government's Coronavirus Job Retention Scheme. The funding received in respect of 50 staff of £187k relates to staff costs which are included within the staff costs note below as appropriate.

5. Other Operating Income

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Catering and Residences	566	849
Other Income Generating Activities	515	766
Miscellaneous Income	76	18
Total	**1,157**	**1,633**

(Table 21: Other Operating Income)

6. Investment Income

	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
Other Interest Receivable	3	9
	3	**9**
Total	**3**	**9**

(Table 22: Investment Income)

7. Staff Costs

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

	2021 No.	2020 No.
Teaching Staff	216	219
Non-Teaching Staff	251	264
	467	**483**

(Table 23: Average Number of Staff Employed)

7.2 Staff costs for the above persons:

	2021 £'000	2020 £'000
Wages and Salaries	14,860	14,712
Social Security Costs	1,356	1,345
Apprenticeship Levy	60	59
Other Pension Costs:		
Employer Contributions	3,372	3,420
Actuarial Charges (Net of Interest Payable in Note 9)	1,579	1,704
Payroll Sub-Total	**21,227**	**21,240**
Contracted Out Staffing Services	734	1,221
	21,961	**22,461**
Early Termination Costs	-	-
Restructuring Costs – Contractual	31	-
Restructuring Costs – Non-Contractual	162	126
Total	**22,154**	**22,587**

(Table 24: 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

	2021 No.	2020 No.
The number of key management personnel including the Accounting Officer was:	4	4

(Table 25: 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	
	2021 No.	2020 No.	2021 No.	2020 No.
£60,001 to £65,000 p.a.	-	-	1	1
£65,001 to £70,000 p.a.	-	-	1	3
£70,001 to £75,000 p.a.	-	-	2	3
£75,001 to £80,000 p.a.	-	-	2	-
£90,001 to £95,000 p.a.	2	2	1	-
£105,001 to £110,000 p.a.	1	1	-	-
£140,001 to £145,000 p.a.	1	1	-	-
	4	**4**	**7**	**7**

(Table 26: Pay Range and Number of Key Management Personnel and Other Staff)

7.6 Key Management Personnel emoluments are made up as follows:

	2021 £'000	2020 £'000
Salaries	418	345
Benefits in Kind	-	-
	418	**345**
Pension Contributions	101	79
Total Key Management Personnel Emoluments	**519**	**424**

(Table 27: 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:

	2021 £'000	2020 £'000
Salary	144	143
Benefits in Kind	-	-
Pension Contributions	34	33
	178	**176**

(Table 28: 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:

	2021	2020
Principal's basic salary as a multiple of the median of all staff	5.2%	5.2%
Principal and CEO's total remuneration as a multiple of the median of all staff	5.7%	6.4%

(Table 29: 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 Compensation paid to Key Management Personnel

	2021 £'000	2020 £'000
Contractual Compensation	-	-
Non-Contractual Compensation (1 FTE)	-	20
Estimated value of Other Benefits, including Provision for Pension Benefits	-	-
	-	**20**

(Table 30: Compensation paid to Key Management Personnel)

7.13.2 Compensation paid to staff earning in excess of £60,000 per annum

	2021 £'000	2020 £'000
Contractual Compensation	-	-
Non-Contractual Compensation	-	6
	-	**6**

(Table 31: Compensation paid to staff earning in excess of £60,000)

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

7.13.4 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

	2021 £'000	2020 £'000
Teaching Costs	171	239
Teaching and Other Support Costs	1,523	1,461
Administration Costs	1,871	2,064
Operational and Maintenance Costs	2,479	2,217
Examination Costs	1,239	1,170
Rent and Lease Costs	97	114
Catering, Residence and Conference Costs	393	774
Other Income Generating Activities Costs	2	262
Subcontracting Costs	2,482	2,209
Other Costs	15	660
Total	**10,272**	**11,170**

(Table 32: Other Operating Expenses)

8.2 Other operating expenses include:

	2021 £'000	2020 £'000
Auditors' Remuneration:		
Financial Statements Audit	40	33
Internal Audit	10	10
Other Services provided by the Financial Statements Auditors	-	-
Other Services provided by the Internal Auditors	2	-
Losses on Disposal of Non-Current Assets (where not material)	-	-
Depreciation	3,988	3,837
Hire of Assets under Operating Leases	20	30

(Table 33: 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

	2021 £'000	2020 £'000
On bank loans, overdrafts and other loans	402	406
Net Interest on Defined Pension Liability (note 20)	297	373
On Enhanced Pension Provision (note 16)	12	15
Total	**711**	**794**

(Table 34: 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
Cost or valuation				
At 1 August 2020	157,356	16,195	-	173,551
Additions	721	1,916	111	2,748
Disposals	-	-	-	-
At 31 July 2021	**158,077**	**18,111**	**111**	**176,299**
Depreciation				
At 1 August 2020	27,286	14,940	-	42,226
Charge for the year	3,091	897	-	3,988
Elimination in respect of disposals	-	-	-	-
At 31 July 2021	**30,377**	**15,837**	**-**	**46,214**
Net Book Value at 31 July 2021	**127,700**	**2,274**	**111**	**130,085**
Net Book Value at 31 July 2020	130,070	1,255	-	131,325

(Table 35: Tangible Fixed Assets)

11.1 During the year the College received 317 laptops from the DfE to support disadvantaged learners to access remote learning.

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.

11.3 The College has applied Section 34 of FRS102, which required that donated assets are measured at value to the College (£157k), or fair value.

11.4 The net book value of equipment includes an amount of £144k in respect of these devices. The depreciation charge on these assets for the year was £13k.

12. Trade and Other Receivables

12.1 Amounts falling due within one year:

	2021 £'000	2020 £'000
Trade Receivables	386	308
Prepayments and Accrued Income	492	978
Other Receivables	24	10
Amounts owed by the ESFA	378	-
Total	**1,280**	**1,296**

(Table 36: Trade and Other Receivables)

13. Creditors: Amounts Falling Due Within One Year

	2021 £'000	2020 £'000
Bank Loans and Overdrafts	337	320
Obligations under Finance Leases	-	-
Trade Payables	720	677
Other Taxation and Social Security	688	683
Other Payroll Creditors	143	1
Other Taxation – Lennartz	362	694
Accruals and Deferred Income	417	1,403
Payments Received in Advance	947	20
Deferred Income - Government Capital Grants	2,878	2,513
Deferred Income - Government Revenue Grants	-	-
Amounts owed to the ESFA	1,111	650
Total	**7,603**	**6,961**

(Table 37: Creditors – amounts falling due within one year)

13.1 The HMRC liability relates to VAT recovered under the Lennartz principle in respect of two schemes. Scheme 1 was the building works carried out at Ellesmere Port Campus between 2003-05 where the College retrospectively claimed £1,703K which has been subsequently reduced 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 The College has chosen to continue to apply Lennartz accounting. The former West Cheshire College ceased making new claims on expenditure dated from January 2011. The College is now making Lennartz related output tax payments on the non-business use of its new buildings at the Ellesmere Port and Chester sites both of which are operational.

13.3 The Colchester Institute have legally challenged the validity of the scheme. Although some points they raised were accepted by the tribunal, this has led to a counter claim by HMRC to prevent any windfall-pay-outs.

13.4 Davies-Mayers, acting on behalf of Cheshire College South & West, have submitted a protective claim for a potential over-payment which arises from when the VAT rate changed from 17.5% to 20%, which equates to £513k.

13.5 The claim has been made on the following basis:

13.5.1 That the whole legality of the Lennartz payment regime is flawed and wrongly implemented by the UK.

13.5.2 That the College is not liable to pay Lennartz VAT in excess of the amounts of the input VAT previously reclaimed. This does not create a windfall, merely restates the net position. It preserves what is called the fiscal neutrality of the tax.

13.5.3 Whilst the Colchester case remains in litigation, as either party can still appeal, an alternative protective claim for the Lennartz VAT paid in the last 4 years has also been made.

13.6 Until such time as the Colchester case unravels itself, the College have written to HMRC notifying them of the intention not to pay the final payment of £262k due in July 2021on the basis that it is technically no longer due. HMRC have confirmed receipt of our claim and current stance.

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

	2021 £'000	2020 £'000
Bank Loans	7,117	7,454
Deferred Income – Government Capital Grants	79,823	80,433
Other Taxation – Lennartz	-	-
Amounts owed to the ESFA	2,275	2,925
Total	**89,215**	**90,812**

(Table 38: 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:

	2021 £'000	2020 £'000
In one year or less	337	320
Between one and Two years	354	337
Between two and five years	1,178	1,120
In five years or more	5,585	5,997
Total	**7,454**	**7,774**

(Table 39: Bank Loans and Overdrafts)

15.1.2 A temporary £1m overdraft facility has been put in place for an initial period of 12 months with Barclays Bank Plc. The bank loan and overdraft are secured against the freehold land and buildings of the Crewe and Chester campuses (140% of combined loan and overdraft facility).

15.1.3 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

	2021 £'000	2020 £'000
In one year or less	812	650
Between one and Two years	650	650
Between two and five years	1,625	1,950
In five years or more	0	325
Total	**3,087**	**3,575**

(Table 40: 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	Other £'000	Total £'000
At 1 August 2020	20,402	940	-	21,342
Actuarial gains	-	(57)	-	(57)
Benefits paid	-	(67)	-	(67)
Interest charged to other operating expenses	-	12	-	12
Expenditure in the period	1,876	-		1,876
Transferred from income and expenditure account	3,969	-		3,969
At 31 July 2021	**26,247**	**828**	**-**	**27,075**

(Table 41: Provision for Liabilities and Charges)

16.1 Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in *Note 20*. The enhanced pension provision relates to the cost of staff who have already left the college's employ and commitments for reorganisation costs from which the college cannot reasonably withdraw at the balance sheet date.

16.2 The principal assumptions for this calculation are:

	2021	2020
Price Inflation	2.6%	2.2%
Discount Rate	1.6%	1.3%

(Table 42: Enhanced Pension Provision Principal Assumptions)

17. Notes to Cash Flow Statement

17.1 Analysis of changes in net debt:

	At 1 August 2020 £'000	Cash Flows £'000	Other Non-Cash Changes £'000	At 31 July 2020 £'000
Cash and Cash Equivalents	**1,601**	**4,074**	**-**	**5,675**
Bank Loans	(7,774)	320	-	(7,454)
Other Loans	(3,575)	488	-	(3,087)
Net Debt	**(9,748)**	**4,882**	**-**	**(4,866)**

(Table 43: Analysis of Changes in Net Debt)

18. Capital Commitments

	2021 £'000	2020 £'000
Commitments contracted for at 31 July	3,160	-

(Table 44: Capital Commitments)

18.1 The T Levels Capital Fund (TLCF) Wave 2 grant application was submitted in June 2020, with a total project cost of £3,160k for buildings and facilities. This investment will be for a new build at the Ellesmere Port Campus and refurbishment at the Chester Campus.

18.2 After rigorous process involving reviews, alternative proposals, significant data interrogation, interviews, and onsite Campus analysis, in tandem with collaborative work with the AoC and officials at the DfE and ESFA a new build option, was approved on 5 May 2021.

18.3 Following the approval of the £3.83m grant application *(£3.16m for buildings and £0.67m for specialist equipment)*, by the Education and Skills Funding Agency (ESFA) the College continues to work with appointed consultants AA Projects to deliver the project. A planning application was submitted on 11 June 2021, detailing the proposals which comprise of a new build linked to the Ellesmere Port Campus and a refurbishment at the Chester Campus.

18.4 Pre-application advice and assistance was secured with Cheshire West and Chester (CWaC) and it was advised that this application for planning permission would be recommended as delegated powers and not be required to go to the planning committee for decision. This would support the pressured timeline that the College is working within for timely completion. Confirmation of planning approval was received in October 2021.

18.5 The proposed new build at the Ellesmere Port Campus is directly linked to the main building, which is a revision of the original proposal, driven by safeguarding and residential considerations. The new build will house Construction and Motor Vehicle *(including a Plug-in electrical hybrid vehicle-PHEV bay)*.

18.6 The proposed refurbishment and remodelling at Chester Campus, which is currently the Motor Vehicle workshop, will facilitate the creation of a Digital Hub.

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

	2021 £'000	2020 £'000
Land and Buildings		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	**-**
Other		
Not later than one year	11	11
Later than one year and not later than five years	13	24
Later than five years	-	-
	24	**35**
Total Lease Payments Due	**24**	**35**

(Table 45: 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

		2021 £'000		2020 £'000
Teachers' Pension Scheme: Contributions Paid		1,750		1,715
Local Government Pension Scheme:				
• Contributions Paid	1,681		1,705	
• FRS 102 (28) Charge	1,579		1,704	
Charge to the Statement of Comprehensive Income		3,260		3,409
Enhanced pension Charge to Statement of Comprehensive Income		(59)		-
Total pension Cost for Year		**4,951**		**5,124**

(Table 46: 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 2020-21 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 £1,750k (2019-20: £1,715k).

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 2021 were £2,107k (2019-20: £1,940k) of which employer's contributions totalled £1,681k (2019-20: £1,539k) and employees' contributions totalled £426k (2019-20: £401k). 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 2021 by Hymans Robertson LLP.

	At 31 July 2021	**At 31 July 2020**
Rate of Increase in Salaries	3.50%	2.80%
Future Pensions Increases	2.80%	2.10%
Discount Rate for Scheme Liabilities	1.60%	1.40%
Inflation Assumption (CPI)	2.80%	2.10%
Commutation of Pensions to Lump Sums – pre-April 2008	50%	50%
Commutation of Pensions to Lump Sums – post-April 2008	75%	75%

(Table 47: 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 2021 Years	**At 31 July 2020 Years**
Retiring today		
Males	21.40	21.20
Females	24.00	23.60
Retiring in 20 years		
Males	22.40	21.90
Females	25.70	25.00

(Table 48: 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 2021	Fair Value at 31 July 2021 £'000	Long-term rate of return expected at 31 July 2020	At Fair Value at 31 July 2020 £'000
Equities	1.60%	38,307	1.40%	31,682
Bonds	1.60%	35,808	1.40%	30,946
Property	1.60%	8,328	1.40%	7,368
Cash	1.60%	832	1.40%	3,684
Total Market Value of Assets		**83,275**		**73,680**
Weighted Average Expected Long-Term Rate of Return	**1.60%**		**1.40%**	
Actual Return on Plan Assets		**8,057**		**1,817**

(Table 49: 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:

	2021 £'000	2020 £'000
Fair Value of Plan Assets	83,275	73,680
Present Value of Plan Liabilities	(109,522)	(94,082)
Net Pensions Liability (Note 19)	**(26,247)**	**(20,402)**

(Table 50: Net Pensions Liability)

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

	2021 £'000	2020 £'000
Current Service Cost	(3,260)	(3,061)
Past Service Cost	-	(182)
Total	**(3,260)**	**(3,243)**

(Table 51: Defined Benefit Obligations – Amounts included in Staff Costs)

20.11 Amounts included in interest and other finance costs

	2021 £'000	2020 £'000
Net Interest Cost	(297)	(373)
	(297)	**(373)**

(Table 52: Defined Benefit Obligations – Amounts included in Interest and Other Finance Costs)

20.12 Amounts recognised in Other Comprehensive Income

	2021 £'000	2020 £'000
Return on Pension Plan Assets	8,057	1,817
Experience Losses arising on Defined Benefit Obligations	-	-
Changes in Assumptions underlying the Present Value of Plan Liabilities	(12,026)	(3,173)
Amount recognised in Other Comprehensive Income	**(3,969)**	**(1,356)**

(Table 53: Defined Benefit Obligations – Amounts recognised in Other Comprehensive Income)

20.13 Movement in Net Defined Benefit Liability during the year

	2021 £'000	2020 £'000
Surplus/(Deficit) in Scheme at 1 August	(20,402)	(16,969)
Movement in year:		
Current Service Cost	(3,260)	(3,061)
Employer Contributions	1,681	1,539
Past Service Cost	-	(182)
Net Interest on the Defined Liability	(297)	(373)
Actuarial Loss	(3,969)	(1,356)
Net Defined Benefit Liability at 31 July	**(26,247)**	**(20,402)**

(Table 54: Movement in Net Defined Benefit Liability)

20.14 Asset and Liability Reconciliation

20.14.1 Changes in the present value of defined benefit obligations

	2021 £'000	2020 £'000
Defined Benefit Obligations at start of period	94,082	90,669
Current Service Cost	3,260	3,061
Interest Cost	1,331	1,889
Contributions by Scheme Participants	426	401
Changes in Financial Assumptions	12,026	3,173
Estimated Benefits Paid	(1,603)	(5,293)
Past Service Cost	-	182
Defined Benefit Obligations at end of period	**109,522**	**94,082**

(Table 55: Changes in Present Value of Defined Benefit Obligations)

20.14.2 Reconciliation of Assets

	2021 £'000	2020 £'000
Fair Value of Plan Assets at start of period	73,680	73,700
Interest on Plan Assets	1,034	1,516
Return on Plan Assets	8,057	1,817
Employer Contributions	1,681	1,539
Contributions by Scheme Participants	426	401
Estimated Benefits Paid	(1,603)	(5,293)
Fair Value of Plan Assets at end of period	**83,275**	**73,680**

(Table 56: Changes in Present Value of Plan Assets)

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

20.15.1 the form of remedy adopted

20.15.2 how the remedy will be implemented

20.15.3 which members will be affected by the remedy?

20.15.4 the earning assumptions

20.15.5 the withdrawal assumption

20.16 No explicit additional adjustment for McCloud has been added to the current service cost for 2020-21.

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

20.18 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.

20.19 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:

			Sales Transactions		Purchase Transactions	
Governor	**Position Held**	**Organisation**	**In Year**	**YE O/S Balance**	**In Year**	**YE O/S Balance**
Debbie Bryce	CEO & Director	West Cheshire & North Wales Chamber of Commerce	£350	-	£6,000	-
Jasbir Dhesi	Honorary Member	Crewe & Nantwich Rotary Club	-	-	£100	-
Paul Colman	Employed	South Chamber of Commerce	-	-	£9,420	£2,220

(Table 57: Related Party Transactions)

21.5 The total expenses paid to or on behalf of the Governors during the year was £10; 1 governor *(2019: £1,737; 7 governors)*. This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year *(2020: None)*.

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

	2021 £'000	2020 £'000
Balance unspent as at 1 August, included in creditors	105	-
ESFA 16-19 bursary	653	378
ESFA Advanced Learner Loans bursary	213	152
Other Funding Body Grants	113	-
Interest earned	-	-
	1,084	**530**
Disbursed to learners	(545)	(398)
Administration costs	(42)	(27)
Consolidated in financial statements	(260)	-
Balance unspent as at 31 July, included in creditors	**237**	**105**

(Table 58: 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 £12k was released to the College's income and expenditure account for nursery fees and a further £268k for learner transport costs.

23. Amounts Disbursed as Agent – Other

23.1 Cheshire College South & West were the lead partner in delivering two projects funded by Cheshire & Warrington Local Enterprise Partnership. As lead, the College was responsible for procuring equipment on behalf of its partner Colleges.

23.2 In these circumstances, the grants shown in *Table 59* below and related expenditure have been excluded from the Statement of Comprehensive Income.

	Grant received on behalf of partner colleges £'000
Laptops for NEETS	23
Widening Access to Technologies and Digital Skills Development	83
	106

(Table 59: Grants procured on behalf of partner colleges)