



THE SMB GROUP
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JULY 2021

THE SMB GROUP

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key management personnel

Key management personnel are defined as members of the Executive Management Team (previously the Senior Management Team) and were represented by the following in 2020/21:

Dawn Whitmore – Principal and CEO; Accounting Officer
Andrew Gedge – Deputy Principal Curriculum, Quality and Student Experience
Lisa Craddock – Vice Principal Business Development
Sylvia Royle – Vice Principal Resources (resigned 31 October 2021)
Andrew Hartley – Interim Vice Principal Finance (appointed 11 October 2021)
Catherine Duro – Vice Principal Corporate Services (resigned 30 April 2021)
Vanessa Scales – Vice Principal Human Resources & Organisational Development (resigned 30 June 2021)

Board of Governors

A full list of Governors is given on page 12 of these financial statements.

Catherine Duro was clerk from 1st February 2020 until 31st August 2020. Elise Scotford was appointed as clerk from 1st September 2020.

Professional advisers

Financial statements auditors and reporting accountants	RSM UK Audit LLP Chartered Accountants Rivermead House 7 Lewis Court, Grove Park Enderby Leicestershire LE19 1SD
Internal auditors	Wylie & Bisset LLP 168 Bath Street Glasgow G2 4TP
Bankers	Barclays Bank plc Town Hall Square Leicester LE1 9AA Lloyds TSB Bank plc PO Box 908 125 Colmore Row Birmingham B3 2DS
Solicitors	Browne Jacobson LLP Mowbray House Castle Meadow Road Nottingham NG2 1BJ

THE SMB GROUP

CONTENTS

FOR THE YEAR ENDED 31 JULY 2021

Page

1	Members' report
11	Statement of Corporate Governance and Internal Control
17	Governing Body's Statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding
18	Statement of the Responsibilities of the Members of the Corporation
19	Independent Auditor's Report to the Corporation of The SMB Group
23	Consolidated and College Statements of Comprehensive Income
24	Consolidated and College Statements of Changes in Reserves
25	Consolidated Balance Sheet as at 31 July
26	College Balance Sheet as at 31 July
27	Consolidated Statement of Cash Flows
28	Notes to the Financial Statements

THE SMB GROUP MEMBERS' REPORT

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2021.

Legal Status

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

Mission Statement

The College's Mission as approved by its members is:

“Sustainability, Excellence and Innovation in Learning.”

Vision

The College's Vision as approved by its members is:

“A sector leader for delivering quality technical and creative education developing a skilled workforce for the future; respected for our innovative and professional staff. Integrated with our local, regional and national partners and valued by the diverse communities we serve for our contributions.”

Public benefit

The SMB Group is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 12.

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. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

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

The College's subsidiary companies where possible pay over the whole of their distributable reserves to the College under the gift aid scheme to further support the above public benefits.

IMPLEMENTATION OF STRATEGIC PLAN

On the 1st February 2020, a Strategic Plan was developed to be reflective and appropriate for The SMB Group for the period 1 February 2020 to 31 July 2021. Following minor changes, The SMB Group Strategic Plan was adopted and approved for a subsequent period from 2021 to 2022. The Values in the Strategic Plan are based around Sustainability, Ethics, Excellence and Innovation supporting the key objectives of:

- Developing the business to be forward thinking ensuring efficient and effective use of systems and resources, which enable high performance within all operations. Leading to outstanding sustainable resources and finances
- Continually striving for outstanding results through being innovative, digitally enabled, sustainability engaged and learner centric, in a safe environment. Leading to outstanding impact in terms of achievement, destinations and growth.
- Continue to develop a reputation for a quality range of products, a commercial acumen and eco-credentials. Leading to sustained growth, loyal customers and an outstanding reputation with all partners.
- Attracting and developing a high performing, talented and inclusive workforce, which will drive the ambitions of the business putting learners at the heart of all decisions. Leading to sustained growth, high productivity and highly valued and engaged employees who regard the College as an 'Employer of First Choice'.
- Create an effective set of Corporate Services that contribute to the overall success of the college, students, staff and stakeholders. Leading to effective organisational transformation, stakeholder engagement, delivery of innovative sustainable project activity and risk informed management accountability.

Financial Objectives

The College's financial objectives are:

- To improve the financial health grade, as measured by the Education and Skills Funding Agency, as "Good" or "Outstanding".
- To achieve an annual operating surplus before FRS 102 pension adjustment.
- To pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances.
- To generate sufficient levels of income to support the asset base of the College.
- To fund continued capital investment.
- To increase the efficiency of procurement.

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

Financial health has been calculated as "Good" for the year ending 31 July 2021 against the objective of "Good" or better.

Operating deficit of £395k pre FRS 102 pension adjustment. The objective was for a surplus. Results have been impacted through the Covid-19 pandemic.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having a "Good" financial health grading.

THE SMB GROUP
MEMBERS' REPORT (continued)

FINANCIAL POSITION

Financial Results

The Group generated a deficit before other gains and losses in the year of £2,151k (2019/20 £2,489k deficit), with total comprehensive deficit of £2,100k, (2019/20 £8,557k deficit).

The Group has accumulated income and expenditure deficit of £5,240 (2019/20 £3,296k) and cash balances of £7,210k (2019/20 £4,152k). The Group wishes to accumulate reserves and cash balances in order to create a contingency fund to enable financial sustainability and stability.

	£'000
Deficit before tax 2020/21	(2,150)
FRS 102 pensions adjustment	1,755
Operating deficit before FRS 102 pension adjustments	(395)
Contractual restructuring costs	499
Underlying operating surplus 2020/21	104

The College has three wholly owned subsidiary companies: Brooksby Enterprises Limited, Brooksby Natural Resources Limited and Melton Leisure Services Limited. The principal business activities of Brooksby Enterprises Limited are weddings, commercial catering; lettings (including conferences and courses for business); and the commercial operation of an equestrian centre, which ceased trading during the year. The primary business activity of Brooksby Natural Resources Limited is collecting royalties from the extraction of sand and gravel from land which forms part of the estate of the SMB Group. The main business activities of Melton Leisure Services Limited are the operation of a theatre and room hire. In the current year Brooksby Enterprises Limited reported a loss before tax of £190k, (2020: £100k loss), Brooksby Natural Resources Limited reported a loss before tax of £2k (2020: £6k profit) and Melton Leisure Services Limited reported a loss before tax of £51k (2020: £10k loss). The Covid-19 lock down and ensuing pandemic forced the Theatre to close, the quarry to close and the delay or refunding of weddings and events.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2020/21 the funding bodies provided 80% (2019/20: 74%) of the College's total income.

Treasury Policies and Objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

Cash flows and liquidity

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow.

**THE SMB GROUP
MEMBERS' REPORT (continued)**

FINANCIAL POSITION (continued)

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. At the balance sheet date the income and expenditure reserve stands at a deficit of £5,240k (2019/20 £3,296k). It is the Corporation's intention to generate positive reserves over the life of the strategic plan through the generation of operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial Health

The College assesses its financial health to be "Good".

Student numbers

In 2020/21 the College delivered activity that produced £16,927k in funding body main allocation funding (2019/20 £17,554k). The College had 6,956 funded students (16-19, 19+ and Apprentices).

The SMB Group is made up of three distinct campuses. The vast majority of Apprenticeship provision sits at the Stephenson Campus, with the lion's share of the study programme taking place at the Brooksby Campus, where over 40% of that provision is within the land-based sector.

*The SMB Group calculates that for Education and training, the student overall achievement rate (for all age groups and all campuses) was 88.8% which is just below the national average performance for classroom-based learning (All ages/all levels) and for apprenticeship achievement, calculates it as 53.7%.

Attendance across the College for all provision, including English and Maths was 85.8%.

** COVID-19 meant a TAG (Teacher Assessed grade) approach was taken by providers in summer 2021 and no performance data or corresponding measures were published publicly for 2020/21.*

Curriculum developments

Curriculum development for the SMB Group is driven by a combination of employer demand, learner demand and national and local priorities identified in partnership with the Local Enterprise Partnership and other key stakeholders. The College quality department assures its subcontractor partners rigorously.

The College continues to focus on vocational skill development and employability and is the supplier of choice for many national and international companies for dedicated apprentice training schemes. The College continues to deliver Higher Education including Higher Apprenticeships to ensure a wide range of progression opportunities for learners from Level 3 courses.

The SMB Group have also secured agreement to run a number of T-Levels and are now developing the proposition.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. The college is committed to achieving this target however delays in payments being made have been incurred during the COVID-19 pandemic. The College incurred no interest charges in respect of late payment for this period.

Future prospects

The College continues to assess the efficiency and effectiveness in all areas of operation to ensure the College is achieving value for money and benefit for all stake holders. This will provide sustainability into the future for the College.

The College had exchanged contracts for the sale of the Spinney site for housing development. The completion occurred in September 2021 for the sum of £2.725m. The proceeds of the sale minus planning costs will be utilised to refurbish the Melton Theatre, Brooksby Hall, and to secure the estate and provide fit for purpose teaching and learning resources.

The College has previously had a weak financial health score, graded as "Requires improvement", which led to the College being placed into the Early Intervention monitoring procedure employed by the ESFA. Due to the improving financial health of the College, the early intervention process was formally cancelled in June 2021.

The current strategic approach will deliver a College that is strengthening its specialisms, creating and developing stronger partnerships with employers and the continuance of addressing skills shortages in line with government priorities. The College has developed sound strategies for coping with the Covid-19 pandemic and will continue to implement these for the foreseeable future.

RESOURCES

The Group has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the three main college sites.

Financial

The Group has net assets of £4,738k, this includes £8,896k of current assets of which £7,210k is cash balances. The net assets includes a defined benefit pension scheme liability of £25,988k. The college has long term debt of £2.1m which relates to bank loans.

People

The Group employs 616 people (expressed as full-time equivalents), of whom 242 are teaching staff.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The College continues to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. Based on the strategic plan, the Senior Management Team 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. In addition to the annual review, the Senior Management Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed every term by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, their potential impact on the College and the actions being taken to reduce and mitigate the risks.

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

1. Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through Office for Students (OfS). In 2020/21 80% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue in the short term. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding:

- Devolution of the adult education budget.
- Savings needed by Government from non-protected areas could include adult education budget cuts
- Further Apprenticeship reforms including changes to funding bands for Standards
- The funding focus for adults is shifting to those in work or supporting programmes that result in employment.
- Changes in funding rules deeming qualification to be payable through advanced learner loans as opposed to being funded.

These risks are mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with funding bodies
- Developing in conjunction with the College's key stakeholders a strategy for growth in response to the devolution agenda and apprenticeship reforms.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

2. Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, The SMB Group sets tuition fees in accordance with the need to be competitive in the local market and attract students from both the UK and Overseas for its HE courses. The price elasticity of adult learning for the College and the impact of increases in degree level fees charged by Universities pose the risk for the College that demand falls off as fees increase.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change
- Comparing prices with other local providers

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

The risk is mitigated by an agreed deficit recovery plan with the Leicestershire LGPS.

4. Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "Good" as described above. Notwithstanding that, the continuing challenge to the College's financial position continues through restrictions from the Covid-19 pandemic, potential funding cuts, delayed budgets set by government, rising pension contributions, limited time constrained Teachers Pension Grant funding, increasing competition from local schools, Brexit and a changing HE environment.

This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies
- Being responsive to change
- External environment scanning

5. Covid 19 pandemic

The Covid-19 pandemic continues to disrupt the routine delivery of services. This has introduced a number of new risks and added pressure to existing risks. The risks of maintaining quality of teaching and learning remotely, maintaining the financial health and losing commercial business were possible and actively managed by the executive team. The risk register evolved to incorporate these new and immediate risks. As the College prepared to reopen campuses an additional and separate risk assessment was developed to specifically identify and assess the risks associated with Covid 19. An organisation wide risk assessment was in place and published. Beneath this, tiered risk assessments were created, to detail mitigating actions within each activity area to ensure an environment as Covid safe as possible and in compliance with government guidelines.

THE SMB GROUP
MEMBERS' REPORT (continued)

STAKEHOLDER RELATIONSHIPS

In line with other colleges and universities, The SMB Group has many stakeholders. These include:

- Students
- Education sector funding bodies
- FE Commissioner
- Staff
- Local employers
- National employer partners including Bam Construct, Cummins, Vinci, Pullman Fleet, Interserve, Renault Trucks, Western Power, NAMA, Petit Forestier, Aggregate Industries, Ryder, Sanctuary Housing and Volvo.
- Local Authorities
- Government Offices/ Regional Development Agencies/LEPs
- The local community
- Other FE institutions
- Trade unions
- Professional bodies
- East Midlands Airport
- East Midlands Gateway
- Leicester Employment Hub
- Ofsted
- University partners

The College is also a member of the AoC, Skills and Enterprise Group, the Leicestershire Schools Forum and the North West Leicestershire Economic Growth Group. SMB Group is included on the list of approved HE providers which is regulated by the OfS.

Through regular communication such as the College's newsletter, representation on Steering Groups, the local Children and Young Peoples Board and other strategic committees the College recognises the importance of these stakeholder relationships.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college. The reported figures are as per the required timeframe and relate to between April 2020 and March 2021.

Number of employees who were union officials during the relevant period	FTE employee number
4	3.65

Percentage of time spent on facility time	Number of employees
0%	3
1-50%	1
51-99%	0
100%	0

STAKEHOLDER RELATIONSHIPS (continued)

Trade union facility time (continued)

Total cost of facility time	£1,632
Total pay bill	£13,075,000
Percentage of total bill spent on facility time	0.012%

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

EQUALITY AND DIVERSITY

The College is committed to ensuring that we provide an inclusive learning and working environment where everyone can reach their full potential, regardless of their background.

Our Equality and Diversity Policy is published on the College's website. It applies to all members of The SMB Group community and is designed to create an environment where equality, diversity and inclusion is naturally part of our everyday life, covering all aspects of our activity.

We aim to:

- Promote equality and diversity across all of our activities
- Foster and promote good relations between people of a diverse background
- Eliminate unlawful discrimination, harassment and victimisation
- Encourage and widen participation, raise standards and advance aspiration for all

In support of our aims and to ensure that we meet our legal duties, we have agreed a number of Equality Objectives. These are published on the College's website. They are reviewed regularly and are an integral part of our business planning.

The College publishes an Annual Equality and Diversity Report to ensure compliance with all relevant equality legislation including the Equality Act 2010.

The College is recognised by the Department for Work and Pensions as a 'Disability Confident Employer' and has committed to the principles and objectives of the Disability Confident Scheme. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential selection criteria for the post, which is outlined in the person specification for the role they are applying for.

Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. In these circumstances the College considers reasonable adjustments to the working conditions or environment that may be required to enable employees to carry out the duties of their role.

The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has maintained an Equality & Diversity training programme which all staff have completed. Refresher training and training for new starters as part of their induction is carried out on an ongoing basis.

**THE SMB GROUP
MEMBERS' REPORT (continued)**

EQUALITY AND DIVERSITY (continued)

Disability statement

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

- a) The College campi are Equality Act 2010 compliant
- b) There is specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available upon request.
- c) As part of the College residential accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2003/04, and the results of this formed the basis of a bid to the Learning Skills Council for funding capital projects aimed at improving access.
- d) The admissions policy for all students is described in the College website. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the College Student Handbook, which is issued to students together with the Complaints and Disciplinary Procedure in electronic form at induction.
- h) The websites have recently been audited for accessibility and steps are being taken to ensure all recommendations are implemented.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 18 January 2022 and signed on its behalf by:



.....
Chris Brown
Chairman

THE SMB GROUP

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

The College endeavours to conduct its business:

1. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
2. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the code"); and
3. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We do not formally comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the 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 public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in May 2015.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

THE SMB GROUP
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

The Corporation

The members who served the Corporation during the year and up to the date of signature of this report were as follows:

Name	Date of initial appt	End date of current appt	Date of resignation	Category of Governor	Committees served	Directors of College Subsidiary Cos	% Attendance at Board
Simon Ashworth	01.09.18	31.08.22		External	Audit, Quality & Standards		83% (5/6)
Karis-Jade Beaver	07.07.21	Whilst a student		Student			100% (1/1)
Chris Brown (Chair of Corporation)	03.02.20	02.02.24		External	Governance & Search		100% (6/6)
Emma Brown	27.01.20	Whilst a student	22.04.21	Student			33% (1/3)
Miles Brown	01.06.19	30.05.23		External	Finance & Resources		83% (5/6)
Josie Fraser	03.02.20	03.02.24	19.11.20	External			100% (1/1)
Geoffrey Guy	27.11.19	26.11.23	24.04.21	Staff			75% (3/4)
Matthew Humphrey	01.01.19	31.12.22		External	Audit		100% (6/6)
Peter Jordan	01.04.15	31.03.23	14.05.21	External	Quality & Standards		NIL (0/4)
Robert Kelly	03.02.20	02.02.24		External			67% (4/6)
Maddy Kennedy	01.06.19	30.05.23	31.07.21	External	Finance & Resources (Chair), Remuneration (Chair)		83% (5/6)
Robert Miles	24.02.21	23.02.25		External	Audit		67% (2/3)
Nicholas Sanders	24.02.21	23.02.25		External	Quality & Standards		100% (3/3)
Jennifer Shackleton	03.02.20	02.02.24		External	Quality & Standards (Chair), Remuneration		100% (6/6)
Lorraine Smalley	03.02.20	02.02.24		Staff	Finance & Resources, Governance & Search, Quality & Standards		67% (4/6)
Olivia Swinbourne	27.01.21	Whilst a student		Student	Finance & Resources		100% (3/3)
Dawn Whitmore		Ex officio		Principal	Finance & Resources, Governance & Search, Quality & Standards	BEL, BNR, MLS	100% (6/6)
Jane Wilson	01.06.17	16.06.25		External	Audit (Chair), Governance & Search (Chair), Remuneration		100% (6/6)
Andrew Wolfe	01.08.12	31.07.20	31.07.21	External	Audit	BEL, BNR, MLS	83% (5/6)

Key: BEL is Brooksby Enterprises Limited, BNR is Brooksby Natural Resources Limited, MLS is Melton Leisure Services Limited

Clerk to the Corporation – Catherine Duro appointed 1 February 2020 (resigned 31 August 2020), Elise Scotford appointed 1 September 2020.

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets approximately every eight weeks, September to July.

The Corporation conducts its business through a number of Committees. Each Committee has terms of reference, which have been approved by the Corporation. These Committees are Audit, Finance and General Purpose, Quality and Standards, Remuneration, Development and Search and Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website www.smbgroup.ac.uk or from

The SMB Group
C/O Stephenson Campus
Thornborough Road
Coalville
Leicestershire
LE67 3TN

THE SMB GROUP
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. There is also a programme of briefing and training events for governors to update knowledge of governance issues, and understanding of national policy developments and initiatives.

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

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate, and which have been defined by the Board in separate role descriptions. The Corporation and Committee meetings continued remotely during the COVID-19 pandemic and no issues arose relating to Procurement Policy Notices that were issued during this time, as reported in the Annual Regularity Statement.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years. On the 8th October 2018 the Corporation agreed a phased approach to a new policy of limiting members to 2 periods of 4 years' service.

Corporation performance

The Corporation did not carry out the formal self assessment of its own performance for the year ended 31st July 2021 due to the merger and Covid-19 pandemic disrupting business.

Remuneration Committee

The Remuneration Committee comprised a Chair and two other members of the Corporation (excluding the Accounting Officer) during the year ended 31 July 2021. The Committee's responsibilities include the making of recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

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

Audit Committee

The Audit Committee comprises a Chair and three other members (one vacancy) of the Corporation (excluding the Accounting Officer). The Committee operates in accordance with written terms of reference approved by the Corporation.

THE SMB GROUP
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Audit Committee (continued)

The Audit Committee meets on at least one occasion each term and provides a forum for reporting by the College's Internal and External Auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's Internal Auditors review the systems of internal control, risk management controls and governance in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management are responsible for the implementation of agreed recommendations and Internal Audit receives a progress tracking report at each committee meeting to ensure appropriate action is being taken to address the recommendations in the timeframes agreed with the Audit Committee.

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Committee Members	Meetings Attended
Mr S Ashworth	100% (4 of 4)
Mr M Humphrey	100% (4 of 4)
Mr R Miles	100% (1 of 1)
Mrs J Wilson	100% (4 of 4)

Internal Control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the funding bodies. The Accounting Officer is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of Internal Control

The system of internal control is 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 the SMB Group for the year ended 31 July 2021 and up to the date of approval of the annual report and financial statements.

THE SMB GROUP
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Internal Control (continued)

Capacity to Handle Risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2021 and up to date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- An annual budget, which is reviewed and agreed by the Corporation
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate

The SMB Group has an Internal Audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the Internal Audit service is informed by an analysis of the risks to which the 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 Committee.

Review of effectiveness

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

- The work of the Internal Auditors
- The work of the executive managers within the College who have responsibility for the development and maintenance of the Internal Control framework
- Comments made by the College's financial statements Auditors, the appointed funding auditors in their management letters and other reports.

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

Risks faced by the corporation

The Executive 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. The Executive Management Team and Audit Committee also receive regular reports from Internal Audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its September 2021 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the Executive Management Team and internal audit and taking account of events since 31 July 2021.

THE SMB GROUP
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Internal Control (continued)

Control weakness identified

The internal auditors identified a high-grade weakness in the group's overall financial controls relating to the payroll system and the functionality of the new system and checking processes. In response to this, the college have resolved any outstanding issues with the service provider ensuring we are fully supported, recruited a payroll manager and implemented improved checking processes, including clear segregation of duties within the team.

Responsibilities under funding agreements

The SMB Group has administered funds for specific purposes so they have been properly applied to those and managed in accordance with relevant legislation. Funds provided by the Education and Skills Funding Agency (ESFA), Department for Education (DfE) and Office for Students (OfS) have been applied in accordance with relevant terms and conditions and the requirements of the College accounts direction 2020 to 2021.

Statement from the audit committee

Based on the advice of the Audit 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"*.

Going Concern



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

The College currently has £2.3m of loans outstanding with bankers on terms negotiated in 2014, 2017 and 2020 which include a covenant regarding minimum cash balances to be held.

The Corporation assesses its financial health to be "Good". The College's forecasts and financial projections to July 2023 indicate that it will be able to operate within this existing facility and covenants for the foreseeable future and that required loan repayments will be made. The College's projections include prudent assumptions around the recovery of commercial areas taking into account the anticipated ongoing impact of Covid-19 and the receipt of £2.725m in respect of the sale of the Spinney post year-end.

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.

Approved by order of the members of the Corporation on 18 January 2022 and signed on its behalf by:


Chris Brown
Chairman
Dawn Whitmore
Accounting Officer


**THE SMB GROUP
GOVERNING BODY'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY
AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING**


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 agreements and contracts with the ESFA. As part of its consideration the Corporation has had due regard to the requirements of the grant funding agreements and contracts with the ESFA.

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

We further 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.

Approved by order of the members of the Corporation on 18 January 2022 and signed on its behalf by:



Chris Brown
Chairman

Dawn Whitmore
Accounting Officer

THE SMB GROUP
STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

The members of the Corporation who act as trustees for the charitable activities of the College are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the College's funding agreement between the Education and Skills Funding Agency (ESFA) and the Corporation of the College requires the Corporation of the College to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction issued by the ESFA, Accounts Direction issued by the Office for Students and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and which give a true and fair view of the state of affairs of the College and the result for that year.

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

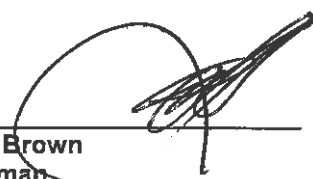
- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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 Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that funds from the ESFA are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Funding Agreement with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time. They are also responsible for ensuring funds from the Office for Students or other sources are properly applied for the purposes for which they have been given and in accordance with relevant legislation or terms and conditions attached to them.

Approved by order of the members of the Corporation on 18 January 2022 and signed on its behalf by:


Chris Brown
Chairman

THE SMB GROUP
INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE SMB GROUP

Opinion

We have audited the financial statements of The SMB Group (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2021 which comprise the consolidated and college statements of comprehensive income, the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2021 and of the Group's and the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and 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 governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or 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 governors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information contained within the Report and Financial Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

THE SMB GROUP
INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE SMB GROUP

We have nothing to report in this regard.

Opinion on other matters prescribed by the Office for Students' Accounts Direction

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 Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2020 to 2021 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

We have nothing to report in respect of the following matters where the Office for Students' accounts direction requires us to report to you if:

- the College's grant and fee income, as disclosed in the note 2 to the accounts, has been materially misstated.
- the College's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the Corporation of The SMB Group

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 18, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 Corporation is responsible for assessing the Group's and 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 Corporation either intend to liquidate the Group or 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.

THE SMB GROUP
INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE SMB GROUP

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the group and College operate in and how the group and college are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Further and Higher Education SORP, the College Accounts Direction published by the Education and Skills Funding Agency, and Regulatory Advice 9: Accounts Direction published by the Office for Students'. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those which are in relation to the Education Inspection Framework under the Education and Inspections Act 2006, Keeping Children Safe in Education under the Education Act 2002 and the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018. We performed audit procedures to inquire of management whether the group is in compliance with these law and regulations and inspected correspondence and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, and challenging judgments and estimates.

THE SMB GROUP
INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE SMB GROUP

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

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire
LE191SD

Date: 24/01/2022

THE SMB GROUP
CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 July 2021		Year ended 31 July 2020	
	<i>Notes</i>	Group £'000	College £'000	Group £'000	College £'000
Income					
Funding body grants	2	19,005	19,005	18,497	18,497
Tuition fees and education contracts	3	2,105	2,105	2,498	2,498
Other grants and contracts	4	908	908	1,307	1,307
Other income	5	1,611	1,776	2,810	2,714
Investment income	6	-	-	27	27
Total income		23,629	23,794	25,139	25,043
Expenditure					
Staff costs	7	16,611	16,611	17,384	17,384
Restructuring costs	7	499	499	561	561
Other operating expenses	8	6,492	6,424	7,426	7,239
Depreciation and amortisation	11-14	1,769	1,760	1,806	1,795
Interest and other finance costs	9	409	409	451	451
Total expenditure		25,780	25,703	27,628	27,430
Deficit before other gains and losses		(2,151)	(1,909)	(2,489)	(2,387)
Profit/ (Loss) on disposal of tangible fixed assets		1	1	(314)	(314)
Deficit before tax		(2,150)	(1,908)	(2,803)	(2,701)
Taxation	10	-	-	-	-
Deficit for the year		(2,150)	(1,908)	(2,803)	(2,701)
Remeasurement of net defined benefit pension liability	23	50	50	(5,754)	(5,754)
Other comprehensive income for the year		50	50	(5,754)	(5,754)
Total comprehensive income for the year		(2,100)	(1,858)	(8,557)	(8,455)

THE SMB GROUP
CONSOLIDATED AND COLLEGE STATEMENTS OF CHANGES IN RESERVES

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
College			
Balance at 1 August 2019	5,443	10,515	15,958
Deficit for the year	(2,701)	-	(2,701)
Other comprehensive income	(5,754)	-	(5,754)
Transfers between revaluation and income and expenditure reserves	374	(374)	-
Total comprehensive income for the year	(8,081)	(374)	(8,455)
Balance at 31 July 2020	(2,638)	10,141	7,503
Deficit for the year	(1,908)	-	(1,908)
Other comprehensive income	50	-	50
Transfers between revaluation and income and expenditure reserves	165	(163)	2
Total comprehensive income for the year	(1,693)	(163)	(1,856)
Balance at 31 July 2021	(4,331)	9,978	5,647


	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Group			
Balance at 1 August 2019	4,887	10,515	15,402
Deficit for the year	(2,803)	-	(2,803)
Other comprehensive income	(5,754)	-	(5,754)
Transfers between revaluation and income and expenditure reserves	374	(374)	-
Total comprehensive income for the year	(8,183)	(374)	(8,557)
Balance at 31 July 2020	(3,296)	10,141	6,845
Deficit for the year	(2,150)	-	(2,150)
Other comprehensive income	50	-	50
Transfers between revaluation and income and expenditure reserves	156	(163)	(7)
Total comprehensive income for the year	(1,944)	(163)	(2,107)
Balance at 31 July 2021	(5,240)	9,978	4,738

THE SMB GROUP
CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	12	-	20
Tangible assets	13	53,894	54,319
Investments	15	2	2
		<u>53,896</u>	<u>54,341</u>
Current assets			
Stocks	16	98	102
Debtors	17	1,588	2,332
Cash at bank and in hand	22	7,210	4,152
		<u>8,896</u>	<u>6,586</u>
Current liabilities			
Creditors: amounts falling due within one year	18	<u>(7,036)</u>	<u>(4,296)</u>
Net current assets		<u>1,860</u>	<u>2,290</u>
Total assets less current liabilities		55,756	56,631
 Creditors: amounts falling due after more than one year	 19	 (24,859)	 (25,339)
Provisions for liabilities			
Defined benefit pension schemes	21	(25,988)	(24,283)
Other provisions	21	<u>(171)</u>	<u>(164)</u>
Total net assets		<u>4,738</u>	<u>6,845</u>
Reserves			
Unrestricted reserves			
Income and expenditure account		(5,240)	(3,296)
Revaluation reserve		<u>9,978</u>	<u>10,141</u>
Total reserves		<u>4,738</u>	<u>6,845</u>

The financial statements on pages 23 to 47 were approved and authorised for issue by the Corporation on 18 January 2022 and were signed on its behalf on by:

Chris Brown
Chairman




Dawn Whitmore
Accounting Officer



THE SMB GROUP
COLLEGE BALANCE SHEET AS AT 31 JULY 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	12	-	20
Tangible assets	14	53,440	53,855
Investments	15	2	2
		<u>53,442</u>	<u>53,877</u>
Current assets			
Stock	16	90	97
Debtors	17	3,434	3,436
Cash at bank and in hand		6,565	4,020
		<u>10,089</u>	<u>7,553</u>
Current liabilities			
Creditors: amounts falling due within one year	18	(6,866)	(4,141)
Net current assets		<u>3,223</u>	<u>3,412</u>
Total assets less current liabilities		56,665	57,289
Creditors: amounts falling due after more than one year	19	(24,859)	(25,339)
Provisions for liabilities			
Defined benefit pension schemes	21	(25,988)	(24,283)
Other provisions	21	(171)	(164)
Total net assets		<u>5,647</u>	<u>7,503</u>
Reserves			
Unrestricted reserves			
Income and expenditure account		(4,331)	(2,638)
Revaluation reserve		9,978	10,141
Total reserves		<u>5,647</u>	<u>7,503</u>

The financial statements on pages 23 to 47 were approved and authorised for issue by the Corporation on 18 January 2022 and were signed on its behalf by:


Chris Brown
Chairman


Dawn Whitmore
Accounting Officer

THE SMB GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2021

	2021 £'000	2020 £'000
Operating activities		
Deficit for the year	(2,150)	(2,803)
Adjustment for non cash items		
Depreciation and amortisation	1,769	1,806
(Profit)/ loss on sale of fixed assets	(1)	200
Decrease in stocks	4	36
(Increase) / decrease in debtors	743	(259)
(Decrease)/ increase in creditors	1,963	(929)
Increase/(decrease) in provisions	2	(88)
Pension costs less contributions payable	1,757	1,733
Investment income	-	(27)
Interest payable	57	80
Cash generated from operating activities	<u>4,144</u>	<u>(251)</u>
Taxation paid	-	-
Net cash flow from operating activities	<u>4,144</u>	<u>(251)</u>
Investing activities		
Proceeds from sale of fixed assets	1	1
Investment income	-	27
Purchase of tangible fixed assets	(1,323)	(456)
Capital grants received	538	-
	<u>(784)</u>	<u>(428)</u>
Financing activities		
Interest paid	(57)	(80)
Proceeds of new borrowings	-	-
Repayments of borrowings	(239)	(235)
Repayment of obligations under finance leases	(6)	(5)
	<u>(302)</u>	<u>(320)</u>
Increase / (decrease) in cash and cash equivalents in the year	<u>3,058</u>	<u>(999)</u>
Cash and cash equivalents at beginning of the year	<u>4,152</u>	<u>5,151</u>
Cash and cash equivalents at end of the year	<u>7,210</u>	<u>4,152</u>

**THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021**

1 Accounting Policies

General Information

The SMB Group is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. A merger between Brooksby Melton College and Stephenson College took place on 1 February 2020. The secretary of state for Education approved the name change of Brooksby Melton College to The SMB Group from 1 February 2020. The address of the College's principal place of business is given on page 12. The nature of the College's operations are set out in the Members' report.

Statement of Accounting Policies

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

Basis of Accounting

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further Education and Higher Education (the FE HE SORP), the College Accounts Direction for 2020 to 2021 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The merger between Brooksby Melton College and Stephenson College has been accounted for as a group reconstruction using merger accounting in order to gain a continuous financial record for the College that reflects the fact that the Colleges have merely changed their legal form and that their purposes and beneficiary class remain unchanged. Hence the financial statements include the results of Stephenson College for the year ended 31 July 2020 as if it had always been part of the College.

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in sterling which is also the functional currency of the College. Monetary amounts in the financial statements are rounded to the nearest whole £1,000 except where otherwise indicated.

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain fixed assets.

Reduced Disclosures

In accordance with the FE HE SORP and FRS102, the College in its separate financial statements, which are presented alongside the consolidated financial statements, has taken advantage of the disclosure exemptions available to it in respect of presentation of a cash flow statement.

Basis of Consolidation

The consolidated financial statements include the College and its subsidiaries, Brooksby Enterprises Limited, Melton Leisure Services Limited and Brooksby Natural Resources Limited, controlled by the Group. Control is achieved where the Group has the power to govern the

**THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021**

1 Accounting Policies (continued)

Basis of Consolidation (continued)

financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances and unrealised gains on transactions between the group entities are eliminated on consolidation. The activities of the College and the Student Union are managed on a unified basis. The activities of the Student Union have been consolidated in these financial statements. The College exercises control over the Student Union. All financial statements are made up to 31 July.

Going Concern

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

The College currently has £2.3m of loans outstanding with bankers on terms negotiated in 2014, 2017 and 2020. Negotiations included the bankers providing an overdraft facility of £0.5m in 2018/19 and additionally a covenant regarding minimum cash balances to be held formed part of the 2020 negotiations following merger. The Corporation assesses its financial health to be "Good". The College's forecasts and financial projections to July 2023 indicate that it will be able to operate within this existing facility and covenants for the foreseeable future and that required loan repayments will be made. The College's projections include prudent assumptions around the recovery of commercial areas taking into account the ongoing impact of Covid-19 and the receipt of £2.725m in respect of the sale of the Spinney post year-end.

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.

Recognition of Income

Government revenue grants are accounted for under the accrual model and are recognised where a reliable estimate of the fair value of the asset received or receivable can be made on a systematic basis over the periods in which the related costs for which the grant compensates are recognised. The recurrent grant from OfS represents the funding allocation attributable to the current financial year and is recognised when received or receivable.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the adult skills 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 a reconciliation and is therefore not subject to contract adjustments and is recognised when receivable. Levy-funded and ESFA funding for co-investment model apprenticeships is measured in line with best estimates of the provision delivered in the year.

Government capital grants for assets, other than land, are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method. The deferred income is allocated between creditors due within one year and those due after more than one year. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

1 Accounting Policies (continued)

Other income (continued)

Income from the supply of services is recognised at the fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration.

Income from tuition fees is recognised in the period for which it is earned and includes all fees payable by students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Retirement Benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS) which are multi-employer defined benefit plans.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. 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. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Short Term Employment Benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. The cost of any unused holiday entitlement the College expects to pay in future periods is recognised in the period the employees' services are rendered.

Enhanced Pensions

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

THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

1 Accounting Policies (continued)

Fixed Assets – Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and Buildings

Land and buildings inherited from the local education authority are stated in the balance sheet at deemed cost (being the valuation amount at the point of inheritance less depreciation). The main educational campuses were valued on the basis of depreciated replacement cost as the open market value for existing use was not readily available; all other properties on the estate were valued at open market values for existing use. The associated credit is included in the revaluation reserve. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the College of 40 or 50 years. Long leasehold buildings are depreciated on a straight line basis over the shorter of 25 years or the lease term.

Certain items of fixed assets were revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP and are measured on the basis of deemed cost, being the revalued amount at the date of revaluation.

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 capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. 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 income and expenditure account.

On adoption of FRS 15 (tangible fixed assets), the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life on a straight line basis as follows:

Plant and machinery	20% per year
Fixtures, fittings and equipment	6-10% per year
Motor vehicles	25% per year

THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

1 Accounting Policies (continued)

Fixed assets - Intangible assets

Software development costs are depreciated over their useful economic life on a straight line basis as follows:

Purchased software	25% per year
--------------------	--------------

Impairments of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset. Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged to Comprehensive Income on a straight-line basis over the lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital grants, the associated assets are designated as grant-funded assets.

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses in the separate financial statements of the college.

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in comprehensive income.

Stocks

Stocks are held at the lower of cost and net realisable value. Farm stocks are valued annually by a firm of independent chartered surveyors. Where necessary, provision is made for obsolete, slow moving and defective stocks.

THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

1 Accounting Policies (continued)

Cash and cash equivalents

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

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

Financial instruments

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

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 4% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation. The farming activities are regarded separately for VAT purposes and hence all input tax suffered relating to goods and services purchased for farming activities are fully recoverable.

Provisions and contingent liabilities

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding body and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 28, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs two members of staff involved in the administration of Discretionary Support Fund applications and payments.

**THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021**

1 Accounting Policies (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

- Determine whether leases entered into by the College either as a lessor or lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

- Determining whether the use of merger accounting is appropriate. Merger accounting assumes that:-
 - no party to the combination was portrayed as either acquirer or acquiree, either by its own board or management or by that of another party to the consideration;
 - there was no significant change to the beneficiaries of the underlying entities or the purpose of the benefits provided as a result of the combination; and
 - all parties to the combination, as represented by the members of the board, participated in establishing the management structure of the combined entity and in selecting the management personnel, and as such decisions were made on the basis of a consensus between the parties to the combination rather than purely by exercise of voting rights.

In preparing these financial statements, the following critical accounting estimates and assumptions have been applied:

- 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 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.
- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore 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.

THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

2 FUNDING BODY GRANTS

	2021 £'000	2021 £'000	2020 £'000	2020 £'000
	Group	College	Group	College
Recurrent grants				
Education and Skills Funding Agency - adult	2,168	2,168	2,451	2,451
Education and Skills Funding Agency - 16-18	9,903	9,903	9,004	9,004
Education and Skills Funding Agency - Apprenticeships	4,856	4,856	6,099	6,099
Office for Students	241	241	235	235
Specific grants				
Releases of government capital grants	655	655	676	676
Office for Students grant	36	36	32	32
ESFA Revenue grants	1,146	1,146	-	-
	19,005	19,005	18,497	18,497
Total Grant Income				
Grant Income from the Office for Students	277	277	267	267
Grant Income from other bodies	18,728	18,728	18,230	18,230
Total Grants	19,005	19,005	18,497	18,497

3 TUITION FEES AND EDUCATION CONTRACTS

	2021 £'000	2021 £'000	2020 £'000	2020 £'000
	Group	College	Group	College
Tuition fees	2,041	2,041	2,219	2,219
Education contracts	64	64	279	279
	2,105	2,105	2,498	2,498
Fee income for taught awards	1,013	1,013	1,061	1,061
Fee income from non-qualifying courses	1,092	1,092	1,437	1,437
Total Fee Income	2,105	2,105	2,498	2,498

4 OTHER GRANTS AND CONTRACTS

	2021 £'000	2021 £'000	2020 £'000	2020 £'000
	Group	College	Group	College
Other grants and contracts	908	908	1,307	1,307
	908	908	1,307	1,307

5 OTHER INCOME

	2021 £'000	2021 £'000	2020 £'000	2020 £'000
	Group	College	Group	College
Catering & residences	568	568	1,287	1,287
Farming activities	188	188	290	290
Other income generating activities	580	757	1,157	707
Miscellaneous income	275	263	76	430
	1,611	1,776	2,810	2,714

6 INVESTMENT INCOME

	2021 £'000	2021 £'000	2020 £'000	2020 £'000
	Group	College	Group	College
Distribution from subsidiary	-	-	-	-
Interest	-	-	27	27
	-	-	27	27

THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION - GROUP AND COLLEGE

The average number of persons (including key management personnel) employed by the Group and College during the year, expressed as average headcount and calculated on a monthly basis, was:

	2021 Number	2020 Number
Teaching staff	242	206
Non teaching staff	374	246
	<u>616</u>	<u>452</u>

Staff costs for the above persons:

	2021 £'000	2020 £'000
Wages & salaries	11,358	12,045
Social security costs	986	1,037
Other pension costs	3,824	3,901
Payroll sub-total	<u>16,168</u>	<u>16,983</u>
Contracted out staffing services	443	401
	<u>16,611</u>	<u>17,384</u>
Contractual restructuring costs	499	561
Non contractual restructuring costs	-	-
Total staff costs	<u>17,110</u>	<u>17,945</u>

Key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling activities of the College. In the prior year this was represented by the Senior Management Team which was comprised of nine people. During the year, the College restructured the management team and the key management personnel were represented by the Executive Group which was made up of the Principal, Deputy Principal, Vice Principal of Resources, Vice Principal of Business Development, Vice Principal of Human Resources and Organisational Development, and Vice Principal of Corporate Services.

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:	6	9

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

	Key management personnel		Other Staff	
	2021 No.	2020 No.	2021 No.	2020 No.
£55,001 to £60,000 p.a.	-	2	1	-
£70,001 to £75,000 p.a.	-	1	2	-
£75,001 to £80,000 p.a.	-	-	-	-
£80,001 to £85,000 p.a.	5	4	1	-
£100,001 to £105,000 p.a.	-	-	-	-
£135,001 to £140,000 p.a.	1	1	0	-
£145,001 to £150,000 p.a.	-	-	-	-
£155,001 to £160,001 p.a.	-	1	-	-
	<u>6</u>	<u>9</u>	<u>4</u>	<u>0</u>

THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION - GROUP AND COLLEGE (continued)

Key management personnel compensation, including the Accounting officer, is made up as follows:	2021	2020
	£'000	£'000
Salaries	460	683
Employer's National Insurance	57	87
Benefits in kind	1	1
	<u>518</u>	<u>771</u>
Pension contributions	109	151
Contractual restructuring costs	129	299
Non contractual restructuring costs	-	-
Total emoluments	<u>756</u>	<u>1,221</u>

There were no amounts due to key management personnel that were waived in the year. Salary sacrifice arrangements for Childcare Vouchers were in place for one of the above key management personnel.

The emoluments above include amounts payable to the Accounting Officer (who is the highest paid key management personnel) of:

	2021	2020
	£'000	£'000
Salaries	140	222
Benefits in kind	1	1
	<u>141</u>	<u>223</u>
Pension contributions	34	45
Total	<u>175</u>	<u>268</u>

The figures relating to the prior year includes the salary of the previous Accounting Officer for part of the year.

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

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

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

A similar approach was used to determine the remuneration of other key management personnel.

The relationship between the accounting officer's emoluments, expressed as a multiple of all other employees based on full-time equivalents, is set out below for both basic salary and total remuneration.

	2021	2020
	No	No
Basic salary as a multiple of median basic salary of staff	6.9	7.4
Total remuneration as a multiple of median total remuneration of staff	7.0	7.7

Compensation for loss of office paid to former key management personnel

	2021	2020
	£'000	£'000
Compensation paid to former post holders - contractual	<u>129</u>	<u>299</u>

All severance payments are approved by the College Remuneration Committee.

Governors' remuneration

The Accounting Officer and the staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the college in respect of their roles as governors.

During the year 0 (2020: 6) governors with total expenses of £ Nil (2020: £2,698) were paid to or on their behalf in respect of travel and subsistence and other out of pocket expenses incurred in the course of their duties.

THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

8 OTHER OPERATING EXPENSES

	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
	Group	College	Group	College
Teaching costs	2,040	2,040	2,855	2,880
Non teaching costs	2,490	2,422	2,827	2,614
Premises costs	1,962	1,962	1,744	1,745
	6,492	6,424	7,426	7,239

Deficit before taxation is stated after charging:

	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
	Group	College	Group	College
Fees payable to RSM LLP in respect of both audit and non audit fees (including VAT):				
- Audit of statutory accounts	52	36	40	30
- Other non statutory audit services	5	5	9	9
Internal Audit	3	3	6	6
Hire of assets under operating leases	135	135	172	172

The Financial statements auditors' remuneration including VAT includes £12,150 (2020: £11,844) in respect of audit fees for subsidiary undertakings.

8a ACCESS AND PARTICIPATION EXPENDITURE

	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
	Group	College	Group	College
Access investment	52	52	51	51
Financial support provided to students	11	11	11	11
Support for disabled students	-	-	-	-
Research and evaluation related to access and participation	14	14	14	14
	77	77	76	76

The College's access and participation plan is available on the College's website at <https://www.smbgroup.ac.uk>

9 INTEREST PAYABLE AND OTHER FINANCE COSTS

	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
	Group	College	Group	College
Interest on bank loans and overdrafts	56	56	80	80
Interest on finance leases	1	1	-	-
Interest on Enhanced Pension Provision	2	2	3	3
Net interest on defined pension liability (note 21 and 23)	350	350	368	368
	409	409	451	451

10 TAXATION - GROUP ONLY

The college was not liable for any corporation tax arising out of its activities during this year or the prior year.

	2021	2020
	£'000	£'000
Current tax in relation to the subsidiaries		
United Kingdom corporation tax	-	-

The standard rate of tax applied to reported profit is 19% (2020: 19%)

THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

11 INTANGIBLE FIXED ASSETS (GROUP)

	Purchased software £'000
Cost	
At 1 August 2020	254
Additions	-
At 31 July 2021	254
Amortisation	
At 1 August 2020	234
Charge for the year	20
At 31 July 2021	254
Net book value	
At 31 July 2021	-
Net Book Value	
At 31 July 2020	20

12 INTANGIBLE FIXED ASSETS (COLLEGE)

	Purchased software £'000
Cost	
At 1 August 2020	234
Additions	-
At 31 July 2021	234
Amortisation	
At 1 August 2020	214
Charge for the year	20
At 31 July 2021	234
Net book value	
At 31 July 2021	-
Net Book Value	
At 31 July 2020	20

13 TANGIBLE FIXED ASSETS (GROUP)

	Land and buildings		Plant & Machinery £'000	Fixtures, Fittings & Equipment £'000	Motor Vehicles £'000	Total £'000
	Freehold £'000	Long Leasehold £'000				
Cost or valuation						
At 1 August 2020	69,497	290	947	9,411	40	80,185
Additions	-	-	-	1,323	-	1,323
Disposals	(420)	137	(7)	(2,650)	1	(2,939)
At 31 July 2021	69,077	427	940	8,084	41	78,569
Depreciation						
At 1 August 2020	16,614	290	934	7,992	36	25,866
Charge for the year	1,333	28	26	361	1	1,749
Disposals	(219)	(64)	(76)	(2,585)	4	(2,940)
At 31 July 2021	17,728	254	884	5,768	41	24,675
Net book value						
At 31 July 2021	51,349	173	56	2,316	-	53,894
Net Book Value						
At 31 July 2020	52,883	-	13	1,419	4	54,319

THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

14 TANGIBLE FIXED ASSETS - (COLLEGE ONLY)

	Land and buildings					
	Freehold £'000	Long Leasehold £'000	Plant & Machinery £'000	Fixtures, Fittings & Equipment £'000	Motor Vehicles £'000	Total £'000
Cost or valuation						
At 1 August 2020	68,925	290	924	9,186	41	79,366
Additions	-	-	-	1,323	-	1,323
Disposals	(420)	137	-	(2,576)	-	(2,859)
At 31 July 2021	68,505	427	924	7,933	41	77,830
Depreciation						
At 1 August 2020	16,494	290	838	7,850	39	25,511
Charge for the year	1,328	28	26	356	2	1,740
Disposals	(220)	(64)	4	(2,581)	-	(2,861)
At 31 July 2021	17,602	254	868	5,625	41	24,390
Net book value						
At 31 July 2021	50,903	173	56	2,308	-	53,440
Net Book Value At 31 July 2020	52,431	-	86	1,336	2	53,855

Agricultural land was revalued as at 1 August 2014 at fair value by Fox Bennet a firm of independent chartered surveyors.

The net book value of equipment includes an amount of £0k (2020: £6k) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £6k (2020: £30k). The historical cost amount of revalued land and buildings is nil as they were inherited.

15 INVESTMENTS

	College 2021 £	College 2020 £
George Hern Trust	1,746	1,650
Investment in subsidiary companies at cost	6	6
	1,752	1,656

The College owns 100 per cent of the issued ordinary £1 shares in the following companies, all of which are incorporated and registered in England and Wales:

Name	Principal business activity
Brooksby Enterprises Limited	Commercial catering and conferences and management of equestrian centre. The commercial equestrian activity ceased trading during 2020-21.
Brooksby Natural Resources Limited	Income from mineral extraction.
Melton Leisure Services Limited	Theatre and room hire.

The Corporation are the managing trustees of a trust fund, the George Hern Trust.

16 STOCKS

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Farm stocks	83	83	87	87
Other stocks	15	7	15	10
	98	90	102	97

THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

17 DEBTORS

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Amounts falling due within one year				
Trade debtors	380	343	428	390
Amounts owed by subsidiary undertakings	-	1,887	-	1,153
Amounts owed by Stephenson Studio School (related entity)	61	61	6	6
Sundry debtors	75	75	111	107
Amounts owed by the ESFA	394	394	978	978
Prepayments and accrued income	678	674	809	802
	1,588	3,434	2,332	3,436

Amounts owed by subsidiary undertakings are non interest bearing and have no fixed repayment date.

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank loans and overdrafts	238	238	235	235
Obligations under finance leases	-	-	3	3
Payments received in advance	341	305	404	342
Trade creditors	688	658	357	355
Amounts owed to subsidiary undertakings	-	16	-	-
Other taxation and social security	297	269	415	403
Corporation tax	-	-	-	-
Accruals and deferred income	3,080	2,988	1,750	1,671
Deferred income - Government capital grants	764	764	661	661
Amounts owed to the ESFA	1,628	1,628	471	471
	7,036	6,866	4,296	4,141

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank loans	2,072	2,072	2,313	2,313
Obligations under finance leases	-	-	2	2
Deferred income - Government capital grants	22,787	22,787	23,024	23,024
	24,859	24,859	25,339	25,339

THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

20 MATURITY OF DEBT

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
In one year or less	238	238	235	235
Between one and two years	168	168	235	235
Between two and five years	1,904	1,904	510	510
In five years or more	-	-	1,568	1,568
	<u>2,310</u>	<u>2,310</u>	<u>2,548</u>	<u>2,548</u>

Bank loans at 2.5% and overdrafts at 3.25% over base repayable by instalments falling due between 1 August 2020 and 30 November 2024 totalling £2,240,000 are secured on the Melton Campus.

Bank loans at 2.5% over base repayable by instalments falling due between 1 August 2020 and 31 July 2022 totalling £70,000 are secured on Church House.

(b) Finance leases

The total future minimum lease payments are payable:

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
In one year or less	-	-	3	3
Between two and five years	-	-	2	2
	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>

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

21 PROVISIONS FOR LIABILITIES

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2020	24,283	164	24,447
Amounts utilised	(891)	(12)	(903)
Additions in period	2,596	19	2,615
At 31 July 2021	<u>25,988</u>	<u>171</u>	<u>26,159</u>

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

The enhanced pension provision relates to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2021	2020
Price inflation	2.60%	2.20%
Discount rate	1.60%	1.30%

THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

22 ANALYSIS OF CHANGES IN NET FUNDS - GROUP

	At 1 August 2020 £'000	Cash Flows £'000	At 31 July 2021 £'000
Cash and cash equivalents			
Cash and cash equivalents	4,152	3,058	7,210
Overdrafts	-	-	-
	<u>4,152</u>	<u>3,058</u>	<u>7,210</u>
 Bank loans	 (2,547)	 237	 (2,310)
Finance leases	(5)	5	-
Net funds	<u>1,600</u>	<u>3,300</u>	<u>4,900</u>

23 RETIREMENT BENEFITS

The College's employees belong to two principal pension schemes, the Teachers' Pension Scheme (England and Wales) (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non teaching staff, which is managed by Leicestershire County Council. Both are multi employer defined benefit schemes.

Total pension cost for the year

	2021 £'000	£'000	2020 £'000	£'000
Teachers Pension Scheme: contributions paid		966		1,188
Local Government Pension Scheme:				
Contributions paid	1,453		1,351	
FRS 102 charge	<u>1,405</u>		<u>1,362</u>	
		2,858		2,713
Enhanced pension charge to Statement of Comprehensive Income		<u>-</u>		<u>-</u>
Total Pension Cost for Year within staff costs		<u>3,824</u>		<u>3,901</u>

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

Contributions amounting to £202k (2020: £119k) were payable to the schemes at 31 July and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. 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.

Valuation of the Teachers' pension scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

The latest actuarial valuation was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 except it has been prepared following the Government's decision to pause the operation of the cost control mechanisms at the time when legal challenges were still pending.

The valuation report was published in April 2019. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £218 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £196 billion
- Notional past service deficit of £22 billion
- Discount rate is 2.4% in excess of CPI

THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

23 RETIREMENT BENEFITS (continued)

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2020 onwards (compared to 16.48% during 2019/20). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020/21 academic year (also in prior year 2019/20).

The next valuation result is due to be implemented from 1 April 2023.

The pension costs paid to TPS in the year amounted to £966k (2020: £1,188k)

Local Government Pension Scheme

The LGPS is a funded defined benefit plan, with the assets held in separate funds administered by Leicestershire Local Authority. The total contributions made for the year ended 31 July 2021 were £1,811k of which employer's contributions totalled £1,453k and employee contributions totalled £358k. The agreed contribution rates for future years are 23.8% for employers and range from 5.5% and 12.5% for employees depending on salary.

Principal Actuarial Assumptions

The following is based on a full actuarial valuation of the Fund at 31 March 2019 updated to 31 July 2021 by a qualified independent actuary:

	At 31 July 2021 % per annum	At 31 July 2020 % per annum
Inflation assumption (CPI)	2.8%	2.1%
Rate of increase in salaries	3.3%	2.6%
Rate of increase for pensions	2.8%	2.1%
Discount rate for liabilities	1.6%	1.4%
Commutation of pensions to lump sums	50%	50%

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	2021 Years	2020 Years
Retiring today		
Male	21.7	21.5
Female	24.2	23.8
Retiring in 20 years		
Male	22.6	22.2
Female	25.9	25.2

The College's share of the assets in the plan at the balance sheet date were:

	Fair value at 31 July 2021 £'000	Fair value at 31 July 2020 £'000
Equities	25,750	20,280
Bonds	12,875	11,029
Property	3,108	2,847
Cash	2,663	1,423
Total fair value of plan assets	44,396	35,579
Actual return on plan assets	7,393	(2,660)

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	44,396	35,579
Present value of plan liabilities	(70,384)	(59,862)
Net pensions liability (Note 21)	(25,988)	(24,283)

THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

23 RETIREMENT BENEFITS (continued)

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

	2021 £'000	2020 £'000
Amounts included in staff costs		
Current service cost (net of employer contributions)	1,336	1,292
Past service cost	69	70
Total	1,405	1,362
	2021 £'000	2020 £'000
Amounts included in interest payable and other finance costs		
Net interest cost	350	368
	350	368
	2021 £'000	2020 £'000
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	7,393	(2,660)
Changes in demographic assumptions	(902)	(1,080)
Changes in assumptions underlying the present value of plan liabilities	(7,271)	(4,632)
Other experience gains	830	2,635
Amount recognised in Other Comprehensive Income	50	(5,737)

The £50k gain (2020: £5,754k loss) in Other Comprehensive Income includes an actuarial loss of £14k (2020: £17k loss) for the enhanced pension provision.

	2021 £'000	2020 £'000
Movement in net defined deficit in year		
Net defined deficit in scheme at 1 August	(24,283)	(16,816)
Movement in year:		
Current and past service cost	(2,858)	(2,713)
Employer Contributions	1,453	1,351
Net interest on the defined liability	(350)	(368)
Actuarial gain / (loss)	50	(5,737)
Deficit in scheme at 31 July	(25,988)	(24,283)

Asset and Liability Reconciliation

	2021 £'000	2020 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	59,862	53,504
Current service cost	2,789	2,643
Past service cost	69	70
Interest cost	854	1,148
Employee contributions	358	367
Changes in financial assumptions	7,271	4,632
Changes in demographic assumptions	902	1,080
Estimated benefits paid	(891)	(947)
Other experience gains	(830)	(2,635)
Defined benefit obligations at end of period	70,384	59,862

THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

23 RETIREMENT BENEFITS (continued)

Changes in fair value of plan assets	2021 £'000	2020 £'000
Fair value of plan assets at start of period	35,579	36,688
Interest on plan assets	504	780
Return on plan assets (excluding net interest on the net defined benefit liability)	7,393	(2,660)
Employer contributions	1,453	1,351
Employee contributions	358	367
Estimated benefits paid	(891)	(947)
Fair value of plan assets at end of period	44,396	35,579

24 POST BALANCE SHEET EVENTS

The College disposed of a property (The Spinney) in September 2021 for the sum of £2,725,000.

25 CAPITAL COMMITMENTS

	Group and College	
	2021 £'000	2020 £'000
Commitments contracted for at 31 July	-	-

26 COMMITMENTS UNDER OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows: -

	Group and College	
	2021 £'000	2020 £'000
Payments due:		
Not later than one year	80	71
Later than one year and not later than five years	81	8
	161	79

27 RELATED PARTY TRANSACTIONS

The Members of the Corporation other than the Accounting Officer and staff members did not receive any payment other than the reimbursement of travelling expenses incurred in the performance of their duties.

The Accounting Officer and the staff members only receive remuneration in respect of services they provide undertaking their roles of principal and staff members under contracts of employment and not in respect of their roles as governors. The total expenses paid to or on behalf of the Governors during the year was £ Nil (2020: £2,698). This represents travel and subsistence expenses and other out of pocket expenses.

The Stephenson Studio School Trust is a related party by virtue of the Principal, Vice Principal of Quality and Development and Chair of the College being on the Board of Trustees of the Stephenson Studio School Trust. During the year the College charged The Stephenson Studio School Trust £401,327 (2020: £235,350) in respect of school link, accommodation and related charges. At 31 July 2021 there was an amount of £61,000 (2020: £6,000) that was owed by The Stephenson Studio School Trust and is included in debtors.

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

Key management compensation disclosure is given in note 7.

THE SMB GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

28 AMOUNTS DISBURSED AS AGENT

Learner Support Funds	2021 £'000	2020 £'000
Brought Forward	69	-
Inclusion of historic unspent amounts	97	-
Funding body grants - bursary support 19/20	8	276
Funding body grants - bursary support 20/21	314	67
Funding body grants - residential bursaries	99	-
	<u>587</u>	<u>343</u>
Repaid to ESFA	(41)	-
Disbursed to students	(310)	(260)
Administration charges	(16)	(14)
Amount consolidated in the financial statements	(62)	-
	<u>(429)</u>	<u>(274)</u>
Balance unspent at 31 July 2021, included in creditors	<u>158</u>	<u>69</u>

Funding body grants are available solely for students. In the majority of instances, the College acts only as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure consolidated in the College's financial statements relates to the payment of transport, equipment and residential costs by the College on the student's behalf. The brought forward balance in 2021 includes historic unspent amounts from 2020 and prior years.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF THE SMB GROUP AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH EDUCATION AND SKILLS FUNDING AGENCY

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA") or any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by The SMB Group during the period 1 August 2020 to 31 July 2021 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) data returns, for which the ESFA has other assurance arrangements in place.

We are independent of The SMB Group in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

Responsibilities of the Corporation of The SMB Group for regularity

The Corporation of The SMB Group is responsible, under the grant funding agreements and contracts with the ESFA and 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. The corporation of The SMB Group is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report

This report is made solely to the Corporation of The SMB Group and the Secretary of State for Education acting through the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of The SMB Group and the Secretary of State for Education acting through the 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 The SMB Group and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
Rivermead House
7 Lewis Court
Grove Park
Leicestershire
LE19 1SD

Date: 24/01/2022